CELEBRATING 50

SINCE 1967

RESPONSIBLE ENTREPRENEURSHIP

sunshine holdings plc

ANNUAL REPORT 2016/17

50th Anniversary Celebrations - 31st March 2017

CELEBRATING 50 SINCE 1967
RESPONSIBLE ENTREPRENEURSHIP

ILLUMINATING HEALTHCARE, AGRIBUSINESS & CONSUMER GOODS

Sunshine Holdings PLC celebrates half a century of achievement, a conglomerate holding diverse subsidiaries together, with each business evolving through responsible entrepreneurship.

We excel in three vital sectors of our country's economy, giving birth to stellar new brands.

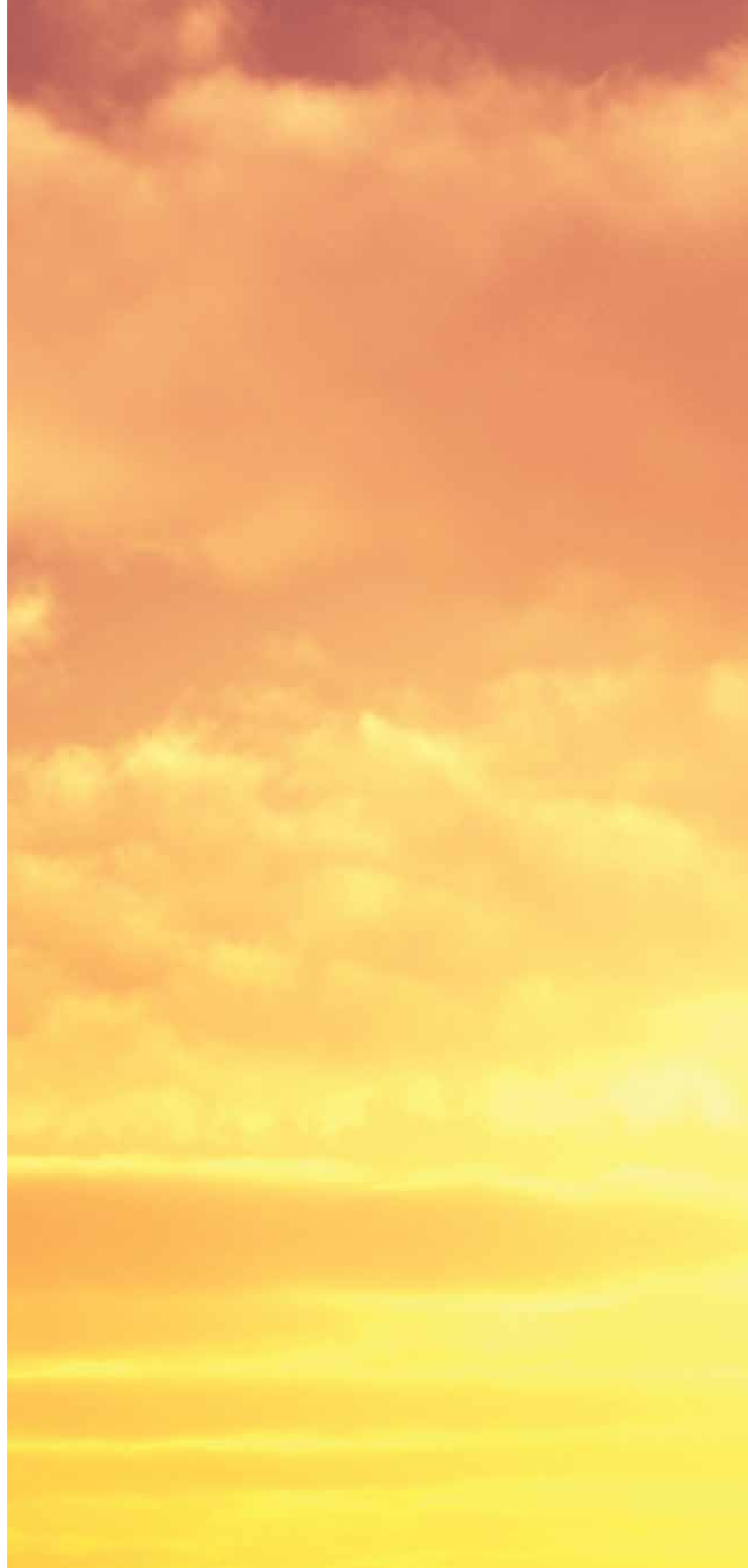
Our exceptional employees sustain the life of every business they touch.

We joyously radiate prosperity to our stakeholders, investors, and both foreign and local partners.

With the energy of the sun, dynamic and still so young, we celebrate 50.

CELEBRATING 50 SINCE 1967

RESPONSIBLE ENTREPRENEURSHIP



50 YEARS OF SUNSHINE

Many years ago in a small pharmacy in the hill capital, a teenage boy would arrive to work. Here he observed, listened and learned. The dynamics of the pharma business were thirstily absorbed until the urge to open his own became irresistible.

He and his brother, with the tiny capital of Rs. 5,000 opened Lanka Medicals, a little pharmacy within the market complex in Gampola.

Today, 50 eventful years later, that pharmacy has metamorphosed into a diverse conglomerate ranked among the LMD's top 50 companies in Sri Lanka, generating US$ 127 million in revenue.

Our founder Chairman’s indomitable spirit, infinite courage and inaudible humility are inspirational and border on the unbelievable. Proudly upheld and reflected in the Group celebrating a golden jubilee which shines as incandescent as our name suggests, Sunshine.

VISION

To be the most admired conglomerate in Sri Lanka

MISSION

Growing our enterprises to be industry leaders

VALUES

Innovation

Continuous improvement through change

Perseverance

Never give up

Trust

The foundation upon which we grow

Responsibility

Accountable to all stakeholders

Integrity

Honest, open and transparent

CELEBRATING 50 SINCE 1967
RESPONSIBLE ENTREPRENEURSHIP

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CELEBRATING 50 SINCE 1967
RESPONSIBLE ENTREPRENEURSHIP

GROUP PERFORMANCE

Our sectors gravitate around us making our universe

The two brothers toiled long hours driving their van to every corner of this land delivering products. Five decades later sees the second largest private healthcare marketing company in the country.

The other subject that intrigued our Founder in the small pharmacy that was his school was about plantations. His teachers were the planters who frequented his pharmacy. The lessons were their tales and anecdotes of managing the business and challenges faced. He listened spellbound. It is unlikely his mentors foresaw 12,440 hectares of tea, oil palm, rubber and cinnamon.

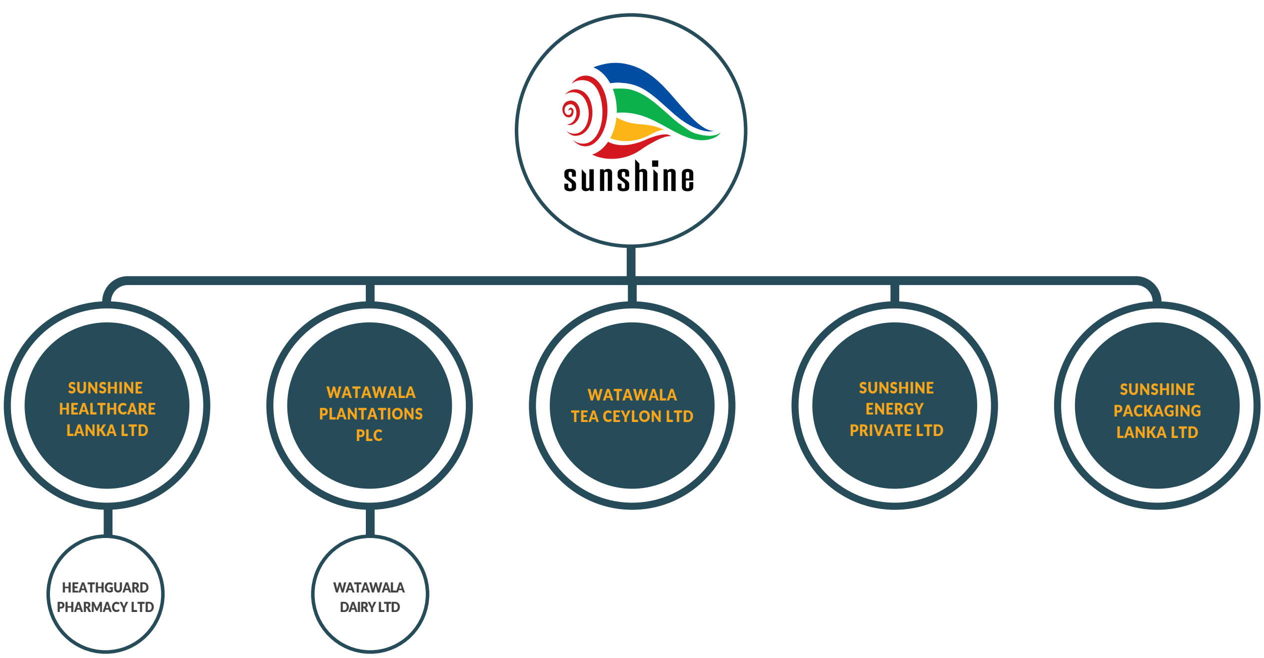
His father's small income came by supplying milk to shops in town and he might have dreamt his son would too someday. He wouldn't have imagined 30,000 litres a day.

The sun exudes power and energy and it seems natural for us to produce renewal energy adding value to the nations economy while making it greener.

SECTOR SYNOPSIS

Sector Synopsis			
	Sector Companies	**Legal Form**	**Nature of Business**
Healthcare	Sunshine Healthcare Ltd	Limited Liability	Marketing and promoting pharmaceutical and medical devices to the public and private healthcare sectors.
	Healthguard Pharmacy Ltd	Limited Liability	Retailer of pharmaceuticals, beauty and wellness products.
Consumer Goods	Watawala Tea Ceylon Ltd	Limited Liability	Selling branded teas in the domestic and international markets.
Agribusiness	Watawala Plantations PLC	Public Limited Liability	Engage in tea plantations for exports, palm oil for the domestic market, and minor export crops.
	Watawala Dairy Ltd	Limited Liability	Engage in commercial dairy farming operations.
Energy	Sunshine Energy Private Ltd	Private Limited Liability	Engage in renewable energy- generating and supplying hydropower to the Ceylon Electricity Board.
Packaging	Sunshine Packaging Lanka Ltd	Limited Liability	Engage in metal packaging for tea and confectionery industries.

GROUP STRUCTURE



PARTNERSHIPS

MILESTONES

1967

Entrepreneurial quest begins as Lanka Medicals

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 Bn

2002/03

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

1.8 Bn

2004/05

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

4.7 Bn

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 Bn

2009/10

Sunshine Holdings announced a 1:10 stock split

Established Sunshine Energy

9.4 Bn

CELEBRATING 50 SINCE 1967

RESPONSIBLE ENTREPRENEURSHIP

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 Bn

2012/13

Maintained number 2 Branded Tea company in SL

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

13.1 Bn

2013/14

JV with Wilmar International to strengthen Agribusiness

14.7 Bn

2014/15

Healthcare re-branded the company as Sunshine Healthcare Lanka

Consumer Goods 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

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

2016/17

Celebrating 50th anniversary.

Commencement of second mini-hydropower plant in Upper-Waltrim region.

Watawala Plantations PLC recorded highest profit for a plantation company in the history - 1.3 Bn

'Most Innovative Holding Group' by Global Banking and Finance Review, UK

Japan's SBI acquires a strategic stake of 11% of Sunshine Holdings PLC

SLIM Nielsen Peoples 'Hot Beverage Brand of the Year' award for Watawala Tea.

19.2 Bn

GROUP AT A GLANCE

GROUP	Rs. million
Revenue	19,217
EBIT	2,098
PAT	1,621
Total Comprehensive Income (TCI)	1,716
Profit for owners of parent	572
Total Assets	17,933
EPS	4.23
Employees	10,795

19.2

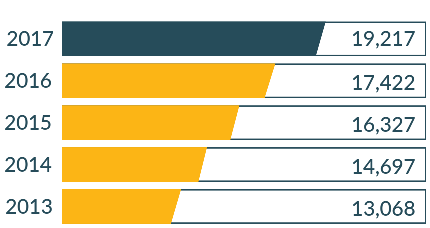
GROUP REVENUE

(Rs. billion)

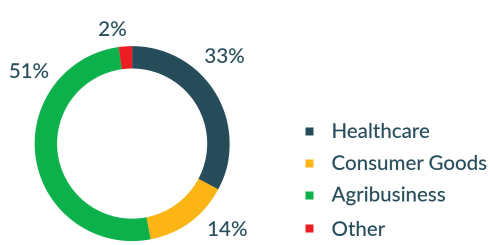
1.72

TCI (Rs. billion)

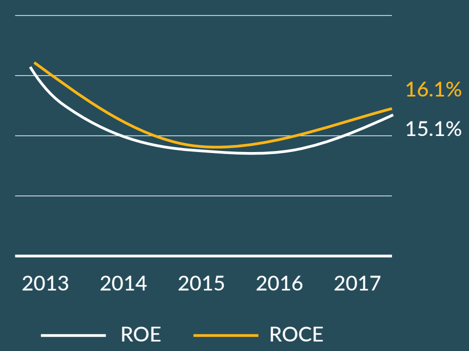
REVENUE (Rs. million)



PROFIT FOR EQUITY HOLDERS SEGMENTS (Contribution %)

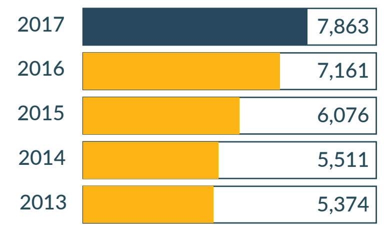


ROE & ROCE (Return %)



HEALTHCARE	(Rs. million)
Revenue	7,863
EBIT	343
PAT	198
Total Comprehensive Income (TCI)	204
Total Assets	4,069
Employees	818

Revenue (Rs. million)

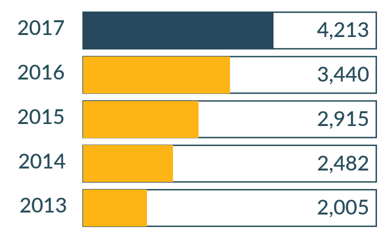


204

TCI
(Rs. million)

CONSUMER GOODS	(Rs. million)
Revenue	4,213
EBIT	303
PAT	275
Total Comprehensive Income (TCI)	273
Total Assets	1,503
Employees	195

Revenue (Rs. million)

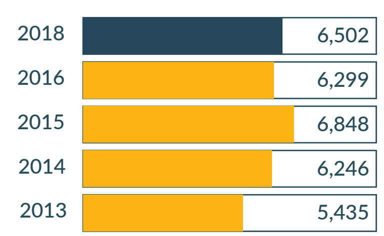


273

TCI
(Rs. million)

AGRIBUSINESS	(Rs. million)
Revenue	6,502
EBIT	1,494
PAT	1,226
Total Comprehensive Income (TCI)	1,309
Total Assets	9,113
Employees	9,603

Revenue (Rs. million)

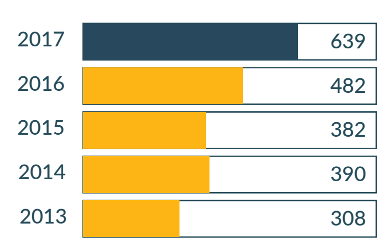


1,309

TCI
(Rs. million)

STRATEGIC INVESTMENTS	(Rs. million)
Revenue	639
EBIT	(42)
PAT	(78)
Total Comprehensive Income (TCI)	(70)
Total Assets	3,247
Employees	179

Revenue (Rs. million)



(70)

TCI
(Rs. million)

FINANCIAL HIGHLIGHTS

	Group		Company	
	2017 Rs	**2016 Rs**	**2017 Rs**	**2016 Rs**
Results for the year ended 31st March				
Revenue	19,216,569,056	17,422,249,764	414,779,815	265,431,378
Gross Profit	4,827,376,519	4,092,816,148	260,872,032	249,066,576
Gross Profit Margin %	**25.12%**	**23.49%**	**n/m**	**n/m**
EBIT	**2,097,638,215**	**1,660,598,576**	**107,404,856**	**157,704,853**
Net Finance Cost	(46,091,595)	(67,946,115)	83,395,975	63,471,545
Profit Before Tax	2,051,546,620	1,591,244,008	190,800,831	221,176,398
Income Tax	(430,325,906)	(373,645,411)	(342,692)	(769,355)
Profit for the Year	**1,621,220,714**	**1,217,598,597**	**190,458,139**	**220,407,043**
Profit Margin %	**8.44%**	**6.99%**	**n/m**	**n/m**
Other Comprehensive Income (Net of Tax)	94,713,453	92,461,096	6,968,821	(6,992,058)
Total Comprehensive Income	**1,715,934,167**	**1,310,059,693**	**197,426,960**	**213,414,985**
Total Comprehensive Income Margin %	**8.93%**	**7.52%**	**n/m**	**n/m**
Profit for Equity Holders	606,019,587	605,789,388	197,426,960	213,414,985
As at 31st March				
Stated Capital	730,939,657	730,939,657	730,939,657	730,939,657
Shareholders' Funds	6,249,724,587	5,781,589,520	2,914,483,595	2,858,954,670
Non-controlling Interest	5,340,766,263	4,168,557,293	-	-
Total Equity	**11,590,490,850**	**9,950,146,813**	**2,914,483,595**	**2,858,954,670**
Long Term liabilities				
- Debt	1,226,846,031	1,279,610,187	-	-
- Others	1,612,481,050	1,604,209,407	51,881,378	43,198,526
Current Liabilities				
- Debt	1,069,068,831	879,640,369	-	-
- Others	2,434,572,437	2,408,386,885	15,817,458	13,691,515

	Group		Company	
	2017 Rs	2016 Rs	2017 Rs	2016 Rs
Total Equity & Liabilities	**17,933,459,199**	**16,121,993,661**	**2,982,182,431**	**2,915,844,711**
Non-Current Assets	9,721,305,169	9,293,473,964	2,010,153,586	1,777,258,116
Current Assets				
- Cash & Cash Equivalents	1,876,004,662	1,465,372,953	731,712,191	894,039,444
- Others	6,336,149,368	5,363,146,744	240,316,654	244,547,151
Total Assets	**17,933,459,199**	**16,121,993,661**	**2,982,182,431**	**2,915,844,711**
For the Year Ended 31st March				
Cash Generated from Operations	1,789,083,357	2,021,130,403	163,032,475	168,059,807
Income Tax Paid	(280,902,593)	(296,199,966)	(938,743)	(2,252,629)
Interest Paid	(241,141,996)	(176,960,928)	(2,335,771)	(1,569,267)
Gratuity Paid	(149,790,009)	(126,136,810)	-	(6,205,240)
Net Cash Generated from Operations	**1,117,248,759**	**1,421,832,699**	**159,757,961**	**158,032,671**
Capital Expenditure	(1,659,611,475)	(902,030,560)	(2,104,095)	(7,532,746)
Net cash Generated from/ (used in) Investing Activities	**(760,820,726)**	**(1,351,558,563)**	**(180,187,179)**	**(86,858,568)**
Dividend Paid				
- Equity shareholders of the Company	(141,898,035)	(128,383,937)	(141,898,035)	(128,383,937)
- Non-controlling Shareholders	(282,481,955)	(229,598,634)	-	-
Net Cash Generated from / (used in) Financial Activities	**(233,766,751)**	**(27,021,171)**	**(141,898,035)**	**(128,383,937)**
Net increase/ (Decrease) in Cash	**122,661,282**	**43,252,965**	**(162,327,253)**	**(57,209,834)**
Per Ordinary Share				
EPS	4.23	4.34	1.41	1.63
Net Assets	46.25	42.78	21.57	21.16
Market Value	46.10	50.00	46.10	50.00
DPS	1.50	1.05	1.50	1.05
Ratio				
Debt: Equity Ratio	19.81%	21.70%	0.00%	0.00%
ROE	15.10%	12.90%	6.77%	7.46%
ROCE	16.10%	14.40%	3.69%	5.52%
Interest Cover	8.70x	9.38x	n/m	n/m
Liquid Assets Ratio	1.19x	1.19x	n/m	n/m
P/E Ratio	10.89x	11.52x	n/a	n/a
Market Capitalization (Rs.)	6,229,999,455	6,757,049,300	n/a	n/a
Enterprise Value (Rs.)	6,649,909,655	7,450,926,903	n/a	n/a

n/m - Not meaningful. n/a - Not applicable

CHAIRMAN'S MESSAGE

Dear Shareholder,

Welcome to the 44th Annual General Meeting of Sunshine Holdings PLC. On behalf of the Board, I am pleased to present the Annual Report and Financial Statements for the year ended 31st March 2017.

Reinforcing our presence as a diversified conglomerate, we continued to gear our businesses to achieve entrepreneurial excellence—befitting our 50-year legacy. Our business acumen, market positioning, and strategic collaborations underlined our resilience in the face of adversities to meet our strategic aspirations.

BUSINESS LANDSCAPE

The uncertainty and geopolitical tensions across nations continued to impact the global economy in 2016. Economic activity, however, gained momentum towards the second half of the year led by rebounding global economy. We saw firmer consumer and investor confidence, moderation in deflationary trends and buoyancy in the financial markets. The emerging markets and developing economies, on the other hand, were moving on divergent courses with mixed results. The upward trends witnessed in commodity prices cushioned the export-led economies; yet, the normalisation of monetary policy in the United States along with US

"Reinforcing our presence as a diversified conglomerate, we continued to gear our businesses and reach out to entrepreneurial excellence—befitting our 50-year legacy."

dollar appreciation, inter-alia, stifled the potential performance in these economies.

Challenged by the uneven growth patterns in the global economy coupled with structural and policy constraints and adverse weather in the domestic front, the Sri Lankan economy slowed during 2016. Addressing the macroeconomic imbalances, we saw policy directed towards a tighter stance in monetary policy, greater fiscal consolidation in terms of revenue and intervention in determining the exchange rate in the first half of the year. Inflation trended upwards and settled at mid-single digit levels and the excessive growth in private sector credit was curtailed. The external sector weakened with the balance of payment recording a deficit. The country's GDP growth was modest at 4.4 percent, below the level recorded in the preceding year.

CONSOLIDATED PERFORMANCE

We witnessed a challenging operating backdrop in the reporting year—macroeconomic uncertainties, new healthcare regulations and price controls, extremities in weather, labour issues in the plantations and rising input prices in our consumer goods sector. Notwithstanding these challenges, our businesses delivered a commendable performance. The management across the network was focused and perceptive in their strategy, ensuring that the right decisions were made on scaling up the market share, investing in new ventures, building partnerships and managing the changes within the regulatory framework.

Our consolidated revenue increased by 10.3 percent to Rs 19.2 billion whilst our net profits reached Rs. 1.6 billion. Our financial position continues to be healthy and we were able to reach positive returns on equity at 15.1 percent.

We propose a final dividend of Rs 1.75 per share, taking the total dividends in the year to Rs. 236 million.

COMMITTED TO BEST PRACTICES

Our commitment to uphold best practices is an intrinsic system, positioning us as a foremost conglomerate within the country's business arena. We blend in enduring values of responsibility, accountability and fairness with our business decisions to create sustainable value. We encourage, guide and support our businesses to be exemplary corporate citizens. I am indeed pleased with the sustainability measures that have been adopted across the Group and inspired by the enthusiasm of the team to volunteer and carry out meaningful social and environmental responsibility initiatives.

My colleagues on the Board are well aware of the of the need for high standards of governance and to ensure that they are reached. We continued to brace our governance structure with necessary risk management processes and internal controls during the year. We followed and complied with the prescribed governance codes and standards.

PATH AHEAD

Celebrating 50 years in business, it is time to look back in retrospect of our journey, our milestones and our accomplishments. It is also time for us to re-commit to our corporate ideals, gear our operations to meet the challenges ahead, secure the opportunities and look forward to reach greater heights. We will consolidate our businesses and progressively and strategically tap the growth potential to reap optimum returns. We intend to strenghthen our principals, enter into new partnerships, explore new markets, divest underperforming ventures and collaborate with relevant stake holders to iron out pressing issues at an industry level.

We look forward to strengthening our presence in the healthcare sector; building a high-end brand for Healthguard Pharmacy, and retaining our leadership position for our tea brands. We are excited to see our new dairy venture, dairy farming, take off commercially. We will continue to look for new opportunities within the renewable energy sector.

"We blend in our enduring values of responsibility, accountability and fairness with our business decisions to create sustainable value, reaching out to all our stakeholders."

APPRECIATION

Moving on from humble beginnings, today, we stand as one of the most respected and admired conglomerates in the country. It is indeed fitting to remember and pay a tribute to our founder, Mr. Govindasamy Sathasivam, whose visionary thinking and entrepreneurial spirit still reverberate across our organisation, guiding and shaping the way we do business.

My heartfelt gratitude to the Board of Directors for their commitment and foresight in taking our organisation forward, navigating through times of trials and uncertainties. The management and the team deserves a special commendation for their diligent efforts, perseverance and professionalism in working towards our strategic goals. My appreciation goes out to our valued customers, shareholders, business partners and other stakeholders for their confidence and trust placed in our organisation. I hope to see and call for their continued and unstinted support as we step into another decade.

Munir Shaikh
Chairman
Sunshine Holdings PLC
31st May 2017

GROUP MANAGING DIRECTOR'S REVIEW

Resilient and decisive in managing the complexities that prevailed in the year, Sunshine Holdings PLC delivered on business expectations and accomplished some key milestones across the core sectors. It was a year of mixed results. Our expertise, team strength and spirit and more so, our ethical business values which we have nurtured over five decades, supported us to respond and steer through the marketplace dynamics and capture viable opportunities. It is my pleasure to present a review of our consolidated group and sector performance for the financial year ended 2016/17, along with our strategic plans to propel the group to achieve greater heights in the future.

BUSINESS APPROACH

Building on our legacy, we advocate a holistic business model to create long-term value. Our main goal is not merely to maximise profits, but we are concerned and conscientious enough to bring in greater sustainability to our value creation process. Our focus is on the triple-bottom-line; integrating and achieving our economic value goals with social and environmental responsibility. This is the essence of our business strategy which is reflected across the Sunshine group.

Within this framework, this year, we continued to focus on developing each of our core business segments. Given our corporate standing, brand strength and astuteness, we were able to extend a solid platform where we could embrace innovation, secure new market opportunities, scale up and adopt current and best practices in business. We remained supportive, encouraging and engaging our businesses/business partners and made strategic investments in critical success areas—encompassing technology; team empowerment and their wellbeing; adopting viable measures to reduce our existing carbon footprint; and community-based projects and initiatives to support

"In an overall and holistic sense, we stayed true to our fervent commitment for good governance, underscoring our Group strength and stability."

underprivileged communities, particularly within the estate sector. As in prior years, we seriously considered our policy advocacy role both within the healthcare and plantation sectors to address the respective industry issues. In an overall and holistic sense, we stayed true to our fervent commitment for good governance, underscoring our Group strength and stability.

CONSOLIDATED GROUP PERFORMANCE

Standing strong against the headwinds that were prevalent within our business landscape, our Group managed to sustain sound results in the year under review. Led by our three key sectors, the consolidated top-line grew by 10.3 percent to reach Rs. 19.2 billion vis-à-vis Rs. 17.4 billion achieved in the previous financial year. The Healthcare sector continued to dominate despite market difficulties, taking a 40.5 percent share of the consolidated revenue followed closely by the agribusiness sector accounting for 33.5 percent. Our emerging fast-moving consumer goods (Consumer Goods) sector followed up with 21.7 percent of the top-line contribution.

Complemented by our focused cost rationalisation strategies implemented across the board, our net profits for the year under review was Rs. 1.6 billion, corresponding to an increase of 33.1 percent over the previous financial year. Our annualised Return on Equity (ROE) was positive at 15.1 percent. However, Earning per Share (EPS) contracted by 2.5 percent to Rs. 4.23 per share.

We maintained a healthy financial position as at 31st March 2017 with an asset growth of 11.2 percent to reach Rs. 17.9 billion—garnering towards maintaining a healthy current ratio.

SECTOR PERFORMANCE

Healthcare

Our flagship sector, healthcare, was challenged by the 'ad-hoc' regulatory environment which was prevalent in the Pharmaceutical industry during the year under review. The new price mechanism controlling over 48 molecules sent shock-waves across the market. The weaker rupee/currency depreciation further intensified the industry afflictions.

Clearly, both our companies within the sector—Sunshine Healthcare Lanka Ltd and Healthguard Pharmacy Ltd—grappled with such volatile market conditions in striving to achieve their business goals. The second and the third quarter results were disquieting. We had to be perceptive and swift in our decision-making whilst re-looking and tightening our cost structures. Our medical devices segment and beauty and wellness segments within our Healthguard retail arm, cushioned the sector results to an extent. By the fourth quarter, we were able to weather the storm and showcase strong results in the turnaround. Our year-end healthcare sector results, considering the circumstances, were noteworthy and extremely creditable. Our top-line grew by 9.8 percent over the previous financial year to Rs. 7.9 billion. Net profits fell by 39.6 percent compared to the relatively stronger result of over 41.2 percent growth achieved in the preceding financial year—void of the regulatory impact. The net profits for the year stood at Rs. 198 million.

"Our top-line grew by 10.4 percent over the previous financial year to Rs. 7.9 billion."

Agribusiness

Our agribusiness sector under Watawala Plantations PLC made good progress in the year under review, amidst the challenges that prevailed, particularly in the tea industry. Unfavourable weather patterns, intense wage negotiations with trade unions and the ground impact of the ban on chemical weedicides marred our tea sector results and we witnessed our crop production at the lowest, as was the case across the industry. Yet, the bullish trends on the Colombo Tea Auction in the latter part of the year saved the sector from plunging into deeper woes. Our focused drive for quality over volume paved the way to secure higher prices and strengthen the top-line whilst turning our bottom-line loss last year into a profit this year. Our palm oil sub sector, once again, registered a strong performance, cushioning our exposure within the agriculture sector. Reaching our targets, we saw a noteworthy improvement in the yields, production and mill efficiency. Our cost of production was well managed. With the global commodity markets firming up and showcasing strong price trends during the year under review, palm oil prices also registered a year-on-year improvement. This underpinned greater revenue and profitability.

On the whole, our plantation operations recorded a 3.2 percent improvement in revenue to Rs. 6.5 billion; net profits improved by 136.7 percent to Rs. 1.2 billion.

Consumer Goods

Further consolidating, Watawala Tea Ceylon Ltd within the Consumer Goods sector retained its market positioning. 'Watawala' tea continued to be the market leader whilst 'Zesta' increased its presence as a more of a niche product. 'Ran Kahata', our mass-market brand, penetrated and progressively increased its market share amongst the targeted audience. Yet, the higher prices that trended on the Colombo Tea Auction increased our purchasing cost, which we could not completely pass down to consumers, in turn, eroding the sector results. However, we made good progress with our partnership with the Shangri-La Hotels and Resorts which we secured in the preceding year. Our exclusive brand 'Zesta Connoisseur' made its mark within 90 hotels in the chain in 24 countries. In the reporting year, our Consumer Goods sector saw revenue grow by 22.5 percent to Rs. 4.2 billion whilst net profits fell by 34.9 percent to Rs. 275 million.

Energy

The weather patterns that prevailed in the reporting year with prolonged periods of drought were not conducive to support our energy sector from achieving its potential performance targets. Our hydropower plant in Lindula, Talawakelle operated below capacity—generating just 4.4 GWh of power, almost 46 percent below the result achieved in the previous financial year. The revenue from this sector fell by 26.1 percent to Rs. 89 million whilst net profits fell by 209.7 percent to record a loss of Rs. 35 million. However, we continued to expand the energy sector, adding capacity with our 2nd plant commnecing operations, and infrastructure work starting on the 3rd new hyrdopower plant.

EMPOWERING THE TEAM

Our team now reaching to almost 10,795 across all our business segments is our mainstay and is definitely our focal success factor.

Their talent, proficiency, dedication and hard work certainly underpin our path to progress amidst the adversities faced in our external business environments. We stand committed to enable a professional and progressive workplace where they could bring out their talents, nurture their skills, develop their careers and be empowered to support our organisation to the best of their abilities in achieving our corporate goals.

Giving precedence to learning and development, our training initiatives in the reporting year remained focused and structured. We sought to enhance our employees' technical and soft skills; mentor our high achievers to take up leadership roles; and extend opportunities for foreign training and cross placements across the Group for greater exposure. In the year under review, our training investment stood at Rs. 16.1 million.

We continued to follow through with our performance appraisal system and ensured that all increments, promotions, rewards and recognition were based purely on performance merits. Closely engaging our employees, we introduced 'town-hall meetings'— seeking to discuss on the workplace developments and issues and address employee grievances. We sought to build a collaborative team spirit; advocated better work-life balance; and extended attractive compensation including a comprehensive welfare package to ensure employee wellbeing in a sustainable manner.

INVESTING IN TECHNOLOGY

In keeping with the fast-paced business landscape, we are keen to adopt and leverage on current trends in technology. We invest wisely on the right hardware and software solutions and upgrades to automate our operations to the maximum possible extent, thus, optimizing the Return on Investment on IT, and strengthening and streamlining our processes in an effective manner. This reporting year, our healthcare sector initiated an Enterprise Resource Planning (ERP) system from Microsoft Corporation. This was a timely investment given the sector issues, enabling to improve the supply chain and distribution elements, to retain the quality aspects and to bring in more effective controls on overheads, leakages and wastage in operations. Plans are currently underway to introduce an ERP system for our Consumer Goods sector as well in the ensuing year.

"Validating our exemplary corporate conduct, the Global Banking And Finance Review Magazine recognised Sunshine Holdings PLC as the most innovative holding company for the year 2016."

UPHOLDING BEST PRACTICES

Over the years, we have blended value creation with responsibility and integrity. It is in this same spirit that we comply with current and best business practices across the Group. The certification programmes, followed stringently by our tea plantation segment—the Rainforest Alliance, Ethical Tea Partnership, Fair Trade and ISO 22000—demonstrate our commitment to be fair in our labour practices, sustainable in field operations, maintain quality and standards in factories and ensure a lesser carbon footprint in our overall operations. Further cementing our commitment to uphold best business practices, this reporting year, we initiated the process to obtain certification for palm oil operations under the globally acclaimed 'Roundtable on Sustainable Palm Oil' (RSPO) programme. It is noteworthy to see our team working hard and with enthusiasm to comply with the principles and criteria underlining this certification. Apart from the plantations, our healthcare and Consumer Goods operations closely follow best practices in their procurement process. We demand, advocate and closely monitor quality and standards within our supply chain, thus, ensuring our responsibility towards our consumers.

Validating our exemplary corporate conduct, the Global Banking And Finance Review Magazine recognised Sunshine Holdings PLC as the most innovative holding company for the year 2016. We were also honoured to be acclaimed for excellence in our reporting standards by the Institute of Chartered Accountants of Sri Lanka. We clinched the Bronze Award at the 52nd CA Annual Report Awards 2016 under the diversified holdings (groups up to 10 subsidiaries) category whilst Watawala Plantations PLC received the Bronze under the plantation sector category.

"With legacy blended with new age thinking, we are well poised to manage and navigate through the challenges and move ahead in our corporate journey, sustainably, into the future."

THE PATH AHEAD

With positive signals from the global economy coupled with our nation's drive to reach upper-middle income status, we expect a greater level of economic activity in the ensuing years. The markets are expected to be more confident and draw in greater investments. The challenges from the emerging socio-political and economic landscape will no doubt create ripples in the market. Yet, in the mid-term, we believe our nation has great potential to even out the imbalances and showcase positive growth on development activities.

The opportunities to gain from this emerging economic scenario for a diversified conglomerate such as ours, are immense. With legacy blended with new age thinking, we are well poised to manage and navigate through the challenges and move ahead in our corporate journey, sustainably, into the future. We will further invest and be focused in unleashing the growth potential of our core sectors—expanding, entering new markets, consolidating and exploring partnerships and developing new products and adding value.

Despite the regulatory issues shrouding the prospects, we still see healthcare as a thrust sector. As the second largest healthcare organisation in the country, we will continue to strengthen our agency business and build on our solid relationships with our principals, retaining their presence in Sri Lanka amidst the sector dynamics. We will continue to give precedence to quality drugs and actively lobby with the government along with other industry stakeholders to bring in a more rationalised price mechanism for a level-playing-field. We also see great potential in foraying deeper into the emerging medical devices sub-sector, exploring opportunities in both private and public healthcare sectors. Certainly, we are bullish in expanding our retail footprint, with greater focus in promoting beauty and wellness products including our own brands.

Complementing our nation's aspirations, we will continue to strengthen our presence within the agriculture sector. We will follow through with our quality focused approach in managing our tea plantations and will remain steadfast in our efforts to ensure sustainable agriculture and manufacturing practices, well in line with our certification guidelines. We will support the industry in addressing the critical issues— the ban on chemical weedicides, productivity and wages and adopting a new paradigm on gain share basis with the workforce. With respect to palm oil, we will progressively increase and strengthen our exposure. We will look into expansions, bring in greater mechanisation, engage the village communities and follow best international practices in both field and mill operations.

We will also pursue on our diversification plans within the agriculture sector. Already, we have made headway in our plans to venture into cinnamon and launch a value-added product range targeting both domestic and global markets. We also look forward to production commencing in our dairy project in partnership with M/s Duxton Asset Management, Singapore—an organisation engaged in investing and managing global agriculture based projects. Having completed our dairy pilot project, we expect to commence commercial operations of our enhanced Total Mixed Ration (TMR) dairy project by mid of 2017/18. Our investment in this venture stands at Rs. 626.5 million, taking on the majority shareholding of 68 percent.

In a burgeoning economy, with rising disposable income, our presence within the Consumer Goods sector is pragmatic and timely. We see great potential for the sector to scale-up and gain market share both locally and globally. We will continue to build on brand equity, defending our stronghold that we have built for our teas in their respective market segments. We also have plans to set up new gift boutiques in strategic locations. This is expected to have a strategic fit with the rising prospects in the tourism industry.

Fortifying our engagement in the renewable energy sector, our new hydropower plant is expected to come into operation and connect to the grid by 2018/19, taking our total capacity to seven Megawatts. We will also look to enter and tap into the budding opportunities in solar and wind power sectors. This is well in line with the present government's aspirations to move towards sustainable energy sources, and we are currently exploring opportunities in the sector.

IN APPRECIATION

As we celebrate our 50th Anniversary, it is indeed fitting to remember, to bring together and extend our warm appreciation to our stakeholders, past and present, who have essentially been our forte, in shaping and defining our organisation to what and where it is today.

I am grateful to our Chairman and my colleagues on the Board for their far-sighted guidance and unstinted support extended to me in taking our organisation to new frontiers. Our employees at Sunshine Holdings and it's subsidiaries, have served this organisation with commitment, loyalty and professionalism. It is their talent, vitality and collaborative spirit that underlined our solid performance in the year despite the numerous challenges faced in our business environments. I am truly thankful and confident that they will continue to be dynamic in the years ahead and reach out to higher goals.

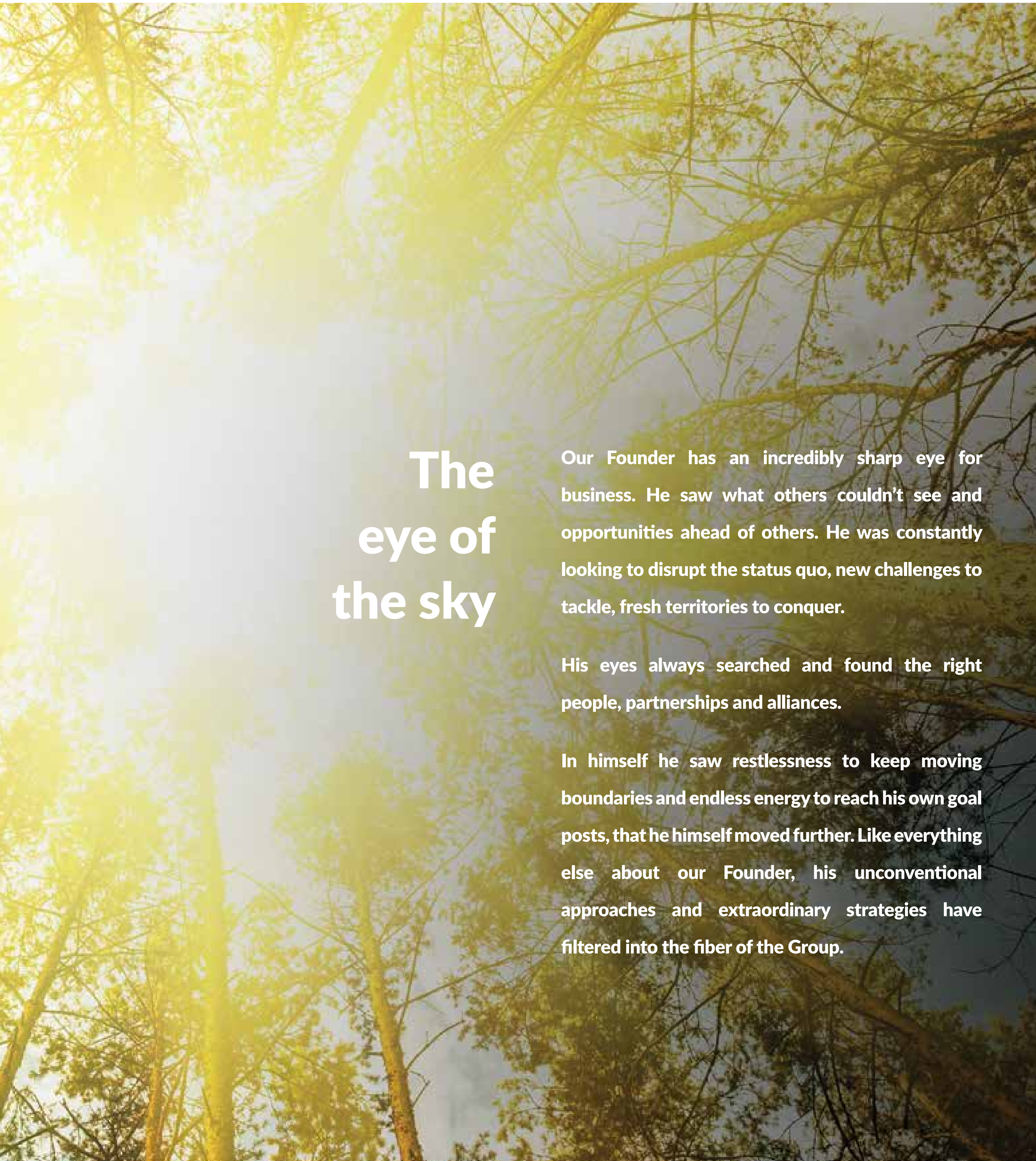
I also wish to thank our investors, customers, suppliers, business partners and all other stakeholders for their continuous support, confidence and trust in our corporate mission.

To all stakeholders, thank you.

V. Govindasamy
Group Managing Director
Sunshine Holdings PLC
31st May 2017

CELEBRATING 50 SINCE 1967
RESPONSIBLE ENTREPRENEURSHIP

MANAGEMENT REVIEW & PREVIEW



The eye of the sky

Our Founder has an incredibly sharp eye for business. He saw what others couldn't see and opportunities ahead of others. He was constantly looking to disrupt the status quo, new challenges to tackle, fresh territories to conquer.

His eyes always searched and found the right people, partnerships and alliances.

In himself he saw restlessness to keep moving boundaries and endless energy to reach his own goal posts, that he himself moved further. Like everything else about our Founder, his unconventional approaches and extraordinary strategies have filtered into the fiber of the Group.

REPORT OUTLINE

Upholding best practices in reporting, Sunshine Holdings PLC presents the fourth integrated annual report for the financial year end 31st March 2017. In this report, we seek to elaborate our business strategy as a diversified conglomerate, our operational and financial performance, our future prospects and plans and corporate stewardship from a triple-bottom-line perspective. Cohesive and transparent, our reporting efforts focus on both financial and non-financial facets of our operations, addressing stakeholder issues and concerns and enabling them to make informed decisions on the organisation.

REPORTING SCOPE AND BOUNDARY

Our annual report covers operations of Sunshine Holdings as the holding company along with the subsidiary operations spanning four sectors—healthcare, consumer goods, agribusiness and energy.

As initiated in the financial year 2013/14, we continue to report under the guidelines of the Integrated Reporting Framework prescribed by the Integrated Reporting Council. Our financial statements are prepared in line with the Sri Lanka Accounting Standards (SLFRs/ LKAs) issued by the Institute of Chartered Accountants of Sri Lanka whilst our governance is reported on the basis of the updated 'Code of Best Practice on Corporate Governance' issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. We also comply with the relevant rules and regulations set out by the Companies Act No. 07 of 2007 and the Continuous Listing Rules of the Colombo Stock Exchange.

As per the integrated reporting guidelines, we lay emphasis and seek to discuss the management of the most relevant capital within our value creation process including financial, human, natural and social capital. Our reporting focuses on the most material aspects both from the organisation's and the key stakeholders' standpoint. The report, therefore, discusses the macroeconomic backdrop, risks and opportunities, strategy and performance of the group and the key sector companies along with reviews of the team, social and environmental responsibility. We also present comprehensive reports on governance and risk management.

INDEPENDENT ASSURANCE

The financial statements at the company and the group level are audited by Messrs. KPMG, Chartered Accountants. The independent auditors' report is set out on page 133 of this annual report.

METHODOLOGY

The report was prepared on the basis of the information and data compiled from the management information reports and the financial statements of Sunshine Holdings and the subsidiaries. The information was also gathered from face-to-face interviews with the senior management. The accuracy, completeness and relevance of information and data presented in the report were confirmed by the Group Managing Director, the respective sector heads and the senior management.

FORWARD-LOOKING STATEMENTS

The Annual Report herein contains forward-looking statements and information. The reality of the operational backdrop may change our business expectations, future outlook, plans and forecasts. Shareholders and other stakeholders are advised to be cautious on placing too much emphasis on such statements as the reality may materially differ with the projected and anticipated information. The Company does not undertake to update publicly the forward-looking statements to reflect the changes after the date of this report, except, in compliance with the applicable rules and regulations set by the relevant statutory and regulatory bodies.

CONTACT

Any queries and clarifications on this annual report are to be directed to:

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Investor Relations and Strategy
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ECONOMIC REVIEW

GLOBAL ECONOMY

Global Economic Growth			
Year	**2015**	**2016**	**2017**
World	3.4%	3.1%	3.5%
Advanced economies	2.1%	1.7%	4.1%
Emerging and developing economies	3.5%	2.0%	4.5%

The global economy moved on to firmer territory in the second half of 2016. We saw robust demand, a recovery in investment, manufacturing and trade, easing out of deflationary pressures and greater optimism in the financial markets. Yet, the down-side risks including geopolitical tension and structural and policy limitations across economies reflected on the potential performance, impeding on realising a full recovery. The world output remained tepid and uneven, with the growth level below the previous year.

The advanced nations rallied with better sentiments although moderate compared to 2015. The United States of America followed by the United Kingdom demonstrated a positive recovery with better results than anticipated. The Euro area led by Germany and Spain, and Japan also rebounded with a pick-up in the levels of economic activity.

The emerging markets and developing economies saw mixed growth patterns although still robust and ahead of the advanced nations. The tightening monetary policy measures adopted by the Federal Reserve in the United States and the appreciation of the US dollar brought in uncertainties to the emerging financial markets and led to greater capital outflows from these economies. The policy measures adopted by China paved a more stronger growth whereas India saw a more subdued performance. Russia and Brazil continued to witness recessionary trends with negative growth levels.

The World Economic Outlook, April 2017 published by the International Monetary Fund set the rate of global economic growth at 3.1 percent in 2016 as against 3.4 percent in 2015. The overall, global growth is projected to reach 3.5 percent in 2017.

SRI LANKAN ECONOMY

Sri Lankan Economy		
Year	**2015**	**2016**
GDB growth	4.8%	4.4%
Per capita income (US$)	3,843	3,835
Inflation (annual average)	2.2%	4.0%
Balance of payment (US$ mn)	(1,489)	(500)
Exchange rate (Rs/US$)	144.06	149.80
Budget deficit (% of GDB)	(7.6%)	(5.4%)
Average weighted lending rate	11.00%	13.20%

GDP GROWTH

Amidst moderate levels of economic activity in the global economy and the socio-political and economic uncertainties within the domestic front, the Sri Lankan economy remained subdued, with real GDP growing by 4.4 percent in 2016, below the growth of 4.8 percent in 2015. The GDP per capita stood at USD 3,835, just below the level achieved in the previous year.

In terms of sector performance, the industry and service sectors led the economy in the year. The service sector, taking up the largest share of GDP, recorded a growth of 4.2 percent, down from 5.7 percent in the previous year. This performance was supported by the increased level of activity within the financial services and transport sub-sectors. The industry sector which posted a growth of 6.7 as against 2.1 percent in the previous year was buoyed by the recovery in the construction sub-sector along with mining and quarrying. However, the manufacturing sub-sector growth declined to 1.7 percent. Dampened by adverse weather. The agriculture sector contracted, posting a negative growth of 4.2 percent.

INFLATION

Spurred by supply-side disruptions due to adverse weather, the upward tax revisions, rising global commodity prices, particularly, from the second half of the year, along with the demand pressures, the price levels in the year trended upwards. To ease out the inflationary pressures, the Central Bank of Sri Lanka adopted a tighter stance in monetary policy. This supported to curtail the excessive growth in private sector credit to some extent and control the demand pressures; thereby, supporting the price levels to settle at mid-single digit levels. Headline inflation measured by the Colombo Consumers' Price Index (CCPI) (2013=100) settled at 4.5 percent at the end of 2016 whilst the annual average rate of inflation stood at 4.0 percent compared to 2.2 percent in 2015.

EXTERNAL SECTOR

The external sector continued to be distressed in the year 2016. The normalisation of monetary policy in the United States coupled with modest economic activity and geopolitical tension in the key export markets adversely reflected on the external sector performance. The trade deficit widened year-on-year given the contraction in export earnings led by both industrial and agricultural exports, and an increase in import expenditure. Although inflows from tourism earnings and worker remittances were stable, the trade deficit weighed on the current account. This together with greater outflows from the financial account primarily of debt repayments and foreign disinvestments in government securities, led to a deficit of USD 500 million in the balance of payment position for the second consecutive year. The gross official reserve position stood at 3.7 months of imports.

Given the interventionist measures, the exchange rate was relatively stable in the first part of the year. However, with greater foreign outflows coupled with limited intervention in the second half of the year, the exchange rate came increasingly under pressure. The rupee depreciated by 3.83 percent against the USD to Rs. 149.80 as compared to the depreciation of 9.03 percent in 2015. The rupee also depreciated against all other major currencies except Pound Sterling.

FISCAL PERFORMANCE

With greater fiscal consolidation, the fiscal position improved in the year 2016. The emphasis was on broadening the tax base and structural reforms in tax administration which supported to increase revenue and grants to 14.3 percent of GDP. The government also continued to rationalise recurrent expenditure and give precedence to capital expenditure. Government expenditure and net lending was capped at 19.7 percent of GDP. The overall budget deficit of 5.4 percent of GDP met the targeted level and was lower compared to 7.6 percent of GDP in the previous year. The deficit this year was largely financed through foreign sources, taking up a share of 61.2 percent of the total financing.

MONETARY POLICY AND INTEREST RATES

As mentioned above, controlling the demand pressures and rising trends in inflation, the Central Bank of Sri Lanka moved towards a tighter monetary policy standpoint. Policy interest rates were raised giving signals to the market rates to adjust upwards. The excessive growth in private sector credit was somewhat curtailed; the year-on-year growth in credit settled at 21.9 percent at the end of 2016, moderating from 25.1 percent in 2015 and 28.5 percent peak in July 2016.

ECONOMIC OUTLOOK

With upside growth trends witnessed across nations, the global economy is tipped to improve in the year 2017. This will set the backdrop for Sri Lanka to move towards firmer terrain in the ensuing year. However, the down-side risks will remain significant. Geopolitical issues particularly in the Middle East, uneven growth patterns along with increasing crude oil and other commodity prices in the global markets may reflect negatively on the external sector performance, inflation and the overall growth prospects.

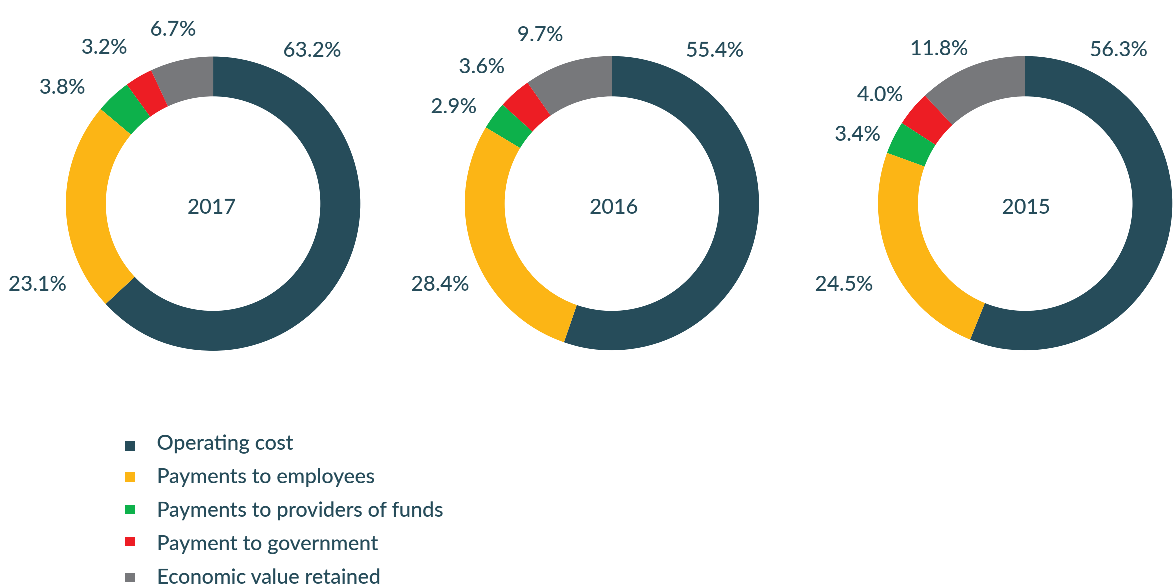
From a domestic perspective, the volatile socio-political landscape and the resultant policy instability, and the impacts from climate change will continue to weigh down on the level of economic activity. As per the Central Bank of Sri Lanka, The Sri Lankan economy in the year 2017 is set to grow around 5.0 percent.

There is immense potential to reach higher growth levels aspired in the medium-term. The possible opportunities present within the emerging economic scenario led by the GSP Plus, the proposed Colombo Financial City, Western Province Megapolis and the development of the Hambantota and Trincomalee ports, inter alia, are expected to complement the nation's growth trajectory. The private sector as the engine of growth has a significant role to play in this scenario. The medium-term growth level is expected to reach around 7.0 percent.

ECONOMIC VALUE STATEMENT

For the year ended 31st March	2017	2016	2015
	Rs.	Rs.	Rs.
Direct economic value generated			
Revenue	19,216,569,056	17,422,249,764	16,326,528,096
Interest income	195,050,401	109,014,813	110,209,360
Profit on sale of assets	19,842,013	34,851,506	25,302,064
Other income	220,243,321	123,709,777	149,866,168
Total	**19,651,704,791**	**17,689,825,860**	**16,611,905,688**
Economic value distributed			
Payments to external sources for materials & services			
- Operating cost	12,397,320,012	11,133,711,097	8,291,372,086
	12,397,320,012	11,133,711,097	8,291,372,086
Payments to employees			
- Salaries, Wages & Other benefits	4,108,059,287	4,025,790,238	3,845,024,759
	4,108,059,287	4,025,790,238	3,845,024,759
Payments to providers of funds			
- Interest to money lenders	241,141,996	176,960,928	215,591,549
- Dividend to minority shareholders	282,481,955	229,598,634	284,095,359
- Dividend to owners of parent	141,898,035	128,383,937	127,135,210
Total	**665,521,986**	**534,943,499**	**626,822,117**
Payment to government			
- Income tax	280,902,593	296,199,966	314,001,765
- Value Added tax	48,600,419	44,020,158	40,482,615
- Nation Building Tax	132,922,440	114,003,816	96,630,734
- JEDB/SLSPC lease rentals	73,493,292	71,981,676	68,488,753
- ESC & other taxes	98,919,294	7,694,687	14,900,268
Total	**634,838,038**	**533,900,303**	**534,504,135**

For the year ended 31st March	2017	2016	2015
	Rs.	Rs.	Rs.
Economic value retained			
- Profit after dividend	1,291,554,177	952,077,122	635,670,481
- Depreciation & amortisation	554,411,291	509,403,601	470,625,406
Retained for reinvestment/growth	**1,845,965,468**	**1,461,480,723**	**1,106,295,887**



STAKEHOLDER ENGAGEMENT

As a diversified organisation, it is critical that we build and nurture solid relationships with our key stakeholders and engage them meaningfully to address their issues and concerns. Our approach is pragmatic, responsive and agile—seeking to bring in a 'strategic-fit' between our value creation goals and diverse stakeholder expectations.

We have prioritised six stakeholder groups considering their level of significance and influence on the Sunshine operations, underlining our viability in the long-term. Our management reviews and validates this list of key stakeholders as an integral part of the corporate planning process carried out annually. The table below lists out our key stakeholders along with the methods and frequency of engagement and their key issues and concerns. The annual report content is developed on the principle of 'materiality' determined based on the findings of the stakeholder engagement.

Stakeholder Engagement

Key Stakeholders	Method	Frequency	Material Issues/Concerns	Disclosure (Refer Sections)
Investors	• Investor forums • Annual report • Annual General Meeting • Extraordinary General Meeting • Press releases	• Quarterly • Bi-annually • Annually	• Operational viability and returns • Ethical and responsible corporate conduct • Timely disclosures	• Chairman's Message • Group Managing Director's Review • Group Performance • Sector Reviews • Corporate Governance • Risk Assessment and Management
Employees	• Staff meetings • Performance reviews • Training • Staff circulars • Newsletters • Employee surveys • Awards • Networking events • Intranet	• Daily • Monthly • Quarterly • Bi-annually • Annually	• Fair labour practices • Industry competitive compensation and benefits • Skills development • Career development	• Human Capital

Stakeholder Engagement				
Key Stakeholders	**Method**	**Frequency**	**Material Issues/Concerns**	**Disclosure (Refer Sections)**
Customers	• One-to-one meetings • Correspondence • Direct marketing • Advertising on print and electronic media • Official website • Brochures and leaflets • Press releases	• As and when required	• Quality and standards of products and services • Customer service • Ethical business practices	• Sector Reviews • Social Capital
Government, Statutory and Regulatory Bodies	• Meetings • Correspondence • Filing disclosures • Audits	• As and when required	• Compliance with statutory and regulatory requirements • Uphold good governance and effective risk management practices	• Corporate Governance • Risk Assessment and Management
Business Partners	• Meetings • Correspondence • Site visits • Conferences • Workshops • Roadshows • Training • Annual report	• As and when required	• Corporate repute and standing • Financial performance • Ethical business practices • Risk management	• Chairman’s Message • Group Managing Director’s Review • Sector Reviews • Corporate Governance • Risk Assessment and Management
Society	• Sponsorships • National Campaigns • Awareness programmes • Discussions with policy makers, community leaders and not-for-profit organisations • Community projects	• As and when required	• Creating business opportunities • Employment • Quality and standards of products • Philanthropy • Environmental best practices • Policy advocacy	• Social Capital • Natural Capital

STRATEGIC OUTLOOK FOR 2017/18

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 and future as well. We give below in summary, an update of our actions 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 maximise returns and mitigate risks.	In Consumer Goods, the significant growth in the Ran kahata brand reduced the dependency on Watawala Tea and Zesta. Furthermore, rapid expansion of the international business has further de-risked the Consumer Goods operation. In Healthcare the group has further reduced dependency on Pharma. The Pharma contribution reduced 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%. Reduced dependency on Pharma sub segment has minimized the impact of drug price control on the sector top line.	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 Consumer Goods sector. Introduce new molecules and principles in Healthcare, and build our brands in the Wellness sub-sector. Commence operations at the Dairy farm in mid-2017, further diversifying the agribusiness sector of the group. The initial herd of 400 milking cows were imported from New Zealand and first milking cycle is to commence in the latter part of 2017/18.
	In Agribusiness, the group 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. The group has also planted 50ha of Cinnamon to further diversify our crop portfolio. Commencement of operations in our second mini-hydro power plant will increase the revenue stream from the renewable energy business.	The 3rd Hydropower plant will commence operations in early 2018 which will further enhance the scale of the Renewable Energy Sector.
Increase our geographic presence.	Initiated the supply of Zesta Connoisseur brand to 100 Shangri-La hotels in 23 countries around the world.	Build on the success of the Shangri-La rollout to get more partners in the HORECA segment.

Strategic Imperatives for 2015-2020	Status	Next Year & Medium to Long-Term
Enhance wealth for all our stakeholders and remain amongst the top conglomerates in Return on Equity (ROE).	ROE increased to 15.1% during 2016/17 due to better profitability in Agribusiness. Maintained a consistent dividend policy from each of the business sectors and proposed to pay out a dividend of Rs 1.75 per share this year compared to Rs. 1.05 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, and an increase in tea prices in the latter half of the year.	Further consolidate operations in the Consumer Goods sector. Venture into businesses in which we can leverage our strengths through organic & inorganic growth. For 2017/18, WATA will continue to focus on a quality strategy to improve and maintain its price realised per kg and profitability. Further growth in palm oil volumes are expected, by way of increased land productivity. The 3rd Hydropower plant will commence operations in early 2018 which will further enhance the scale of the Renewable Energy Sector. Once the third plant stabilizes, the total production will increase to 7.5MW. The group is exploring opportunities in other forms of renewable energy, namely wind and solar power.
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. Formation of a dynamic team consisting of cross-discipline members from different Group companies to drive Innovation in each business segment. Construction of two new hydro energy projects utilizing two water bodies located on our plantations. Leverage in the 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.	Expand our presence in renewable energy through hydro and other forms of renewable energy. Progressive and Structured recruitment to develop a talent pool. Training and Development based on a competency matrix, and the business needs of the present and the future. Proactively establishing an open communication culture among employee. Greater engagement through feedback from culture surveys. Institutionalized system to enhance employee professional development. 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.	Revamp of the Group website to further enhance communication with stakeholders at Group level. Expanded the Pharmacy channel for increased customer reach. Two stores added during 2016/17. The Consumer Goods business managed to grow its distribution reach by 20% during 2016/17. Frequent investor relations meetings during 2016/17 while quarterly updating through the Group website. A detailed description of how the Group engaged society towards achieving sustainable growth is depicted in page 79 to 84.	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 FINANCIAL PERFORMANCE

REVIEW OF GROUP FINANCIAL PERFORMANCE

Overview

The Group reported a strong set of results for the year ended 31st March 2017 (2016/17), despite significant challenges in the market, especially in the Healthcare and Consumer Goods sector. In the group's core business of Healthcare, results were significantly impacted due to drug price controls on 48 separate molecules by the Ministry of Health. The Consumer Goods business was challenged, more so in the 2nd half of the year due to escalating tea prices impacting margins. However, higher tea prices were a blessing for the Agribusiness sector. Coupled with a strong performance in the Palm oil sub sector, strong results for the agribusiness managed to offset any negative impact from the other two core sectors.

Revenue

The Group's consolidated Revenues increased by 10.3 percent Y-o-Y to Rs. 19.2 billion for 2016/17, with all 3 core sectors contributing towards positive revenue growth. The only two exception to this were the Energy sector (down 26.1 percent Y-o-Y) which had challenges in terms of low rainfall, and the Packaging sector (down 10.0 percent Y-o-Y) due to lower export orders.

The strongest growth was recorder in the Consumer Goods sector (up 22.5 percent Y-o-Y) supported by the growth in the international business after winning the landmark deal to exclusively supply the international hotel chain Shangri-La. The second biggest contributor to growth was the Healthcare sector, which despite challenges in the market delivered

HIGHLIGHTS OF 2016/17

- The Group's core businesses across the board achieved commendable topline growth.
- Healthcare sector performed below expectation due to drug price controls. As a result, segment PAT contracted by 36.9 percent Y-o-Y despite a Revenue growth of 9.8 percent.
- The enhanced appeal of the Healthguard outlets, and strengthened brand positioning, combined with an expansion of the retail footprint saw its Revenue increase by 32.6 percent Y-o-Y.
- The Consumer Goods sector achieved its highest ever Revenue with a growth of 22.5 percent supported by the strong growth of the international business. The Group was awarded an exclusive contract to supply value-added Tea to the international hotel chain Shangri-La. Healthcare sector performed below expectation due to drug price controls. As a result, segment PAT contracted by 36.9 percent Y-o-Y despite a Revenue growth of 9.8 percent.
- Our three brands of Tea collectively cemented its market leadership position in the Sri Lankan market. We witnessed strong growth in our converter brand Ran Kahata,Revenue increase by 32.6 percent Y-o-Y.
- The Group continued to be the largest producer of Palm Oil in the country.

a growth of 9.8 percent Y-o-Y, followed by the Agribusiness sector which recorded 3.2 percent growth despite significant drop in Tea crop.

Healthcare remained the largest contributor to Group Revenue, accounting for 40.5 percent (40.6 percent last year). Agribusiness came in 2nd, contributing 33.5 percent to Group Revenue (35.7 percent last year). Consumer Goods, a fast growing segment, accounted for 21.7 percent of the Revenue (19.5 percent last year).

Group's foreign currency revenue amounted to Rs. 1,116 million in the year, an increase of 48.8 percent Y-o-Y from Rs. 749 million in 2015/16, bolstered by higher value-added Tea sales.

Profitability

Gross Profit margin increased to 25.1 percent in 2016/17 from 23.5 percent in the previous year. The increase in margin is mainly attributed to the Agribusiness sector which saw its gross margins increasing to 25.7 percent in 2016/17 against 13.5 percent in 2015/16, where the increase is attributed to better performance of both the Palm Oil and Tea sub sectors. Gross margin for the Healthcare sector contracted slightly, mainly due to the price control regulation brought in by the Ministry of Health. Furthermore, given that the selling price is regulated, the Company could not pass down the increase in cost of sales resulting from currency depreciation also attributed to the contraction in margins. Gross margin on the Consumer Goods business contracted during the year due to higher tea prices at the Colombo auctions as a result of a drop in supply for the commodity.

On an absolute basis, Gross Profit grew to Rs. 4.8 billion in 2016/17, up 17.9 percent Y-o-Y on the back of revenue growth and margin expansion.

Operating Profit

Group operating profit (EBIT) is up by 26.3 percent Y-o-Y to Rs. 2,098 million in the year 2016/17. This is above management expectations and comes as a result of a 17.9 percent Y-o-Y increase in Gross Profit and tight control of operating costs. The Group's EBIT margin stands at 10.9 percent compared to 9.5 percent during the previous year. Administration expenses, which account for bulk of the Operating expenses, grew 18.5 percent Y-o-Y while Selling and Distribution expenses grew 10.5 percent Y-o-Y to support top line growth in Healthcare and Consumer Goods.

The earning per share (EPS) stood at Rs. 4.23 in 2015/16, down 2.5 percent from Rs. 4.34 in the previous year. The decrease in EPS is attributed to the contraction in profitability of the Healthcare sector, which is a fully owned subsidiary of the group. The computation of EPS is given in Note 10 to the Financial statements.

Finance Expenses

Net finance cost for the Group declined by 32.2 percent Y-o-Y to Rs. 46 million in 2016/17 from Rs. 68 million in 2015/16, due to interest income generated at Watawala Plantations PLC and the holding company, Sunshine Holdings PLC. Increase in interest cost has decreased the interest cover ratio to 8.7x in 2016/17 against 9.4x in the previous year.

Taxation

Income tax expenses amounted to Rs. 430 million in 2016/17, up 15.2 percent Y-o-Y as a result of higher profitability. The effective income tax rate stood at 21.0 percent for 2016/17 against 23.5 percent in 2015/16. The rate of income tax applicable to the company and its subsidiaries was 28 percent, except for the Tea plantation sub sector within the Agribusiness sector which enjoys a concessionary rate of 10 percent. 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. 1.75 per share (Rs. 1.05 – 2015/16). This includes a cash dividend of Rs. 1.25 per share and a scrip dividend of Rs. 0.50 per share. The gross dividend amounts to Rs. 236 million in 2016/17 compared to Rs. 142 million in the previous year. The dividend payout ratio amounts to 124.2 percent of Company profits for 2016/17 (64.4 percent - 2015/16).

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

Return to Equity Shareholders

Return on Equity (ROE) for the Group increased to 15.1 percent for 2017/17, compared to 12.9 percent in the previous financial year on the back of higher profitability. Net margin increased to 8.4 percent in 2016/17 from 7.0 percent in 2015/16. Both asset turnover and leverage were constant from last year at 1.1x and 1.6x respectively.

	2012/13	2013/14	2014/15	2015/16	2016/17
ROE	19.5%	15.0%	12.2%	12.9%	15.1%
Net margin	9.2%	7.7%	6.4%	7.0%	8.4%
Asset T/O	1.1x	1.2x	1.2x	1.1x	1.1x
Leverage	1.9x	1.7x	1.6x	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. 1,660 million in 2016/17, up 84.0 percent Y-o-Y from Rs. 902 million in 2015/16. The majority of the increase is attributable to the Agri sector (Rs. 1,106 million in 2016/17) where the company deployed significant CAPEX on its new Dairy project amounting to Rs.586 million.

CAPEX in the Energy sector was on account of the 2nd mini-hydro power plant which completed construction during the 3rd quarter of the financial year. Work on the 3rd plant had also commenced on the 3rd quarter of 2016/17.

CAPEX	2014/15	2015/16	2016/17
	(Rs million)	(Rs million)	(Rs million)
Healthcare	93	154	190
Consumer Goods	84	80	37
Agribusiness	590	289	1,106
Energy	125	373	321
Packaging	1	2	3
Other	2	4	2
Total	895	902	1,660

Working Capital

Net working capital amounted to Rs. 4.0 billion at year-end compared with Rs. 3.0 billion at the beginning of the year and this increase was mainly due to a higher level of trade debtors in the Consumer Goods sector. As a result, debtor days have increased to 52 in 2016/17 compared to 46 in the previous year. Invnetory days have been stable over the year and creditor days have reduced by 2 days compared to last year. The Net Working Capital Cycle (WCC) has increased to 71 days during 2016/17, compared to 64 days last year.

	2012/13	2013/14	2014/15	2015/16	2016/17
Debtor days	32	30	37	46	52
Inventory days	74	74	73	77	77
Creditor days	42	33	43	59	57
WCC	64	71	66	64	71

Capital Structure

Group capital employed amounted to Rs. 13.9 billion at the end of 2016/17, of which 83.5 percent is funded through equity. Total group equity amounts to Rs. 11.5 billion as at the end of the year, of which Rs. 6.2 billion belongs to the shareholders of Sunshine Holdings and Rs. 5.3 billion to minority shareholders who have invested in companies within the Group.

Borrowings

Interest bearing debt, including short term overdraft balances amounted to Rs. 2.3 billion (i.e. 16.5 percent of capital employed) as at end of the financial year, up from Rs. 2.2 billion at the beginning of the year. Out of the total, 33.9 percent, or Rs. 778 million of the interest bearing debt is from the Group's Agri sector, while Energy and Healthcare sectors had Rs. 670 million and Rs. 394 million respectively as at year end.

Cash Management

Net operating cash flow for the year contracted by 21.4 percent to Rs. 1.1 billion, from Rs. 1.4 billion last year. The decrease was as a result of higher working capital expenses which amounted to Rs. 1,017 million in 2016/17 (Rs. 286 million – 2016/17), 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 reduced to Rs. 761 million in 2016/17 from Rs. 1,352 million in the previous year, mainly due to a cash inflow of Rs 658 million from the disposal of unit trust held by the Agribusiness sector. Nevertheless, as explained above, the Group has significantly invested in CAPEX on account of the new Dairy project and the mini-hydropower plants.

Net movement in interest bearing debt was a cash outflow of Rs. 158 million in 2016/17 compared to an inflow of Rs. 280 million in 2015/16.

The net increase in cash and cash equivalents amounted to Rs. 123 million during 2016/17, and the year-end balance stood at Rs. 1,165 million. This net balance includes a bank overdraft of Rs. 711 million and bank deposits amounting to Rs. 1,876 million.

Share Price and Market Capitalization

The SUN share price closed at Rs. 46.10 at the end of the day's trading on 31st March 2017, lower than at start of the year, which stood at Rs 50.00. The 52 week high for the period was Rs. 57.8 and a low of Rs. 45.00. As a result, market capitalization as at the year-end amounted to Rs. 6.3 billion.

VALUE CREATION IN 2017

HEALTHCARE

Established five decades ago, in 1967, Sunshine Healthcare Ltd (SHL) is the second largest private healthcare marketing company in the country. Providing comprehensive healthcare solutions, SHL has built and secured strong partnerships with some of the most-respected healthcare companies in the world; representing and promoting their trusted brands both within the public and the private healthcare sectors. The product portfolio covers pharmaceuticals and medical devices including surgical and diagnostic equipment. The retail segment is handled by its subsidiary, Healthguard Pharmacy Ltd.

HEALTHCARE

PRODUCT MIX

73% PHARMACEUTICALS

27% MEDICAL DEVICES

BUSINESS REVIEW

RISKS

- Imbalances in the macro economy and lower economic activity marring the demand prospects for healthcare products
- Weaker rupee increasing the cost of imported healthcare products
- Regulatory changes and price controls impacting business viability
- International healthcare principals continue to review their operations in the country due to regulatory issues

OPPORTUNITIES

- Government's commitment to improve the healthcare industry including in rural areas
- Market gaps in healthcare in rural areas
- Increasing per-capita income levels paving the way for private sector healthcare
- Changing lifestyles paving the way for increased demand for preventive healthcare and wellness products
- Rising trends in non-communicable diseases
- A higher demand for self-monitoring medical devices
- Ageing population increasing the demand for healthcare products and facilities

STRENGTHS

- Market intelligence, marketing expertise and networking ability within the domestic healthcare industry

STRATEGIC FOCUS

- Reinforce positive relationships with internationally acclaimed healthcare principals and explore opportunities with new principals
- Broad-base the product portfolio with greater focus on key brands and new products from both existing and potential principals
- Promote and bolt on the opportunities present within the medical devices sub-sector

PERFORMANCE HIGHLIGHTS - 2016/17

- Healthcare portfolio grew by 7.7 percent over 2016/17
- Medical devices sub-sector posted an impressive growth of 11 percent cushioning the challenges faced by the pharmaceutical sub-sector
- 31 new products were added on to the pharmaceutical portfolio.
- Sustained an empowered and spirited team culture, supporting the Company to be well-grounded amidst market challenges.
- Extended strategic training opportunities to employees

- The Company's solid reputation and standing in the industry to attract and retain top healthcare principals
- Trusted partnerships nurtured with public and private healthcare sectors
- Commitment to be compliant with regulations.

BUSINESS STRATEGY

The year witnessed the 'National Medicinal Drug Policy' come into effect, taking the industry into a state of financial stress and uncertainty. The new regulatory framework imposed substantial price controls in pharmaceuticals covering 48 molecules. This compelled the industry players to look into their strategies and reshape their business models. The weaker exchange rate against the US dollar further exacerbated the industry issues.

It is in this business backdrop that SHL looked at bringing together a coherent strategy and team expertise to manage the down-side impacts of price cuts on the performance of the pharmaceutical sub-sector. The year, thus focused on sustaining relationships with international healthcare principals; leveraging on the strength of the distribution channel; giving top priority to develop the team; stringently managing costs; and diversifying the product portfolio.

HEALTHCARE PRINCIPALS

SHL in the year, closely engaged its foreign principals and worked to build trust and retain their presence in the country in the midst of the changing status-quo in the pharmaceutical industry. The Company sought to maintain a consistent and open dialogue with the principals, keeping them well informed on the regulatory dynamics, mustering their support to navigate through the challenges to meet mutually beneficial goals.

In the reporting year, SHL represented 53 principals including 41 within the pharmaceutical domain and 12 within the medical devices segment.

EMPLOYEES

With close to 700 employees, it remained crucial to be proactive in managing a progressive workplace. SHL stood committed to empower and build the team, their talent and look into their wellbeing. Focused initiatives were in place to continue with strategic training and enable work-life balance to keep the team well motivated and satisfied and thereby, productive. This essentially underlined the way in which the Company succeeded to be well-grounded amidst the industry hardships.

COST CONTROLS

As the prices slumped adversely impacting the pharmaceutical business, SHL was diligent in its efforts to maintain the lowest-possible cost structure and thereby, buttress the bottom-line viability. SHL was well-focused and astute to manage overheads efficiently; cap leakages; and instill a culture of cost consciousness. However, the Company continued to be focused and did not compromise on the essential investments such as training, quality and standards and marketing and promotions.

PRODUCT OFFER

With nearly 29 pharmaceutical brands marketed by SHL affected by the price controls, options were sought to broad-base the product range and introduce new quality brands to the portfolio, particularly concentrating on fields of cardiology, dermatology and metabolism. In the reporting year, 31 new pharmaceutical brands were added on to the portfolio, taking the total to 272. Out of these products, four brands sustained their ranking at the top, viz. Atorva, Mixtard, Losacar and Pantodac. Apart from pharmaceuticals, SHL also looked at strengthening its medical devices portfolio—increasing the presence of the surgical and diagnostic product range within the Government sector.

MARKETING

In the year under review, SHL continued to rely on its medical representative team to market and promote the product offer. The team was given intensive training, enabling them to have one-on-one sales meetings to create awareness and keep the physicians well-informed of the products and win their confidence. In the reporting year, the team reached out and built solid relationships with over 200 physicians across public and private sector healthcare institutions. Collaborating with the principals, awareness programmes were organised on continuous medical education. We also supported the physicians to gain foreign exposure in latest developments of medicine and surgery.

TECHNOLOGY

Seeking to take advantage of the latest in technology, SHL initiated and set up a Enterprise Resource Planning (ERP) system in the reporting year. The system enabled and supported the management in their decision making, boosting business intelligence for better demand planning and enabling an efficient inventory control. The team members were given due training to manage the system and optimise on the benefits to bring greater operational efficiency.

BUSINESS PERFORMANCE

Responding with astuteness in a difficult marketplace, SHL strived to sustain its market positioning and keep up its growth momentum witnessed in the preceding year. Cushioned by the medical devices segment, the sector managed to post a creditable performance given the market circumstances. The overall revenue of the healthcare sector in the year reached Rs. 6.9 billion, corresponding to a growth of 7.7 percent vis-à-vis the preceding year. However, price controls moderated the bottom-line. The volume drive and cost controls were limited and could not entirely buffer the impact of pricing. The profits in the year, contracted by 32 percent to Rs. 217 million, in contrast to the impressive growth of 53 percent recorded in the previous year

PHARMACEUTICALS

The pharmaceutical segment as mentioned above came under severe pressure in the reporting year. The sub-sector performance was subdued in the second and third quarter of the year. The fourth quarter results evened-out and the year recorded a revenue growth of 5.9 percent, compared to 15.8 percent growth recorded in the preceding year.

MEDICAL DEVICES

Moderating the impact of the pharmaceutical sector slump, the medical devices segment made headway, securing greater market share and recording a sound performance. Growing creditably at 10 percent in the year under review, the diagnostics segment cemented its presence in both the public and private sector hospitals. SHL's principal partners, Siemens Healthcare and GE retained its market leadership in diagnostics whilst Johnson & Johnson – Lifescan Division continued to maintain its leadership position.

The surgical segment also posted sound results, growing at 16 percent during the year largely contributed by Johnson & Johnson, Ethicon & Endo divisions and 3M. The minimally-invasive surgery (MIS) segment remained significant and progressed further. The Company continued to engage the surgeons, creating their awareness and advocating them to adopt newer surgery techniques through focused consultations. SHL extended comprehensive training workshops to Surgeons.

FUTURE OUTLOOK

The healthcare industry has a pivotal role to play in our emerging economic landscape, with aspirations to reach higher growth objectives in the medium to long-term. The public sector maintains a significant presence, dominating the industry with free healthcare. The private sector healthcare also remains vibrant and is sought after to meet the gaps within the industry. The opportunities are ample and the demand prospects be it in the pharmaceutical industry or for medical devices are steady, strong and encouraging. Yet, the stakeholders have to be mindful of coping with the down-side

risks, particularly, with respect the changing regulatory framework along with macroeconomic imbalances.

With a 50-year legacy, market expertise and strategic collaborations with internationally acclaimed healthcare principals, SHL is rightly positioned to remain as a top-notch organisation within the healthcare industry. The Company has the capacity and the essence to remain a trusted partner of both public and private healthcare institutions and extend smarter solutions to support and cater to growing industry needs.

As the way forward, SHL will look to scale-up the business and drive for returns on capital. SHL will continue to consolidate the pharmaceutical business, reinforcing agency ties and building on the pharma product offer whilst being proactive in discussing with the relevant government agencies to arrive at a more feasible price mechanism. The Company will also look at the options to market non-pharma products for greater diversification.

Medical devices segment is identified as a thrust segment with vast potential to grow. SHL will be focused in its efforts to build volumes on this business segment, exploring new opportunities with existing and new principals; investing in testing diagnostic products; and looking to expand its presence within the public-sector healthcare, both within the urban and rural areas.

Committed efforts will be in place to follow through with cost controls; managing inventory; strategic marketing initiatives; intensive and focused training; and investing in current technology to update the existing systems and processes. Salient plans for 2017/18 are set out below:

SALIENT STRATEGY AND PLANS - 2017/18

- Continue to engage healthcare principals and retain their presence
- Focused efforts to promote medical devices segment and increase the share in the product-mix
- Strengthen the pharmaceutical product portfolio by registering new products and driving for volumes
- Focused marketing efforts to promote products
- Create awareness amongst the public on preventive healthcare to build demand
- Develop employee technical competencies and build capacity
- Invest in technology to streamline systems and processes and build operational efficiency
- Ensure quality and standards of the product offer, maintain certifications and comply with relevant regulations

HEALTHGUARD

OVERVIEW

Healthguard, the Group's consumer healthcare business, was established in 2004 as a fully owned subsidiary of Sunshine Healthcare Ltd. With 23 modern outlets in Colombo and in the suburbs, Healthguard has progressively increased its market reach and established a strong presence as a health care retailer offering pharmaceuticals, wellness and beauty products. Raising the bar in the healthcare retailing in the country.

Key Performance Indicators	2016/17	2015/16	Change %
Operational			
Retail Outlets (Number)	23	24	(4.1%)
Employees (Number)	144	104	15.4%
Training Hours (Number)	3,678	2,979	23.5%
Financial			
Revenue (Rs Mn)	1,127.1	850	32.6%

STRATEGIC FOCUS

- Build on brand positioning, attract and engage customers to gain market share
- Increase share in wellness and beauty segments
- Engage employees and focus on training to improve productivity and service quality
- Leverage on technology to streamline processes and enhance market intelligence

PERFORMANCE HIGHLIGHTS 2016/17

- Reinforced position as a premium healthcare retailer
- Noteworthy growth of 40 percent recorded in the wellness and beauty segments
- Surpassed the Rs. 1 billion mark in revenue
- Launched two new consumer centre, full service outlets
- Non-performing stores rationalized
- Trained 133 employees at the training centre

BUSINESS REVIEW

RISKS

- Macroeconomic imbalances and lower economic growth may lower sector prospects
- Weaker rupee leading to higher costs of imported healthcare products
- The shortage of best-fit talent with technical skills and right attitude to take up job roles as pharmacists with consumer appeal
- Intense competition leading to employee retention
- Ad-hoc regulatory changes may bring in uncertainties to operations and impact the business viability

OPPORTUNITIES

- Ageing population to support market growth
- Market gap for quality products within the wellness and beauty retailing segment
- Rising per capita income and lifestyle trends, perceptions and attitudes paving the demand for wellness and beauty products
- Discerning consumer preferences for holistic product solutions and services
- Increasing trends of tech-savvy consumers opting for online purchasing
- Changing regulatory framework may inculcate best practices, quality and standards within the industry

STRENGTHS

- Solid brand and credibility
- Outlet ambience and strategic design layout for customer appeal
- Diverse and quality product offer
- Trained workforce and commitment to employee development
- Integrated and automated distribution system with streamlined processes
- Exceeding compliance to uphold quality and standards

BUSINESS STRATEGY

Maintaining its positioning as a high-end healthcare retailer, Healthguard sought to deliver a holistic and different to discerning consumers to meet their health, wellness and beauty needs.

Retail Footprint

To leverage its presence, Healthguard focused this year on strengthening and rationalising its retail footprint. The Company continued to be selective and strategic in its expansion moves. Two new outlets were opened in key locations in Hill Street and Thimbirigasyaya. Three under-performing outlets in Castle Street, Kalubowila and Pelawatte were closed down. This took the total retail footprint as at 31st March 2017 to 23 outlets.

Top priority was given to maintain the standards of brick and mortar outlets. Due investments were made to keep the store design strategic and attractive and thereby, enhance the customer experience for greater consumer engagement. Both customer counts and basket value per customer posted noteworthy growth during the year 2016/17. The Company also focused on improving its online presence by; improving the look and the feel of the online store; keeping the content up-to-date; and optimising on search options.

Product Responsibility

Healthguard continued of offer a wide range of products inclusive of top brands to support consumer wants and enhance how they ‘live’, ‘look’ and ‘feel’. Due precedence was given to uphold product responsibility, complying with the regulations set under the ‘National Medicines Regulatory Authority Act’ for medicinal drugs in the pharma sub-sector and under the 'Food Safety and Consumer Act' for wellness products. Even with respect to cosmetics—where there is an ambiguity in the regulatory framework—due diligence was carried on quality and standards along with necessary certifications obtained from the suppliers spanning India, UK, Israel and Australia.

Marketing and Promotions

Supported by multi-channel marketing efforts, Healthguard continued to focus on strengthening its brand identity by building awareness and instore promotions the product within the consumer healthcare sector. Below-the-line measures were adopted including product leaflets, brochures and communication via beauty magazine to keep the customer informed on product offers and drive sales. Social media was effectively used to engage customers, particularly, targeting the younger consumers.

Employees

Addressing the challenge of recruiting and retaining skilled and qualified staff amidst the competition, the Company focused on Employee Engagement, training and developed initiatives. The company continued to ensure Employees are remunerated at current market pay by frequent salary surveys. The Healthguard training centre which took off in the preceding year, played a vital role in building technical skills combined with soft skills including customer service, leadership and management.

Technology

The fully integrated distribution system supported operational processes to be streamlined and efficient. The system enabled automated solutions to handle all procurement, stock control and distribution across the network. Plans are underway to invest on an Enterprise Resource Planning system in the next financial year. This is expected to boost business intelligence—generating key management reports on consumer trends and purchasing patterns to support perceptive and customer-oriented in decision making.

BUSINESS PERFORMANCE

Notwithstanding the challenges that prevailed within the operating backdrop, Healthguard marked a creditable performance in the reporting year, 2016/17. Buttressed by an impressive performance in the wellness and beauty segments, revenue touched Rs. 1,127 million, corresponding to 33 percent growth over Rs. 850 million recorded in the previous year.

Outlet opening at Thimbirigasyaya

FUTURE OUTLOOK

As a versatile healthcare retailer and more so, as part of the progressive Sunshine group, Healthguard is well poised to manage the industry uncertainties and respond to the emerging opportunities in a burgeoning economy. Further consolidating, Healthguard will seek to reinforce its existing brick and mortar outlets; will continue to look at expansions selectively; and boost its online presence, particularly targeting the millennials. The Company intends to muster its full potential to deliver a customer-centric solutions with a greater focus on wellness and beauty segments. Pharma is expected to be modest in its performance. Due investments will be made to develop the critical success factors to sustain the competitive edge and top-tier positioning—employee training; systems and processes; branding and marketing; and sustaining quality and standards.

SALIENT STRATEGY AND PLANS - 2017/18

- Consolidate the retail network with selective expansions in Colombo and the suburbs
- Focus on wellness and beauty segments and increase the share in the product-mix
- Strengthen the product offer by adding on reputed brands
- Focused marketing efforts to strengthen brand equity and promote products including own wellness brands
- Train employees to be customer-centred
- and extend a personalised service to secure their loyalty
- Invest in technology to streamline systems and processes and build operational efficiency

AGRIBUSINESS

A subsidiary controlled by Sunshine Holdings, Watawala Plantations PLC is a Public listed company. It is diversified top tier Regional Plantation Company (RPC) managing 17 estates 12,015 hectares in the Central and Southern Provinces. The company is primarily engaged in Plantations of tea and palm oil targetting export and domestic markets. The Company has also diversified into minor export crops and dairy farming. The strategic alliances with TATA Global Beverages, Pyramid Wilmar and recently with Duxton Asset Management on the dairy farming project, support the Company to strengthen technical and marketing capabilities—drawing in synergies, exploring strategic opportunities and adopting best practices for progress and sustainability.

AGRIBUSINESS

PRODUCT MIX

60%
TEA

33%
PALM OIL

7%
EXPORTS

Key Performance Indicators	2016/17	2015/16	Change %
Operational			
Tea Production (Metric Tonne)	7,422	9,413	(21%)
Tea Yields (kilogram per Hectare)	1,213	1,439	(16%)
Average Price (Rs per Kg)	518.00	412.00	26%
Oil Palm Yields (Bunches per Hectare-kg)	15,965	14,319	11%
Palm Oil Production (Metric Tonne)	10,622	9,019	18%
Average Price (Rs per Kg)	205.00	166.00	23%
Workforce (Number)	9,603	10,205	(6%)
Employee Development Investment (Rs Mn)	2.8	2.0	40%
Community Investment (Rs Mn)	109	46	137%
Financial			
Revenue (Rs Mn)	6,502	6,299	3%
Earnings Before Interest & Taxes (Rs Mn)	1,494	669	123%
Profit After Tax (Rs. Mn)	1,225	518	136%
Net Profit Margin (%)	19%	8%	-
Return on Equity (%)	20%	11%	-
Assets (Rs. Mn)	9,112	7,746	18%
Debt to Equity (%)	14%	18%	-

STRATEGIC FOCUS

- Focus on making quality teas to attract premium prices.
- Reduce wastage, leakages and keep a lean cost structure.
- Closely engage the workforce, ensure their wellbeing and improve productivity.
- Mechanise to improve efficiency in field and factory operations.
- Invest in improving the quality of life of the resident communities.
- Implement comprehensive measures to ensure environmental responsibility.
- Explore strategic partnerships to expand and diversify the business.
- Uphold sustainable agriculture and manufacturing practices and follow certification guidelines.
- Comply with regulatory and legislative requirements.

PERFORMANCE HIGHLIGHTS 2016/17

- Profits surpassed the billion rupee mark, with revenue growing at three percent to reach Rs. 6.5 billion.
- Following through with a quality focused strategy, the tea segment succeeded in minimising losses and breaking even.
- Palm oil segment sustained its positioning as the largest producer in the country and led the agriculture sector performance.
- Upheld guidelines prescribed by renowned certification bodies across all estates and factories within the tea segment.
- Initiated the process to obtain certification from the Roundtable on Sustainable Palm Oil (RSPO).
- Watawala Dairy Limited commenced operations by starting construction of a full fledged dairy farm.
- Initiated greater diversification through cinnamon cultivation and value addition.

BUSINESS REVIEW

RISKS

- Impact of climate change affecting tea production and quality.
- Economic and geo-political issues in key exports markets impacting the demand for tea and prices.
- High input costs due to rupee depreciation.
- Ageing tea fields, high cost of replanting and a longer pay-back period.
- An ageing estate workforce and a labour shortage impacting productivity and crop production.
- Labour unrest due to wages and other disputes affecting productivity and competitiveness.
- Resistance to convert loss-making rubber into oil palm.
- Government policy on import duty on oil palm impacting operational viability.

OPPORTUNITIES

- Brand legacy of 'Ceylon Tea' positioning Sri Lanka as the premium black tea producer in the world.
- Tea, a popular beverage in the world.
- Growing affluence in Asia and the Middle East leading to higher demand.
- Increasing demand for palm oil as a cooking oil, bio fuel and raw material.
- Greater viability of oil palm crop due to its higher productivity and lower labour intensity in harvesting.
- Potential for cinnamon as a diversified crop.
- Dependence on imported powdered milk and market gap for quality local dairy.

STRENGTHS

- Diversified crop portfolio.
- Largest producer of palm oil and tea.
- Strategic business alliances with global industry leaders in the respective business fields.
- Loyal established buyers.
- Sustainable agricultural and manufacturing practices in place.
- Tea estates located in all three elevations and a well-balanced portfolio of tea grades.
- Strong ties established with communities across estates and neighbouring villages.
- Commitment to uphold best practices in environmental and social management as per certification guidelines.

BUSINESS STRATEGY

Steering through the challenges prevalent within the operating backdrop in the year under review, 2016/17, Watawala Plantations continued to uphold a quality-driven strategy as opposed to a quantitative drive for tea segment. This strategy helped the Company to better cater to existing buyers, win new ones and earn premium prices particularly during the latter part of the year given the bullish trends. With respect to the palm oil segment, the Company continued to drive volumes through land extent expansion and yield maximising, sustaining its positioning as the largest producer in the country. Both segments continued to be focused on maintaining a lean and an efficient cost structure.

Underlining the overall operational strategy, Watawala Plantations continued to adopt to sustainable agricultural and manufacturing practices, in both field and factory processing operations. Focused actions were sought to boost productivity levels; maintain the standards prescribed by well-renowned certification bodies; ensure the wellbeing of the workforce, extend training and reward performance; support socio-economic progress of the resident and neighbouring communities; and uphold environmental responsibility and manage the carbon footprint across the estates.

Product Responsibility

The Company offers multiple products under its agribusiness portfolio. The tea segment with 13 estates and 12 factories, spanning all elevations, offers orthodox and CTC teas under 37 selling marks primarily for the export market. As the largest producer, oil palm plantations span across four estates and the mill produces crude palm oil for the domestic market.

Continuing best and sustainable practices, Watawala Plantations in the year under review focused on enhancing quality and standards across its operations be it in the nurseries, in the field or the factories. All tea estates continued to hold certification from the 'Rainforest Alliance - Sustainable Agriculture' and the 'Ethical Tea Partnership'; seven of the estates were certified under Fair Trade; whilst all factories upheld the ISO 22000 standard under the Food Safety Management System ensuring quality and food safety standards in processing teas. In the case of palm oil, the Company initiated the process to obtain the Roundtable on Sustainable Palm Oil (RSPO) certification, demonstrating its commitment to uphold best practices in the field and mill operations. The certification is expected to be in effect from FY18

Productivity

Driving productivity remained focal within the agribusiness strategy. On one hand, the Company continued to focus on improving land productivity with due measures to conserve fertile soil properties; manage the weeding process through organic techniques in the absence of chemical weedicides; short crop rotation; and replanting. On the other hand, the focus was on improving labour productivity. With a workforce of nearly 10,000, the Company strived to support employee wellbeing and motivate them to be regular in attendance and work at their optimum. The new wage structure based on productivity which came into effect in October 2016 within the tea industry along with partial mechanization techniques in harvesting in both tea and oil palm segments, were key initiatives in the reporting year to boost labour productivity across operations.

Social and Environmental Responsibility

With over 50,000 resident communities within the high grown tea estates, the Company stands committed to uplift their socio-economic wellbeing. The social programmes undertaken sought to improve the basic infrastructure at the estates, community health, nutrition, safety, education and gender equality and women empowerment. Watawala Plantations also engaged the neighboring village communities, particularly integrating the value chain of the palm oil operations with their lives and their livelihoods.

Upholding the Company's environmental policy and following through with a comprehensive environmental management framework, Watawala Plantations continued with key initiatives in water and energy management, land conservation, biodiversity and compliance with the regulatory requirements and certification guidelines.

In the reporting year, the Company invested a sum of Rs. 109 million on social and environmental responsibility projects and initiatives.

BUSINESS PERFORMANCE

Notwithstanding the operating backdrop, particularly in the first half of the year given the adversities that prevailed in the tea industry, Watawala Plantations achieved sound financial results in 2016/17. Largely buffered by the sound palm oil sector results and supported by the improvement witnessed within the tea sector, the overall business recorded a top-line increase of three percent over the preceding year, to Rs. 6.5 billion. The bottom-line was strong and net profits after tax registered an outstanding increase of 136 percent to Rs. 1.2 billion.

Tea

The challenges of the operating environment continued in the year under review to mar the potential performance of the tea plantations as was the case across the RPCs. Extreme weather patterns from monsoons to drier conditions, lower land and labour productivity, government policy directives withdrawing the fertiliser subsidy and banning chemical weedicides along with trade union activities, inter alia, were key issues that impacted the tea industry—its viability and sustainability. The global economic uncertainties and geopolitical issues in key exports markets mainly in Russia and the Middle East further aggravated the industry issues. The national tea production levels were at its lowest and tea prices were sluggish on the Colombo Tea Auctions in the first part of the year. Yet, in the second half, prices were trending upwards, thereby, cushioning the industry from plummeting deeper. The successful wage negotiations on a productivity based model in October 2016 further complemented the industry performance.

Reflecting the industry trends, Watawala Plantations was able to steady its performance and record a stronger top-line in the year under review. The Company's quality focused strategy underlined the premium prices obtained at the Colombo Tea Auctions, ranking amongst the top-tier regional planation companies. In terms of RPC company rankings, the Company ranked number 06 whilst reaching number 02 excluding CTC teas.

On the expenditure side, the absence of the fertiliser subsidy, higher expenses relating to organic weeding and the wage increase of 17 percent from October 2016 fueled the cost of production. Yet, lower volumes, controlling overheads and minimising leakages helped to curtail cost increases. The attractive prices along with cost efficiencies supported Watawala Plantations to improve its bottom-line—reversing the losses recorded in the preceding year by 105 percent to record a profit in the year.

Palm Oil

Palm oil operations continued to buffer the overall agriculture performance, posting strong results at the top and the bottom-line. The weather patterns that prevailed in the year were conducive to oil palm crop production. Surpassing the reporting year's targets, the Company was able to achieve highest yields and sustain its positioning as the largest palm oil producer amongst the regional plantation companies. Palm oil prices trended upwards in line with the rising trends in the world commodity markets—average price per kilogram of palm oil increased by 23 percent compared to the previous year price of to Rs. 166. The mill operations were efficiently managed and the costs were well controlled in keeping within the budgeted levels. In this context, Watawala Plantations successfully boosted its revenue and net profits—growing creditably by 44 percent and 56 percent respectively.

Dairy Farming

Supporting a national need to reduce the dependence on imported powdered milk, Watawala Plantations made headway with its new dairy farm project under the subsidiary Watawala Dairy Limited. Building on the success of the pilot project launched several years back in Hatton, the Company looked to further strengthen and expand the business model along the Total Mixed Ration (TMR) dairy model. Currently, the construction of the farm infrastructure is nearing completion and the first batch of imported cows are expected in May 2017. Currently, the existing farm with 167 cows (68 milking cows) produces 1,143 litres per day. With commercial operations, the farm is expected to generate 30,000 litres per day with 1,000 milking cows.

Watawala Dairy Ltd is a BOT approved joint venture with PADC Holdings, a subsidiary of Duxton Asset Management Singapore, an investment management company in global agriculture based projects. Watawala Plantations takes up 68 percent of the shareholding at an equity investment of Rs. 626 million.

FUTURE OUTLOOK

The plantation industry will continue to operate in a challenging operating backdrop in the near, medium to long-term. Climate change will remain an impediment to crop levels and quality. The issues of productivity be it land, particularly impacting the tea sector and labour along with the right compensation and rising cost of production will shroud the plantation sector prospects. The export segment will remain susceptible to the vicissitudes in the economic and geopolitical arena within the key markets.

Yet, Watawala Plantations as a diversified organisation with a strong mainstay—capital base, expertise, innovativeness and stability—has the vigour to respond to dynamics prevalent within the industry backdrop. The Company will continue to focus on crop diversification; quality production; productivity including a rational compensation model; strategic capital expenditure; engagement with its associates, trade unions and communities; and environmental responsibility. From a broader perspective, the Company will also continue with its advocacy role as a leading regional plantation company–collaborating and lobbying with the stakeholders on industry issues for greater sustainability.

SALIENT STRATEGY AND PLANS 2017/18

- Drive a quality-focused strategy along with a lean cost structure to keep the tea segment competitive and viable.
- Address and cater products to meet buyer preferences.
- Improve elevation rankings of selling marks.
- Focus on greater value addition to manufacture specialty teas.
- Ensure good agriculture practices to increase tea yields.
- Rationalise the cadre structure, drive labour productivity and focus on performance management.
- Ensure the wellbeing and empower resident communities within the tea estates with social development initiatives.
- Exit from low yielding lands and non-profitable crops and diversity into oil palm.
- Improve mill efficiency to increase palm oil production.
- Promote greater integration of the palm oil segment with the local village communities.
- Comply, follow and maintain best practices prescribed by the certification bodies.
- Complete the process and comply with the prescribed guidelines to obtain RSPO certification.
- Promote and invest in mechanisation to the extent possible in both tea and palm oil segments.
- Expand and commence commercial operations of the dairy farm project.
- Focus on greater diversification and expand cinnamon operations with a value added product range.
- Continue to uphold best practices under the environmental management framework.


SINGLE ESTATE TEA
Plantation Fresh
the art of tea

CONSUMER GOODS

Established in 2001 as a joint venture with Sunshine Holdings, TATA Global Beverages and Wilmar International, Watawala Tea Ceylon Limited (WTCL) is the largest branded tea company in the country. Engaged primarily in the domestic tea market, WTCL caters to varied consumer preferences with its top tea brands— 'Zesta', 'Watawala' and 'Ran Kahata'. As market leaders, these brands have made their mark as household names amongst different market segments. The Company also markets a value-added range of specialty teas in their gift boutiques and a premium range 'Zesta Connoisseur' was launched for the international market and is currently available in the Shangri-La Hotels and Resorts in 23 countries.

CONSUMER GOODS

PRODUCT MIX

86% TEA DOMESTIC MARKET

14% TEA INTERNATIONAL MARKET

Key Performance Indicators	2016/17	2015/16	Change %
Operational			
Domestic Tea - Market Share (% Volume)	35.4	33.8	160BPS
Domestic Tea - Market Share (% Value)	34.2	32.7	150BPS
Domestic Tea Volume (% Growth)	12	8	4
Employees (Number)	195	167	15
Employee Training Investment (Rs Mn)	4.8	1.8	167
Training Hours (Number)	22.4	20.8	7.7
IT investment (Rs Mn)	7.2	1.7	324
Financial			
Revenue (Rs Mn)	4,212.7	3,439.9	21
Earnings Before Interest & Taxes (Rs Mn)	302.8	469.2	(35)
Profit After Tax (Rs. Mn)	275.3	423.2	(35)
Net Profit Margin (%)	6.5	12.3	5.8
Return on equity (%)	33	51	18
Assets (Rs. Mn)	1,503.0	1,165.8	29
Asset Growth (%)	29	16	13
Debt to Equity (%)	58	6	52

STRATEGIC FOCUS

- Leverage on the equity of the brand portfolio to secure a greater market share.
- Strengthen all-island distribution coverage focusing on low penetrated provinces.
- Invest in sales force automation to improve operational efficiency.
- Closely manage costs to ensure competitiveness.
- Explore opportunities in gift boutiques and increase the current basket size.
- Strengthen partnership with Shangri-La Hotels and Resorts.
- Closely engage employees and extend training on customer service and address attrition.
- Sustain product quality and standards.

PERFORMANCE HIGHLIGHTS 2016/17

- Company achieved a turnover of Rs. 4.2 billion with a 22.5 percent growth.
- Strengthened market leadership by increasing annual market share from 33.8 percent in 2016/17 to 35.4 percent in terms of volume and from 32.7 percent to 34.2 percent in value.
- 'Watawala Tea' was ranked Sri Lanka's No.1 tea brand of the Year, not only in LMRB and Nielsen's Market Shares reports but also by winning the 2016, SLIM-Nielsen 'People's Choice' Award as the Most Favourite Hot Beverage Brand of the Year.
- Having met their expectations, Shangri-La Hotels & Resorts have extended the contract to be their exclusive supplier of value added teas for a second year.
- Opened a new Gift Boutique outlet at Liberty Plaza and revamped the BIA outlet with higher visibility and category-wise product presentation.
- Carried out intensive training of 22.4 hours per person.

BUSINESS REVIEW

RISKS

- Intensely competitive business environment with price undercutting and trade battles for shelf space.
- Rising trends in tea prices at the Colombo Tea Auctions leading to higher cost of purchasing teas and eroding profitability.
- Rising cost of living contracting consumers' purchasing power and the demand for branded teas.
- Competition within the Consumer Goods sector leading to retention issues of trained staff.

OPPORTUNITIES

- Large unbranded segment for branded tea to penetrate.
- Opportunity for brand building given the low brand loyalty for brands in the market.
- Geographical opportunities to improve distribution and market share.
- Changing lifestyle trends paving the way for valued added teas and services.

STRENGTHS

- Strong brand equity of all three brands, each driving a unique value proposition.
- Wide distribution network with a strong sales force.
- Superior tea selection and blending resource team.
- Commitment to uphold quality and standards.
- Partnership and recognition from Shangri-La Hotels and Resorts.

BUSINESS STRATEGY

WTCL in the year under review witnessed a challenging operating backdrop. The significant rise in tea prices at the Colombo Tea Auctions, particularly in the second half of the reporting year, adversely reflected the company's profit performance. The prices recorded an increase of 42 percent in the second half of the year. Thus, increasing purchasing costs. Although the Company along with other industry players adjusted the selling prices, the tea price increase was too high to be passed on to consumers.

Reinforcing its positioning by strengthening the brands 'Zesta', 'Watawala' and 'Ran Kahata', WTCL sought to increase its market leadership within the domestic tea market. The strategy focused on winning in a highly competitive environment where a leading competitor resorted to price cutting and enhanced support to win back market share. The company continued to build brand equity and looked at carrying out well-structured sales initiatives and marketing programmes; closely monitoring the output results and outcomes of promotions to ensure return on investment.

Apart from the domestic business, WTCL focused on successfully servicing the Shangri-La Hotels and Resorts chain. The company also looked at growing its presence in gift boutiques, to capitalize on the growing tourism sector.

Distribution

Driving for greater market share and covering diverse market segments, WTCL continued to rely and strengthen its distribution network in the General Trade across the country. The numeric distribution in the reporting year touched approximately 85,000 outlets. The Western province topped in terms of market outlet coverage, followed by North Western and Uva-Sabaragamuwa provinces.

Marketing and Promotions

The three domestic brands are versatile to meet diverse consumer requirements be it in consumer taste or affordability. 'Zesta' tea caters to a niche market segment skewed towards the 'flavoured' palate whilst 'Watawala', the leading brand in the market, caters to the more traditional market segment looking for a wholesome cup with strength, colour and taste. 'Ran Kahata' is the economy brand, which is more attractive to the low income consumers. For the international market, specialty teas are offered through the Gift Boutique range and the 'Zesta Connoisseur' range.

Communicating the value proposition of each product and building the brand identity, WTCL continued to focus on strategic marketing and communication initiatives. The approach was three-pronged—building and leveraging on the brand equity of 'Watawala' as a trusted household brand; bringing out 'Zesta' as a flavoured tea to be experienced; and 'Ran Kahata' a mass-market product providing more value for money. This reporting year, the company rolled out above-the-line campaigns on electronic and print media and stepped up its point of sales presence to promote the brands. 'Watawala' reinforced its link with the trade by offering creative trade schemes. 'Ran Kahata' conducted on ground activations and programmes by proving the efficacy of the tea; 'Zesta' focused on priority selling and attractive modern trade consumer schemes.

Employees

2016/17 was a year of change with the establishment of the International division, and production shifting to a third party location with the required certifications to ensure sustained quality. As the business became more complex, the number of employees were increased by 15 percent. The main increase has been in the International division and support services. WTCL conducted several team building initiatives to integrate the international and domestic divisions and drive the Company as one team. Focus was given to skills training as well as leadership training to enable higher efficiency. The Company's attrition being high, mainly in the sales department, several successful initiatives were implemented which resulted in attrition in sales reducing from 35 percent to 18 percent and in the company from 22 percent to 16 percent.

BUSINESS PERFORMANCE

WTCL in the reporting year strengthened its market leadership in the domestic market and progressed well in the global arena through its partnership with Shangri-La Hotels and Resorts.

The revenue in the year registered a growth of 22.5 percent to Rs. 4,213 million. However, rising cost due to significantly high tea prices in the latter part of the year, impacted the profit after tax by 35 percent as against the preceding year to Rs. 275 million.

Domestic

Accounting for over 86 percent of the portfolio, the three-brand tea portfolio recorded 12 percent growth amidst intense competition in the market. All three brands achieved notable results and succeeded in securing 160 BPS of value share from 33.8 percent to 35.4 percent. 'Zesta', the premium brand, saw its market share grow by 50 BPS. 'Watawala', recognised as the people's choice in beverages at the Slim-Nielsen Awards 2016, increased its market leadership amongst branded teas by increasing value market share from 23.7 percent in 2015/16 to 24.7 percent. As anticipated, 'Ran Kahata' continued to penetrate its targeted market segment, particularly gaining popularity in Northern, Uva, Sabaragamuwa, Central and North Central provinces and increasing its share within the loose tea market.

International

With an exclusive contract secured in the preceding year with the world-renowned Shangri-La Hotels & Resorts chain, our international division made significant progress in the year under review. After ironing out the teething issues in establishing its distribution within a short period of time to supply 100 Shangri-La properties in 23 countries, the Company succeeded in fulfilling Shangri-La's expectations of on time delivery. Training was also provided to staff to offer a perfect guest experience in their properties.

On Gift Boutiques, a new outlet was opened at Liberty Plaza and the Bandaranaike International Airport (BIA) outlet was revamped with higher visibility and category-wise product presentation. The change has been effective in attracting more shoppers as well as increasing basket size.

FUTURE OUTLOOK

With the economy progressively moving into the upper-mid income status, disposable incomes are tipped to rise in the ensuing years with higher purchasing power. This will reflect well and have positive connotations to create demand for the Consumer Goods sector. The brand portfolio with value propositions targeting different consumers coupled with the corporate reputation as a trusted market player will underline WTCL's positioning in this emerging scenario—reaching out to greater growth prospects.

Consolidating its business strategy in the year ahead, WTCL will continue to strengthen its stronghold as the market leader in the domestic tea market by increasing market share. Competing with almost 400 tea brands in the market with an intensive battle for market and shelf share warranting strategic investment. The Company will allocate resources to strengthen its distribution channels, upgrade its Enterprise Resource Planning (ERP) system and invest in business analytics to enhance operational efficiency and return on investment. Investment in training to enhance skills and competencies of employees will continue with team building and employee engagement initiatives.

Whilst reinforcing the partnership with Shangri-La Hotels and Resorts, WTCL will focus on other business opportunities for specialty teas and scale up within the international market.

Following through with diversification efforts, the Company will look to boost its bottled-water venture relaunched in the preceding year and promote 'Zest' to penetrate the retail market as well as the hotels, restaurants and catering channel.

Salient plans for 2017/18 are set out below:

SALIENT STRATEGY AND PLANS 2017/18

- Focused marketing activity to strengthen market leadership position leveraging on the brand equity to increase the market share gap vis-a-vis the competition.
- Expand outlet coverage by strengthening the distribution network and increase outlet call frequency.
- Extend 'Zesta Connoisseur' range to premium international hotel and resort chains.
- Rationalise the range and introduce innovative value-added teas to the gift boutique range.
- Boost operations of 'Zest' bottled drinking water and capture a larger share of the target market.
- Focused investment on training and development of employees.
- Upgrade ERP system to build operational efficiency.
- Invest in business analytics.
- Sustain quality and standards of selecting, blending and distribution of teas.

Sunshine Holdings PLC
Annual Report 2016/2017

ENERGY

Established in 2009 as a fully owned subsidiary, Sunshine Energy Ltd (SEL) represents the Group's renewable energy sector. Supporting the dire need for energy in a growing economy whilst ensuring the adoption of environmentally sustainable practices. SEL operates a hydropower plant in lower as well as upper Waltrim divisions in Lindula in Talawakelle. The plant which was commissioned in 2012 has a built-up capacity of 2 MW, whilst the second plant which was commissioned in October 2016 has a built-up capacity of 2.6 MW. Plans are currently underway to enhance the hydro capacity of SEL further, by developing the 3rd hydro plant in Lippakelle with a planned capacity of 2.4 MW.

ENERGY

PRODUCT MIX

100% HYDROPOWER

Key Performance Indicators	2016/17	2015/16	Change %
Operational			
Capacity utilisation – Lower Waltrim MHP	30%	57%	(27%)
Capacity utilisation – Upper Waltrim MHP	14%	-	14%
Electricity Generated - Lower Waltrim MHP	4,379,009	8,250,890	(47%)
Electricity Generated - Upper Waltrim MHP	1,433,981	-	100%
	5,812,990	8,250,890	(30%)
Capital Expenditure	663	-	-
Financial			
Revenue - Lower Waltrim MHP (Rs Mn)	64	120	(47%)
Revenue - Upper Waltrim MHP (Rs Mn)	25	-	100%
	89	120	(26%)
Earnings Before Interest & Taxes (Rs Mn)	(1.69)	48.89	(103%)
Profit / (Loss) After Tax (Rs. Mn)	(35.08)	32.00	(207%)
Net Profit Margin (%)	(39%)	27%	(245%)
Return on equity (%)	(6%)	7%	-
Total Assets (Rs. Mn)	2,025	1,174	73%
Debt to Equity (%)	53%	52%	-

STRATEGIC FOCUS

- Expand the hydropower capacity
- Explore feasibilities to venture into other forms of renewable energy
- Explore strategic partnerships and collaborate with relevant government agencies to give comprehensive renewable energy sector solutions

PERFORMANCE HIGHLIGHTS 2016/17

- The hydropower plant in Lower Waltrim, Lindula operated at 30% capacity despite the drier weather conditions and supplied 4.38GWh of electricity to the national grid
- Completed construction of the second hydropower plant in Upper Waltrim, Lindula and supplied 8.25 GWh of Electricity to the national Grid
- Construction under progress of the third plant in Lippakelle

BUSINESS REVIEW

RISKS

- Susceptibility of operations and viability on weather patterns and climate change
- Regulatory changes may bring in uncertainties to operations

OPPORTUNITIES

- Emerging economy leading to higher demand for energy
- The dire need to embrace renewable and cost-effective energy sources
- Guaranteed demand through power purchase agreements with the Ceylon Electricity Board
- Relatively lower cost of generating hydro energy vis-à-vis alternative energy sources
- Conducive geo-climatic conditions enabling to tap diverse renewable energy sources

STRENGTHS

- Commitment to be environmentally responsible
- Availability of water sources within the tea estates, capital and expertise to generate hydropower
- Corporate repute as a responsible entrepreneur and diversified group to attract partnerships in the energy sector

BUSINESS STRATEGY

The strategic focus in the year under review continued to be on the hydropower sector. The Company sought to optimise the capacity of the existing plant, although challenged by adverse weather conditions that prevailed during the year. Seeking to further expand the exposure into hydro power, focused measures were adopted to expedite the construction process of the new plant under the subsidiary name of 'Elgin-Hydro Power Ltd'.

The commercial operations of the third plant is expected to commence in the ensuing financial year of 2017/18. With a proposed capital commitment of Rs.650 million, the Lipakelle hydro plant is expected to add capacity of 2.4MW. This would augment the Group's total hydro power capacity to 7MW.

Apart from hydropower, the Company also explored opportunities in other Renewable energy sources -including solar and wind power.

BUSINESS PERFORMANCE

The unfavourable dry weather conditions that prevailed for 6 months of the year, did not reflect well on the Group's hydropower sector performance. The operational and financial results were more subdued compared to the preceding year. The Lower Waltrim Hydropower plant operated below its capacity at 30 percent as opposed to 57 percent registered in the preceding financial year. The electricity generated and supplied to the national grid was 5,812,990kWh with the addition of the Upper Waltrim Hydropower Plant which was connected to the grid on 18th October 2016.

Revenues in the period under review decreased by 26 percent to Rs.89 million.

FUTURE OUTLOOK

In an emerging economic scenario, the demand for electricity is steadily on the rise. The demand is anticipated to grow at an average of 5.76 percent in the next ten years (CEB).

The country is heavily skewed towards thermal power generation, based on non-renewable fossil fuels, in effect, accounting for 57 percent of the national energy mix. Relying on fossil fuels to support the growing demand for electricity has serious implications on the environment including green-house-gas emissions, climate change and global warming. Apart from environmental impacts, greater fuel imports will significantly pressure the country's import expenditure, widening the trade deficit further and leading to external sector imbalances. In this scenario, the need to embrace alternative energy sources are vital and highly warranted.

Hydropower is widely accepted to be the most environmentally responsible and economically efficient energy source and is critical in supporting the growing electricity requirements of the country. The CEB has a substantial stake in hydropower with large-scale plants. Yet, the capacity of the CEB is limited and thereby, the private sector engagement in mini-hydropower is significant and encouraged by Policy makers. The guaranteed buy-back agreements from the CEB, spanning a period of 20 years, enable a steady and a consistent market for electricity generated by mini-hydro plants, thereby, underscoring the potential prospects of investing in the hydropower sector.

In this context, the Group's exposure to hydropower is perceptive and timely. The existing plants in both lower Waltrim and upper Waltrim in Lindula, together with the upcoming plant in Lippakelle are expected to see greater growth potential in the coming years, with stable returns on investments. The Group in its medium to long-term outlook expects to further strengthen the hydro power capacity to around 15MW by considering both organic and inorganic growth options.

Apart from hydropower, the Group sees much potential in embracing other forms of renewable energy through strategic investments and partnerships. Currently, the Group is carrying out feasibility studies to invest in solar power, complementing the national aspirations to capitalise on this untapped energy source. The Group is looking for collaborative support from the relevant agencies to set up the infrastructure necessary for such a venture to take-off. The Group also recognises potential prospects and envisages to partner like-minded investors to take up wind-power projects.

SALIENT STRATEGY AND PLANS 2017/18

- Complete construction and commence commercial operations of the Elgin power plant in Lippakelle with a capacity of 2.4 MW by January 2018
- Look for collaborations and partnerships within both public and private sectors to venture into solar and wind power projects
- Comply with legislature and regulations set by the relevant government regulatory bodies and institutions

OUR HUMAN CAPITAL

OVERVIEW

Our team of over 10,000 employees is our strength, determining and shaping the Sunshine group to meet the present-day challenges, reaching out to strategic goals and securing the path towards sustainability.

Building a solid team, therefore, is at the core of our human resources (HR) strategy. We are consistent and focused in our efforts to enable a progressive work environment within our businesses and support our team to learn, develop and be empowered.

Key Performance Indicators	2016/17
Cadre	10795
Training Hours	22719
Training Investment (Rs Mn)	16.1
Percentage of Employees Evaluated on Performance on line –exclusive of estate workers	80%

CADRE STRUCTURE

As at 31st March 2017, Sunshine cadre totalled to 10,795 employees. Out of the total, 89 percent is represented by the plantation sector in both the Central and Southern provinces. Healthcare sector takes up 7.58 percent whilst the consumer goods sector share is 1.81 percent. The holding company, energy sector and packaging sector representation is less than 2 percent. Nearly 95 percent of the cadre is employed on a permanent basis.

MANAGEMENT APPROACH

HR function is centralised at the holding company, whilst the day-to-day management and engagement comes under the 'embeded HR' function established to manage the HR aspects of the individual business lines.

STRATEGIC FOCUS

- Uphold 'equal opportunity' and build an inclusive workplace.
- Build a well-rounded team with comprehensive skills training .
- Strengthen the performance management mechanism in line with current best practices.
- Create an enabling work environment, extend fair compensation linked to performance and foster employee wellbeing to retain talent.

PERFORMANCE HIGHLIGHTS 2016/17

- Carried out comprehensive training and increased the training investment to 16.1 million.
- Organised structured team building programmes in collaboration with renowned training institutions.
- Converted 80 percent of appraisals to the online performance management system.
- Recognised and celebrated high achievers at the awards night across the Group.

Our engagement with our team is focused, pragmatic and interactive. Upholding the Sunshine's 'Human Resources Policy' and following best practices, we are an 'equal opportunity employer'. Impartial in our management approach, we look to nurture a performance oriented and a collaborative work culture. Our recruitment seeks to attract the right-profiled candidates and we take care and invest well to retain them—give fair compensation, reward performance, extend learning and development opportunities and ensure employee wellbeing.

RECRUITMENT

We have in place a dedicated resourcing team to meet the Group recruitment requirements. We follow the 'equal opportunity' principle, seeking to recruit the best and the most talented to our cadre across our businesses. We have in place structured guidelines to support our recruitment process. Our selections are based on pre-defined metrics where we consider an individual's level of qualifications, expertise, experience and personality traits to meet the job description. We give precedence to internal candidates and consider internal references, if the identified employees are within the scope of the metrics.

REMUNERATION AND BENEFIT OBLIGATIONS

Central to our HR strategy, we have in place a fair compensation structure, well on par with the industry standards. Our remuneration policy is impartial and we ensure that the compensation has a best-fit with an employee's level of competence, experience and performance and the job responsibilities. Performance merits determine salary increments, rewards and incentives as well as promotions.

We are timely and responsible in meeting all our defined benefit obligations including contributions to the Employee Provident Fund, Employee Trust fund and Gratuity. In the reporting year, we incurred a sum of Rs.108 million on defined benefits and our gratuity provision reached to Rs. 1085 million.

PERFORMANCE MANAGEMENT

Giving precedence, we continued in the reporting year, to consolidate our performance management mechanism. In the reporting year, we continued to fine-tune our performance criteria and sought to further our online appraisal system—we worked closely with the respective managers and officers to link the evaluations of each business unit to the head office HR, where the final ratings, salary increments, rewards and recognition are ascertained. Currently, nearly 80 percent of the appraisals are done online.

Our performance evaluations are carried out bi-annually, enabling us to monitor performance more closely in line with our business goals. All evaluations are carried out on pre-agreed performance goals and targets—both collectively and individually. This accounts for 70 percent of the employee rating. The balance 30 percent is evaluated on the level of competence, positive attitudes and inter-personal skills.

Healthcare Sector Awards

Theme: Passion to win - Oscars

Chief Guest: Mr. Vish Govindasamy, Group Managing Director of Sunshine Holding PLC

Key invitees: Group Excom, Principals and staff

Awards: High achievers, MD's award, Excellence awards, Long service awards, passion to win award, Chairman's awards etc

Consumer Goods Sector Awards

Theme: Speed to Success

Chief Guest: Mr. Sajad Mawzoon, Managing Director of Pyramid Wilmar Pvt Ltd

Key invitees: Group Excom and all staff

Awards: High achievers, Chairman's trophy, Best area sales manager, Best sales team, Best department and Service excellence award etc..

Agri Business Awards

Theme: WATA night of the Oscars

Chief Guest: Mr Sunil Wijesinha, Chairman-Watawala Plantations PLC

Key invitees: Group Excom and all staff

Awards: Compliance awards, Long service awards , Performance awards, Best performing region etc..

LEARNING AND DEVELOPMENT

Training Facets		
Company	Investment Rs. Mn	
	2015/16	2016/17
Sunshine Healthcare Lanka Limited	5.4	7.7
Watawala Plantations PLC	2.0	2.8
Watawala Tea Ceylon Limited	1.7	4.1
Sunshine Packaging Lanka Limited	0.16	0.04
Healthguard Pharmacy Limited	0.46	0.47
Sunshine Holdings PLC	0.02	1.0
Group Total	**9.7**	**16.1**

Experiential learning and team building programmes — The 'Military Simulation' and the 'Amazing Chase'

Gearing our team to meet the challenges of a rapidly changing business landscape, learning and development is the most critical aspect of our Group's HR strategy. Our training is well-structured and focused on building, shaping and nurturing a vibrant and a winning team. Our diversified group structure with on-the-job training opportunities and cross placements, enables the team to gain exposure, refine their skills and reach out for career progress. Our strategic ties with international partners further support our endeavours to give the best training platform to develop the team in line with best business practices.

The training that we carry out is directed towards enhancing technical skills along with soft skills including leadership, teamwork, inter-personal and intra-personal skills, communication, innovation and emotional intelligence. Our programmes are structured on a '70: 20: 10' rule—covering on-the-job training, coaching and classroom training, respectively. In keeping with this rule, we encourage our team leaders to be conscious and focused in training and mentoring their staff on a day-to-day basis. Our 'train the trainer' programmes give the necessary exposure to the team leaders to be proficient trainers and carry out these tasks effectively.

The class-room training component includes internal and external training programmes. These are structured on the results ascertained from a comprehensive training needs analysis carried out across the Group. These programmes are tailored to give the 'right' training to the 'right' people in the 'right' way. The training curriculum and the annual training calendar are developed on this analysis. The management stands committed to make due investments in this regard.

In the year under review, we extended comprehensive training to most of our employees covering 22719 training hours across the businesses. We selected two of our high achievers along with one senior manager and sent them on foreign training to hone their leadership and management skills at the Centre of Creative Leadership, Singapore. We also organised experiential learning and team building programmes—the 'Military Simulation' and the 'Amazing Chase'—in collaboration with High Five consultancy.

Professional Development

Apart from our corporate training programmes, we also have in place a professional development scheme including loans on concessionary-terms and scholarships. We encourage our staff to make use of this scheme to further their academic and professional studies and take up memberships in well-recognised professional bodies.

INTERACTIVE WORK CULTURE

At Sunshine, we believe in a collaborative workplace culture. We encourage our subsidiary businesses to foster team work and achieve stronger and higher collective goals. In this regard, our team building learning initiatives as discussed above, support our employees to build and nurture trust and share their strengths and inspire each other in their work-life. The 'Townhall' concept we initiated in the reporting year, seeks to give a platform where employees of each business unit could gather, network, brain-storm on new ideas to better the workplace and address their grievances. The 'Townhalls' are held quarterly by all companies within the group.
Our welfare societies also play a significant role in building team spirit and enabling strong work relationships. Our management is supportive and encourages the staff to foster welfare activities..

EMPLOYEE WELLBEING

As a progressive Group, we continue to advocate work-life balance—giving employees independence and space to adopt healthier life styles and manage their stress levels at work. In the preceding year, we declared Saturdays as a non-mandatory working day, and in effect, we saw a positive response from our employees across the Group with greater motivation to complete tasks during the normal working hours. We also encouraged them to avail their annual leave and control overtime work.
We have in place a comprehensive welfare package including medical benefits, education loans for the executive and above category. Targeting the non-executive staff, our welfare covers, inter alia, free lunches, uniforms and funding support for children's education. In the plantation sector, the estate workforce is enabled by basic amenities including housing, water and sanitation, childcare facilities and health and nutrition.

Estate employees of Watawala Plantations are covered by collective agreements.

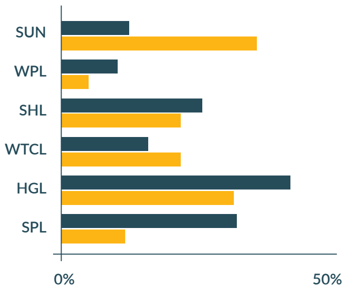
EMPLOYEE SATISFACTION SURVEY 2016/17

We continue to rely on employee's survey carried out annually to ascertain the level of employee satisfaction of working at Sunshine. This reporting year, employee satisfaction survey was conducted on a sample of 789 employees across all staff categories and key sector companies. As per the survey, employee satisfaction level was highest at Watawala Plantations, followed by Watawala Tea Ceylon and we continue on our journey of driving continues improvement.

ATTRITION

In an intensely competitive business landscape, it is imperative to retain our talent within the Group, particularly our trained staff. The need for retention is more pronounced within the healthcare and the pharmaceutical sectors where the loss of expertise and relationships will have serious implications on business prospects. Our efforts and strategic investments to engage our employees as discussed above, stand significant and warranted.

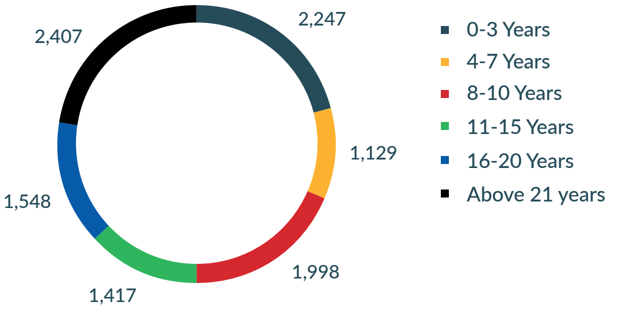
As per the service analysis, 68 percent of the employees have a solid service record of 8 years or above; demonstrating the strength and stability of the Group.



EMPOWERING WOMEN

Celebrating the International Women's Day on 8th March 2017, we took time to recognise our women employees, their achievements, hard work and dedication. We looked to create awareness amongst them on the necessity of adopting healthy lifestyles and balancing their work and career goals with their personal lives. The day's session consisted of Personal Grooming and Social Etiquette- British Cosmetics and "Healthy Living" by Healthy Life clinic.

Service Analysis



LEVEL OF COMPLIANCE

The holding Company, Sunshine Holdings PLC along with its subsidiary businesses are in compliance with Labour Laws in Sri Lanka and the rules and regulations set by other statutory and regulatory bodies. The Group complies with the

minimum age of employment and does not to use any form of forced or compulsory labour. Employer obligations including remuneration and defined benefit obligations are met conscientiously.

The Sunshine group did not record any incident of discrimination and did not report any fines or sanctions due to non-compliance with laws, rules and regulations in terms of labour relations and management.

OUR SOCIAL CAPITAL

OVERVIEW

As a diversified conglomerate, the value we create goes beyond commercial goals, with far-reaching benefits to society. We have a strong presence in many of the key sectors in the economy from the healthcare sector, consumer goods, plantations to energy. Our businesses have been built and nurtured on a solid set of corporate values, that advocate and uphold integration of core operations with social and environmental responsibility. We firmly believe that this is what underlines our success amidst the complexities of present-day dynamics.

Key Performance Indicators	2016/17	2015/16	Change %
Overall Community Investments (Rs Mn)	109.4	46.18	137%
Community Based Infrastructure Investments (Rs Mn)	36.77	24.37	51%

MANAGEMENT APPROACH

Well entrenched in our Group ethos, social responsibility is prioritised in strategy across our businesses, seeking to reduce the operational impacts and give back to society. Social responsibility is approached from a triple perspective: firstly, we are focused on making our operations responsible— integrating best and current business practices into decision making and actions; secondly, we seek to engage, support and uplift communities in which we operate; and thirdly, we take on an advocacy role, create awareness and address social issues and causes that have relevance to our businesses and with wider implications to society.

STRATEGIC FOCUS

- Adopt and nurture best business practices to be ethical and responsible in operations.
- Closely engage communities and support to uplift the lives of the underprivileged.
- Take up an advocacy role and support social causes.

PERFORMANCE HIGHLIGHTS 2016/17

- Upheld best business practices with due certifications, attention to quality and compliance with relevant laws, rules and regulations.
- Invested to uplift the living standards and build capacity of the resident communities in the plantations.
- Donated dry rations and clothes to support the flood victims in the Central hills and Kelaniya.
- Gold sponsor of the Sri Lanka Economic Summit 2016.
- Participated and raised funds over Rs. 2.0 million in support of the 'Trail 2016', a fund raiser to fight against cancer.

RESPONSIBLE BUSINESSES

Quality and Standards

Building on a five-decade legacy, the Sunshine group stands committed to be ethical and responsible in their corporate conduct. Our focus is on achieving operational excellence across our business lines. We are concerned and take due care to ensure that we maintain quality and standards in our product offer. Most of the companies have adopted and follow through the guidelines set by relevant and internationally acclaimed certification programmes.

In the case of Watawala Plantations where we see integration of economic aspects of operations with social and environmental considerations at its best, the company has pledged its support to some of the most acclaimed certification programmes, essentially setting the tone for long-term sustainability. Out of the tea estates, seven estates follow Fair Trade and 16 estates are certified under the Rainforest Alliance, complying with best practices on environmental management and community relations as prescribed by the Sustainable Agriculture Network. Aside, 16 of our tea estates are certified under the Ethical Tea Partnership. All factories come under the ISO 22000 Food Safety Management System. Watawala Plantations has even commenced the process to obtain certification under the Roundtable on Sustainable Palm Oil.

With a strong presence and positioning in the market, the healthcare sector companies are conscientious in upholding quality and standards in delivering its value proposition. Sunshine Healthcare represents some of the best brands in both pharmaceuticals and medical devices segments, in turn, buttressing the corporate repute for being quality conscious. The consumer arm, Healthguard, ensures due diligence on the quality and standards of the product offer, including the beauty and the wellness segments. Both companies under this sector follow and comply with the prescribed guidelines, rule and regulations set for the pharmaceutical industry under the 'National Medicines Regulatory Authority Act.

The Consumer Goods sector, which represents top tea brands in the country closely follows and ensures the quality and standards, befitting the brand identities they stand for. An expert team is in place to carry out due quality checks on the teas purchased at the Colombo Tea Auction. This in effect underscores the positioning the tea brands have gained in the domestic market amongst different market segments. The recognition from the internationally acclaimed Shangri-La Hotels and Resorts for the premium brand, Zesta Connoisseur, stands as a testimony in this regard.

Business Ethics

With a solid governance framework, the Sunshine Holdings along with its subsidiaries upholds the highest ideals of corporate stewardship. The 'Code of Conduct and Ethics' sets out the standards required to be upheld from top-down—the Board, management and employees—ensuring that the businesses are managed with integrity, accountability and professionalism. The status of compliance with the Code is closely monitored by the respective Internal Audit departments of each business unit. In the reporting year, we did not record any incidents of violations of the Code across the Group.

Apart from the internal code, the Group also upholds and complies with the regulatory and legislative requirements set by the relevant statutory and regulatory authorities, both at the mandatory and voluntary levels. This includes inter alia, the regulations set by the Securities and Exchange Commission of Sri Lanka and the Continuous Listing Rules of the Colombo Stock Exchange and the Companies Act No. 07 of 2007.

As elaborated within the Corporate Governance section herein the report, we did not record any violations of the Corporate Governance Code for listed companies and were not subject to any fines or non-monetary sanctions for non-compliance of rules and regulations.

COMMUNITY RELATIONS

With our operations spanning across key sectors and diverse markets, building strong and mutually beneficial relationships with the communities around us are imperative. Within the plantation sector, the community engagement is close and hands-on, particularly with the resident communities whilst in the other sectors, the strategy focuses on philanthropy where we seek to enable the underprivileged communities and address and support social causes.

Resident Communities

With a wide community base, nearly 50,000 living within the estates, our plantations sector community engagement is extensive and intense. Apart from supporting their livelihoods by giving them direct employment or integrating their small hold operations with our value chain, we are committed in our efforts to support our communities and uplift their living conditions and their quality of life. In the case of the resident communities, basic facilities from housing, water to sanitation are provided whilst well-structured initiatives in healthcare and education builds their capacity and ensure their physical and mental wellbeing. In the reporting year, Watawala Plantations spent Rs. 588,500 on community initiatives as elaborated in the table below:

Plantations - Community Initiatives – 2016/17

	Key Initiatives	Beneficiaries	Expected Outcome
Basic Infrastructure	• Housing, water and sanitation	12	• Improved living conditions
Health and Nutrition	• Ayurvedic and Western medical camps • Monitoring haemoglobin levels and issuing iron tablets to prevent anemia • Awareness programmes on dengue, non-communicable diseases and social issues - alcohol and smoking • Personal hygiene programme • Pre-natal and post-natal care	1,623	• Healthy estate workforce and resident communities • Greater awareness on nutrition and healthy lifestyle and on preventive measures for non-communicable diseases • Awareness on Dengue and social issues
Safety	• Awareness programmes on chemical usage and organic fertiliser	92	• Safer workplaces in estates

Plantations - Community Initiatives – 2016/17			
	Key Initiatives	**Beneficiaries**	**Expected Outcome**
Education	• Educational counselling • Free books for associate's children	48	• Lower level of school drop-outs • Better facilities for education
Capacity Building	• Skills training for pluckers • Vocational training on Kenilworth and Waltrim • Support for self-employment	120	• Skilled labour • Empowered estate community
Child Care	• Awareness programmes on child labour and child rights • Day care facilities and childhood development	80	• Awareness on the importance of upholding child rights • Healthy, secured and confident children in the estates
Financial Management	• Household cash management	50	• Improved home financial status
Philanthropy	• Funding and volunteer support for village temples and community centres	12	• Improved relations with village temples and community

Awareness against Child Labor and Child Rights

Household Cash Management

Tree Planting Campaign

Philanthropy

Flood Relief 2016

Supporting the nation at a time when tens and thousands of people were affected by the floods and landslides in May 2016 in the Central hills and in Kelaniya, Sunshine team joined the Government, tri-forces, civil societies, corporates and the public to help and support displaced people and the victims. The team organised a donation campaign of dry rations and clothes. The employees across the Group came forward in support of this campaign. A total of 130 boxes of dry rations, clothes and medicines were collected whilst our employees volunteered and worked hard to sort the donations for systematic distribution. We collaborated with the Sri Lanka Air Force and the LEADS organisation to airlift the rations to the affected areas and persons.

As an initiative of the Consumer Goods sector, Watawala Tea Ceylon also made a cash donation to the Ceylon Chamber of Commerce to support the flood victims.

Day-Camp for Diabetes

As a collaborative effort, Sunshine Healthcare sponsored the Diabetes Association of Sri Lanka to carry out a day-camp to create greater awareness on diabetes at the National Diabetes Centre auditorium in March 2017. The camp was targeted for people with Type 1 Diabetes and registered with the Insulin Bank. The camp organised several educational sessions and games in leadership training and had an interactive discussion with 150 participants including patients, parents and guardians. The cost of the project stood at Rs. 200,000.

Supporting the Children's Orphanage

Watawala Tea Ceylon organised a charity project to support 'Preethipura Children's Orphanage. Dry rations, toys, clothes and other essentials were donated to support the wellbeing of the children.
We saw the employees actively participating as volunteers in this charity project.

Policy Advocacy

As a leading conglomerate, Sunshine Holdings along with its subsidiaries continue to be proactive and focused in its policy advocacy role. In the year under review, the senior management across the Group sought to engage the relevant stakeholders at the policy level and lobby to resolve pressing issues in their respective sectors.
As a progressive member of Sri Lanka Healthcare Association, our management represented and was active in addressing industry challenges, particularly, on the implications of the new drug policy and price controls.
From the plantation industry perspective, the management in concert with other Regional Plantation Companies engaged the trade unions and government authorities to lobby for a productivity based wage model which is vital to keep the tea industry competitive.
We also continued to take an active role in support of the socio-economic causes. We participated, volunteered and sponsored related projects and campaigns as set out below:

Sponsoring Sri Lanka Economic Summit

Sunshine Holdings was a Gold sponsor of the 'Sri Lanka Economic Summit 2016', the country's premier economic forum organised by the Ceylon Chamber of Commerce. The summit saw the participation of some of the high-profiled

dignitaries, policy makers, academics and top public and corporate sector officials. From the Sunshine network, our Group Managing Director along with the sector heads, senior and middle management participated at the summit and advocated timely policies needed to propel Sri Lanka towards greater economic aspirations as themed this year—'Focus. Act. Deliver'

In Support of 'Trail 2016'

Our team of 128 employees including the senior management across the Group joined the 'Trail 2016' and supported the 'Colours of Courage Trust' to build awareness on 'cancer' and raise funds to expand the facilities at the oncology unit of the Karapitiya Teaching

"Our team of employees across the entire Sunshine Group is fully committed towards supporting Trail 2016 and we are extremely pleased to have had this opportunity to support such an important and impactful initiative."

V. Govindasamy
Group Managing Director
Press Release: 25th November 2016

Hospital in the Galle District. Our team volunteered and joined the 23 kilometer walk from Ja-Ela to Galleface green. We also created awareness and lobbied on social media under, '#SunshineforTrail'. We were able to raise over Rs. 2.0 million towards the cause including employees' personal donations reaching Rs.1.2 million. Apart from funding, the Healthguard Pharmacy donated a further Rs. 250,000 worth of essential medical supplies for the event.

Out of the Shadows

Sunshine Holdings was the Gold sponsor of the '333Bikeathon, Out of the Shadows' campaign organised by the CCCline of the CCC Foundation, a non-government organisation focused on advocating mental wellbeing amongst the public. The campaign aimed at creating public awareness on the national problem of suicide, which is particularly intense, given the current statistics indicating that over 15 people commit suicide every day; and for every death due to suicide, ten fail in their attempts.

We contributed Rs. 500,000 towards this initiative.

OUR NATURAL CAPITAL

OVERVIEW

With diversified operations, we have a substantial environmental footprint. Our engagement in plantations, energy and our latest venture in dairy farming closely connects us to the environment. The core operations of these businesses are dependent on natural resources—particularly, land, water and climate. In this context, it is important that we factor in environmental considerations to our strategy and be conscious and focused in our efforts to drive responsible environmental practices in our daily operations. This will reduce our carbon footprint and ensure long-term viability.

Key Performance Indicators	2016/17
Environmental Initiatives Investment (Rs Mn)	12.67
Awareness Building Programmes (Number)	149
Trees planted (Number)	49,847

MANAGEMENT APPROACH

We approach natural capital management from two perspectives. On one hand, our focus is to build and strengthen our natural capital base to support our value creation process and ensure greater sustainability. We also look for new business opportunities to create greater value. On the other hand, we seek to minimise the impact we have on the environment through our value creation process. In this regard, we are committed to follow best practices complying with applicable environmental laws and regulations along with the

STRATEGIC FOCUS

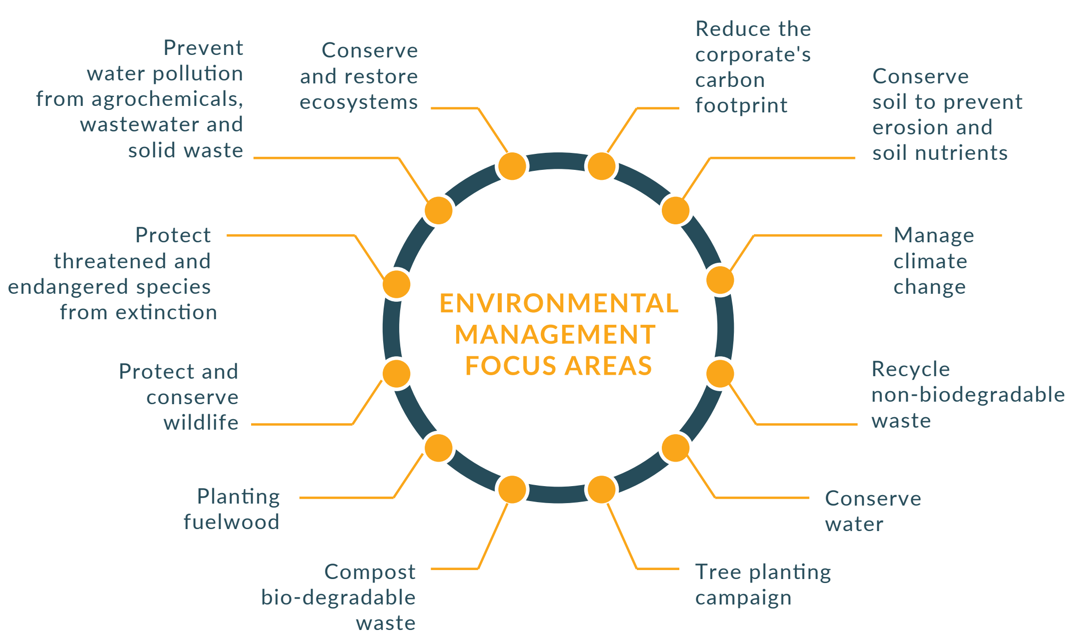
- Adopt and follow environmental best practices and international standards.
- Respond and adapt to climate change for greater sustainability.
- Invest in renewable energy opportunities.
- Explore and secure new business opportunities within the existing natural capital base.

PERFORMANCE HIGHLIGHTS 2016/17

- Reinforced environmental best practices in line with the Rainforest Alliance certification.
- Initiated the process to obtain certification for palm oil operations.
- Invested to expand the capacity of hydropower plants.
- Feasibility studies carried out on solar and wind power.
- Successfully completed the pilot dairy farm project.

guidelines set by internationally acclaimed certification bodies. We look to support, address and give voice to resolve pressing environmental issues from greenhouse gas emissions, climate change to conserving and protecting biodiversity. We are careful and conscientious in the manner in which we utilise our resources, seeking to be efficient and reduce wastage.

ENVIRONMENTAL BEST PRACTICES



As a responsible corporate citizen, environmental considerations are an essential part of our business strategy. This is more pronounced at Watawala Plantations where proactive measures are in place to ensure that decision making and daily operations are carried out in line with environmental best practices. The environmental management framework in place encompasses the necessary policies and procedures in this regard. The framework looks into different environmental aspects from water management, waste, usage of chemical fertiliser and pesticides, fuelwood felling, conservation and restoration of eco-systems and protection of wildlife including threatened and endangered species.

Apart from the internal policies, due certifications are in place endorsing our proactive measures in place to ensure sustainable environmental practices. All 16 of the tea estates are certified and follows Rainforest-Alliance guidelines which cover a wide spectrum of environmental considerations. The 16 tea estates that have pledged their support to the Ethical Tea Partnership programme along with the ongoing plans to obtain certification from the Roundtable on Sustainable Palm Oil further demonstrate our commitment.

RESPONDING AND ADAPTING TO CLIMATE CHANGE

With a large exposure to the agricultural sector and an emerging presence within the energy sector, climate change has a substantial bearing on our business viability. The tea plantations along with other agricultural crops are adversely affected by the climate change leading to the extremities in weather from severe dry conditions to heavy rainfall. With respect to tea, the yields, production and the quality of the leaf are affected, thus, eroding both top-line and profitability. The variability in the weather patterns impact our energy sector prospects dominated which is by hydropower.

In fact, both tea crop volumes as well as hydropower generation recorded significant setbacks due to severe drought conditions that prevailed in the year under review. Proactive measures focusing on best practices in the field including the use of drought and heat tolerant cultivars, organic fertiliser, soil conservation and tree planting; and efficient energy management in the factories; helped reduce our greenhouse gas emissions and thus, our carbon footprint whilst cushioning the operations against the impacts of climate change.

INVESTING IN RENEWABLE ENERGY

Addressing the dire need to be sustainable in energy given the fast depletion of fossil fuels and its impacts on global warming, our engagement in renewable energy stands significant and warranted. Our mini-hydro ventures along with systematic initiatives to plant renewable fuelwood have not only complemented our commercial goals, but has also supported our efforts to minimise our group's carbon footprint. Our plans to venture into solar and wind energy projects are timely and will further complement our quest to be carbon neutral.

NEW BUSINESS OPPORTUNITIES

Leveraging on our natural capital base, we continued to look for new business opportunities to scale-up our value creation within the agribusiness sector. Following the initiatives taken in the preceding year, we focused on our new venture in dairy farming. Complemented by the climatic condition in the Lonach estate in Hatton, we were able to successfully complete our pilot project and make way towards expansion.

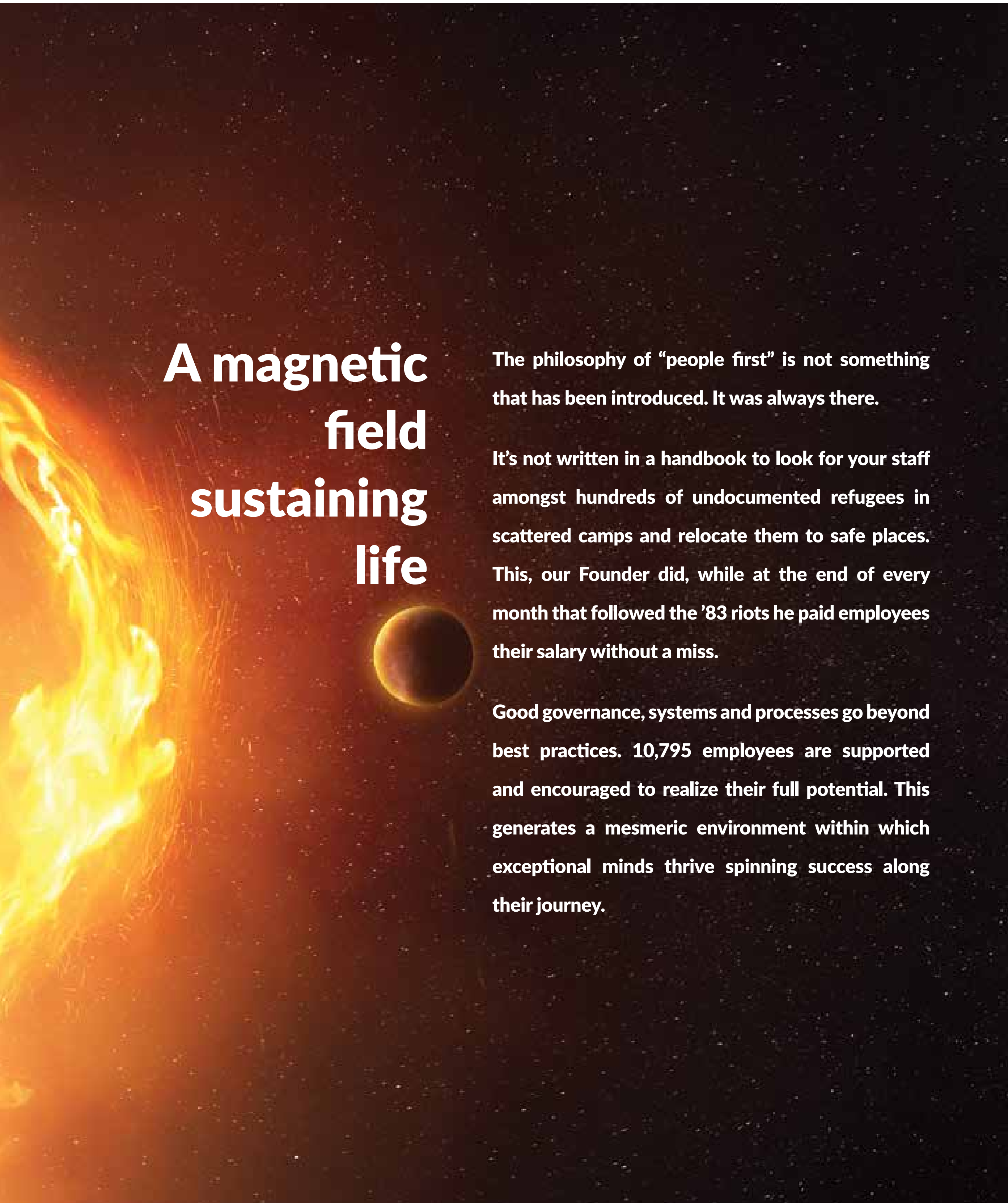
Watawala Plantations also took necessary steps to embrace greater diversification in crop production, with special focus on Cinnamon and value addition for higher returns.

COMPLIANCE

We give due precedence to nurture our Group's natural capital base, uphold best practices and standards, and comply with legislation, rules and regulations stipulated by the relevant authorities. The businesses across the Group in the year under review did not report any fines nor were subjected to non-monetary sanctions for non-compliance with environmental laws and regulations.

CELEBRATING 50 SINCE 1967
RESPONSIBLE ENTREPRENEURSHIP

CORPORATE GOVERNANCE



A magnetic field sustaining life

The philosophy of "people first" is not something that has been introduced. It was always there.

It's not written in a handbook to look for your staff amongst hundreds of undocumented refugees in scattered camps and relocate them to safe places. This, our Founder did, while at the end of every month that followed the '83 riots he paid employees their salary without a miss.

Good governance, systems and processes go beyond best practices. 10,795 employees are supported and encouraged to realize their full potential. This generates a mesmeric environment within which exceptional minds thrive spinning success along their journey.









THE BOARD OF DIRECTORS

H. D. Abeywickrama

R.M Kobbekaduwa

A. Hollingsworth
(Resigned)

S. G. Sathasivam

V. Govindasamy

N. B. Weerasekera

A.D.B Talwatte

B. A. Hulangamuwa

G. Sathasivam

S. A. Munir

T. Senthilverl
(Resigned)

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 was 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 50 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 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 Consumer Goods. 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.

A.D.B TALWATTE

Director

Mr. A.D.B Talwatte 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) and also chairs the Committee reviewing the applicability of Integrated Reporting in Sri Lanka and the Committee reviewing the Corporate Governance Code.

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.

A. HOLLINGSWORTH

Director (Resigned)

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.

PROFILE OF THE BOARD OF DIRECTORS CONTD.

B. A. HULANGAMUWA

Director

Mr. B. A. Hulangamuwa is also a Director of Watawala Plantations PLC. 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), Healthguard Pharmacy Limited and Watawala Tea Ceylon 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

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 (Resigned)

Dr. Senthilverl is the Chairman/Managing Director of Dollar Corporation, the 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.

R.M. KOBBEKADUWA

Director

Ms. R.M Kobbekaduwa is a Life Member of the Bar Association of Sri Lanka with over 20 years of experience, and 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.

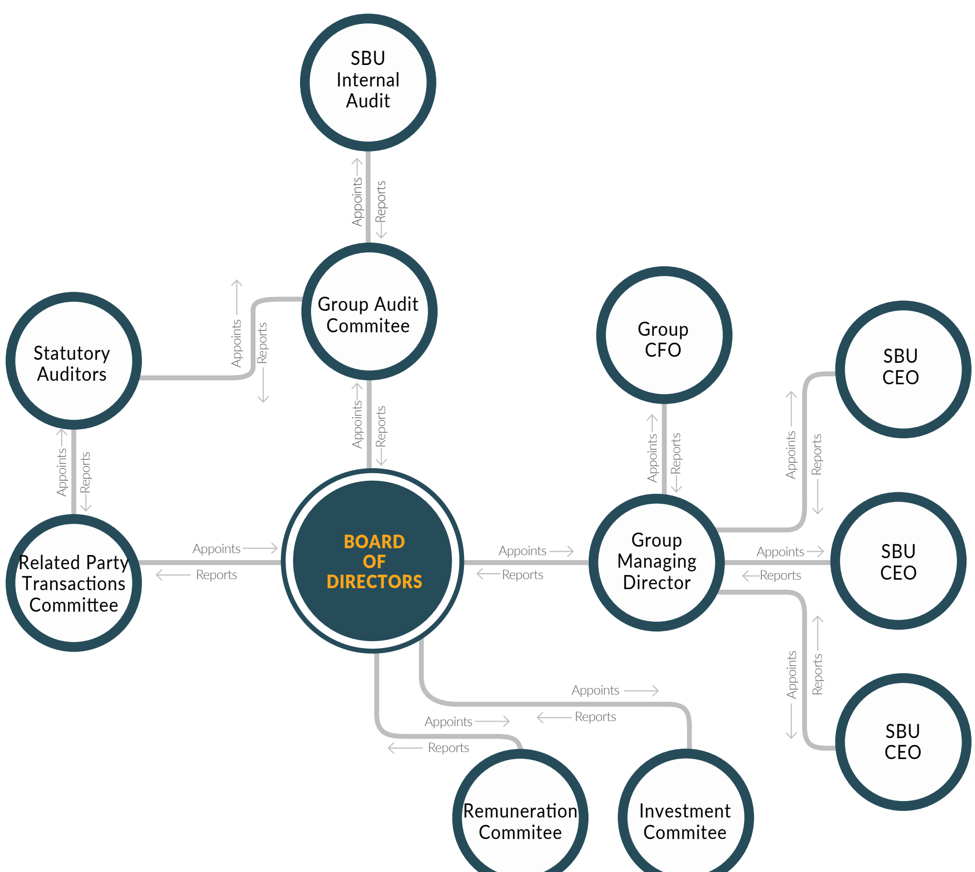
CORPORATE GOVERNANCE

Sunshine Holdings PLC (SUN) is the holding company of four subsidiaries namely; Sunshine Healthcare Lanka Limited, Estate Management Services (Private) Limited, Sunshine Packaging Lanka Limited and Sunshine Energy Private Limited. The Businesses of the Group companies are given on pages 211 to 212 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 by complying 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 by complying 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 extensively reviewed. Review of the risk management is depicted in Page 125 of this report. Further, the Audit Committee report is also given in Page 111.

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 the 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 seven meetings were held in the financial year ended 31st March 2017. The attendances of Directors at these Meetings were as follows;

Attendance		
Name of Director	**No.**	**%**
Munir Shaikh	7/7	100%
G. Sathasivam	6/6	100%
V. Govindasamy	6/6	100%
S. G. Sathasivam	6/6	100%
S. Piyaratna*	2/2	100%
A. Hollingsworth	1/7	14%
N. B. Weerasekera	7/7	100%
A.D.B. Talwatte	6/7	86%
B.A. Hulangamuwa	7/7	100%
H.D. Abeywickrama	6/7	86%
T. Senthilverl	3/7	43%
R.M Kobbekaduwa	5/7	71%

*S. Piyaratna retired from the board w.e.f 9th August 2016

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 end of the financial year consists of eleven (11) members. Nine (9) members are Non-Executive Directors (including the Chairman) and Two (2) are Executive Directors. Five (5) Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are;

Mr. Munir Shaikh
Mr. N. B. Weerasekera
Mr. H. D. Abeywickrama
Mr. A.D.B Talwatte*
Ms. R.M Kobbekaduwa*

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

There is proper 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 caliber needed to direct the group successfully. In the case of the Executive Directors, 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 framework of the Executive Director's remuneration and the package. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the Executive Directors. The Director's remuneration is disclosed in Note No.33.3 of the Financial Statements.

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.

Corporate Services (Private) 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,

Audit Committee
Nomination & Remuneration Committee
Investment Committee
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 111 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 Sub-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 Listing 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				
Non-Executive					
G. Sathasivam	08/02/2000	x			
B. A. Hulangamuwa	01/02/2002		x		x
T. Senthilverl	02/02/2015				
Independent Non-Executive					
Munir Shaikh	16/07/2010	x			

N. B. Weerasekara	21/11/2008	x	x	x	x
A.D.B Talwatte	30/05/2016	x	x		x
R.M Kobbekaduwa*	30/05/2016		x		
H. D. Abeywickrama	30/06/2014		x		x

*Appointed w.e.f 13th February 2017

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	93
	A 1.1	Regular Board meetings	Complied	Composition and attendance	98
	A 1.2	Responsibilities	Complied	Board Responsibility	98
	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	115
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	100
	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.	100

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
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.	99
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.	99
	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.	99
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Profile of the Board	93
Board Balance	A 5.1	Non-Executive Directors	Complied	Nine (9) out of Eleven (11) are Non-Executive Directors	99
	A 5.2	Independent Non-Executive Directors	Complied	Five (5) out of Nine (9) Non-Executive Directors are independent	99
	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.	99
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed.	97
	A 5.5	Determination of independence of the Directors	Complied	The independence of Directors are determined based on declarations submitted by the Non-Executive Directors.	99

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
Supply of Information	A 6.1	Provide appropriate & timely information to the Board	Complied	Directors are provided quarterly performance reports, minutes of review meetings and other relevant documents in advance to the board meeting	99
	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.	99
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	101
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Nomination committee makes recommendations to the Board on new Board appointments	101
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the company	Complied	Profile of the Board	93
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board	93
Re-election	A 8 – 8.2	Board members should be subject to election, and re-election by shareholders	Complied	Re-election of Directors	99
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	101
Disclosure of information in respect of Directors	A 10 – 10.1	Profiles of Directors Director's Interest Board Meetings Attendance Board Sub-Commitee Memberships	Complied	Profile of the Board	93
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.	101
Directors' Remuneration	B 1	Establishment of the Remuneration Committee			101

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
	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	101
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under sub committees	101
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	244
	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.	242
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	All sub-committee members are present at the AGM	244
	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.	244
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	242

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
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	111
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	115
	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	115
	D 1.3	Statement of Directors' responsibility	Complied	Directors' Responsibility report	131
	D 1.4	Management Review & Preview	Complied	Segment Analysis	43
Internal Control	D 2.1	Annual review of effectiveness of the system of internal control.	Complied	Internal Auditors carry out an independent review, and report directly to the Audit Committee.	111
Audit Committee	D 3.1	Audit Committee composition	Complied	Composition of Audit Committee	101
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	101

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
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.	100

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 (9) out of Eleven (11) Directors are Non-Executive Directors	99
Independent Directors	7.10.2 (a)	Two or one-third of Non- Executive Directors, whichever is higher should be independent	Complied	Five (5) out of Nine (9) Non-Executive Directors are independent	99
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	101
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 99	99
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 99 under the heading of Board balance	99

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	Page No
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	93
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (d) to the CSE	Complied	Brief résumés have been provided to the Colombo Stock Exchange	93
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 Mr. A.D.B Talwatte	101
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 (3) out of Four (4) are independent	101
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the GMD and the Executive Directors	Complied	Please refer page 101	101
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 101	101
		Statement of Remuneration Policy.	Complied	Please refer page 101	101
		Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Note No. 33.3 of Financial Statements	226
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on page 111	111

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	Page No
Composition of Audit Committee	7.10.6 (a)	Shall comprise of Non-Executive Directors, majority of whom will be independent	Complied	Four (4) out of Five (5) Directors are Independent Non-Executive Directors	111
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director	111
		GMD and Group Chief Financial Officer should attend Audit Committee Meetings	Complied	GMD and Group Chief Financial Officer attend meetings by invitation	111
		The Chairman of the Audit Committee or one member should be a member of a professional Accounting body	Complied	Two members are Qualified Accountants	111
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	111
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 111	111
		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 111	111
		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 111	111

REPORT OF THE NOMINATING AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee appointed by the Board of Directors comprises four Directors namely Messrs. Munir Shaikh, N. B. Weerasekera, G. Sathasivam and A.D.B Talwatte. 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 calibre individuals with the skills and abilities required to lead the organization.

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

Munir Shaikh
Chairman
31st May 2017

REPORT OF THE AUDIT COMMITTEE

The Audit Committee was established in 2006. The Committee consists of Five members and two members are Senior Chartered Accountants. The Committee is chaired by Mr. A.D.B Talwatte, and Corporate Services (Private) Limited, 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 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 framework. The Audit Committee reviews the charter annualy.

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

A.D.B Talwatte (Chairman)* -
Independent Non-Executive
03 of 03 meetings

N. B. Weerasekera (Member) -
Independent Non-Executive
04 of 04 meetings

H. D. Abeywickrama (Member) -
Independent Non-Executive
04 of 04 meetings

B. A. Hulangamuwa (Member) Non-
Independent Non- Executive
04 of 04 meetings

S. Piyaratna (Former Chairman) –
Resigned on 09th August 2016
02 of 02 meetings

R.M. Kobbekaduwa (Member)** -
Independent Non-Executive
0 of 0 meetings

*Appointed to Audit Committee
W.e.f 30th May 2016
**Appointed to Audit Committee
W.e.f 13th February 2017

THE AUDIT COMMITTEE AND ITS RESPONSIBILITIES

The main objective of the Audit Committee is to ensure that the Company complies with applicable financial standards, laws and regulations 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/External 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 2017.

• 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 Messrs KPMG Chartered Accountants as independent auditors to audit and report on the annual consolidated and the company's financial statements.

• 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;

A.D.B Talwatte
31st May 2017

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board Related Party Transactions Review Committee (the Committee) was established on 07th February 2014 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules").
The Committee comprises three (3) Independent Non-Executive Directors and one (1) Non-Executive Non-Independent Director, further two committee members are Senior Charted Accountants. The Committee's composition as at 31st March 2017 is:

- A.D.B Talwatte (Chairman)* - Independent Non-Executive
- N. B. Weerasekera (Member) - Independent Non-Executive
- H. D. Abeywickrama (Member) - Independent Non-Executive
- B. A. Hulangamuwa (Member) Non-Independent Non- Executive
- S. Piyaratna (Former Chairman) – Resigned on 09th August 2016

*Appointed to RPT Review committee w.e.f 30th May 2016

The above composition is in compliance with the provisions of the Code and the Rules regarding the composition of the Committee. Brief profiles of the members are given on pages 93 to 96 of the Annual Report. The Company Secretary functions as the Secretary to the Committee.

MEETINGS

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

- A.D.B Talwatte - 03 of 03 meetings
- N. B. Weerasekera - 04 of 04 meetings
- H. D. Abeywickrama - 04 of 04 meetings
- B. A. Hulangamuwa - 04 of 04 meetings
- S. Piyaratna (Former Chairman) Resigned on 09th August 2016

  02 of 02 meetings

TERMS OF REFERENCE

The role and functions of the Committee are regulated by the Code and the Rules.

ROLE AND RESPONSIBILITIES

The mandate of the Committee is derived from the Code and the Rules and includes mainly the following:

1. Developing and maintaining a Related Party Transactions Policy consistent with the provisions of the Rules for adoption by the Board of Directors of the Company (the Board) and its subsidiaries.
2. Reviewing all proposed Related Party Transactions ("RPTs") in compliance with the provisions of the Rules.
3. Advising the Board on making immediate market disclosures and disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the Code and the Rules, Procedures and Directives/ Guidelines Adopted by the Committee for reviewing RPTs

4. Ensuring that Procedures / Directives/Guidelines are issued to compel all RPTs to be referred to the Committee for review.

REVIEW FUNCTION OF THE COMMITTEE

Review of the relevant RPTs by the Committee takes place quarterly. The Committee has communicated its observations to the Board RPTs are published in the Note 33.1 to the Financial Statements.

REPORTING TO THE BOARD

The minutes of the Committee meetings are tabled at Board meetings enabling all Board members to have access to same.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters under its purview. The Committee consulted and sought advice with regard to the identification of RPTs and Reporting Requirements from the Group external auditors, Messrs KPMG.

On behalf of the Board Related Party Transactions Review Committee

A.D.B Talwatte
Related Party Transactions Review Committee
31st May 2017

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 44th 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 2017. 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 (vi) 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 31st May 2017. 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, reflects 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 2017 are set out on pages 134 to 228.

AUDIT REPORTS

The Report of the Independent Chartered Accountants on the Financial Statements is given on page 133.

SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 143 to 168 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 2016/17.

DIRECTORS

The Board of Directors of the company as at 31st March 2017 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. N.B Weerasekera, B.A Hulangama, H. D. Abeywickrama retire by rotation and, being eligible, offer themselves for re-election. As newly appointed director Amal Cabraal will submit himself 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 2017 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 2017 were:

Mr. Munir Shaikh – Chairman
Mr. G. Sathasivam
Mr. V. Govindasamy - Group Managing Director
Mr. S. G. Sathasivam
Mr. A. Hollingsworth (Resigned w.e.f. 17th April 2017)
Mr. N. B. Weerasekera
Mr. H. D. Abeywickrama
Dr. T. Senthilverl (Resigned w.e.f. 31st May 2017)
Mr. B. A. Hulangamuwa
Mr. A.D.B Talwatte
Ms. R.M Kobbekaduwa

The profile of the Directors are given on pages 93 to 96.

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 2017, 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 2017, 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:

	2017	2016
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. A.D.B Talwatte	1,000	-
Mr. N. B. Weerasekera	–	–
Mr. Alan Hollingsworth	–	–
Mr. B. A. Hulangamuwa	56,955	56,955
Mr. H. D. Abeywickrama	–	–
Ms. R.M Kobbekaduwa	-	-
Dr. T. Senthilverl	15,501,605	30,946,100

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

REVENUE

Revenue generated by the company amounted to Rs. 415 million (2015/16 - Rs. 265 million), whilst group revenue amounted to Rs. 19.2 billion (2015/16 - Rs. 17.4 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. 190 million (2015/16 - Rs. 213 million) whilst the group profit attributable to owners of the parent for the year was Rs. 604 million (2015/16 - Rs 606 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 134 and 137 respectively.

DIVIDEND

The Directors recommend that a final dividend of Rs. 236 million equivalent to Rs. 1.75 per ordinary share (2015/16 Rs. 141,898,035 equivalent to Rs. 1.05 per ordinary share) be paid to those shareholders on the register of shareholders at the close of business on the ex-dividend date. Out of the total dividend for the 2016/17, Rs. 68 million or Rs. 0.50 cents per share will be a scrip dividend.

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. 1.75 per share. (consisting of Rs 1.25 per share by way of a cash dividend and Rs. 0.50 per share as per a scrip dividend)

Detailed description of the results and appropriations are given below.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Revenue	19,216,569,056	17,422,249,764	414,779,815	265,431,378
Profit & Appropriations				
Profit before Interest & Income Tax	**2,097,638,215**	**1,660,598,576**	**107,404,856**	**157,704,853**
Less: Net Finance Cost	(46,091,595)	(67,946,115)	83,395,975	63,471,545
Profit Before Income Tax	2,051,546,620	1,591,244,008	190,800,831	221,176,398
Income Tax	(430,325,906)	(373,645,411)	(342,692)	(769,355)
Profit for the Year	1,621,220,714	**1,217,598,597**	190,458,139	**220,407,043**
Other Comprehensive Income (Net of Tax)	94,713,453	92,461,096	6,968,821	(6,992,058)
Total Comprehensive Income	1,715,934,167	**1,310,059,693**	197,426,960	**213,414,985**
Less: Profit for non-controlling shareholders	1,109,914,580	704,270,305	-	
Profit for Owners of the Company	606,019,587	**605,789,388**	197,426,960	**213,414,985**
Less: Appropriations				
Dividend Paid	-	141,898,035	-	141,898,035
Proposed Dividend	236,496,726	-	236,496,726	-
Balance Carried Forward	369,522,861	**463,891,353**	(39,069,766)	**71,516,950**

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. 8.7 billion and Rs. 7.4 million (2015/16 - Rs. 7.7 billion and Rs. 8.2 million) for the Group and Company respectively. Capital Expenditure for the company and group amounted to Rs. 2.1 million (2015/16 – Rs. 7.5 million) and Rs. 1.66 billion (2015/16 - Rs. 902 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. 357 million (2015/16 – 83 million) and Disposal of Rs. 93.4 million (2015/16 - Rs. 61 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 2017 for the company and group amounted to Rs. 2.9 billion (2015/16 - Rs. 2.9 billion) and Rs. 6.2 billion (2014/15 - Rs. 5.8 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 2017 was Rs. 730,939,657 divided into 135,140,986 shares. (2015/16 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 2017 is given on page 229 of this Report. The percentage of shares held by the public was 7.01% (2015/16 – 6.46%).

SUBSTANTIAL SHARE HOLDINGS

At 31st March 2017, the number of registered Shareholders of the company included 1,387 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 230 and 232.

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 2017 are given in Note 33.1 of the Financial Statements, on page 216 of the Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The company has not engaged in any activity which is against the laws and regulations previlent in the environment it operates.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Commitments made on account of capital expenditure and the Contingent Liabilities as at 31st March 2017 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 235.

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 include 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 117 under the Share Information.

BOARD COMMITTEES

The composition of the Board and other Committees as at 31st March 2017, are given below:

AUDIT COMMITTEE

Mr. A.D.B Talwatte
Mr. N. B. Weerasekera
Mr. H. D. Abeywickrama
Mr. B. A. Hulangamuwa
Mrs. R.M. Kobbekaduwa

RELATED PARTY TRANSACTIONS COMMITTEE

Mr. A.D.B Talwatte
Mr. N. B. Weerasekera
Mr. H. D. Abeywickrama
Mr. B. A. Hulangamuwa
Mrs. R.M. Kobbekaduwa

REMUNERATION COMMITTEE

Mr. Munir Shaikh
Mr. G. Sathasivam
Mr. N. B. Weerasekera
Mr. A.D.B Talwatte

INVESTMENT COMMITTEE

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

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 two firms of Chartered Accountants across the group, namely, KPMG and Pricewaterhouse Coopers. Details of audit fees are set out in note 08 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 111 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 31st May 2017. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 5th June 2017.

ANNUAL GENERAL MEETING

The annual general meeting will be held at the 'Committee Room B', Bandaranaike Memorial Conference Hall, Bauddhaloka Mawatha, Colombo 07, on Thursday, 29th June 2017 at 12 noon.

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

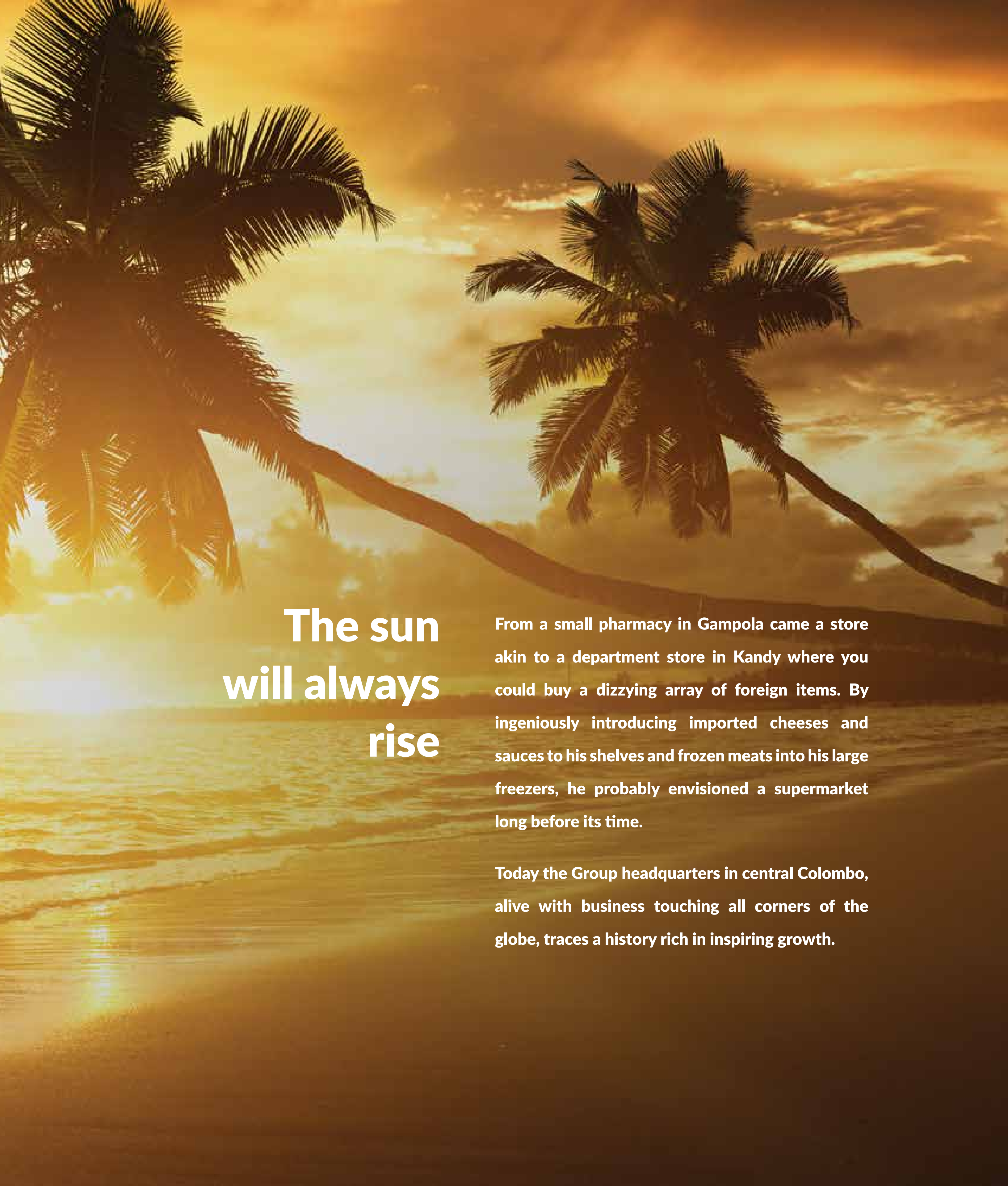
V. Govindasamy
Group Managing Director

Director
Corporate Services (Private) Limited.
Secretaries
31st May 2017
Colombo

CELEBRATING 50 SINCE 1967

RESPONSIBLE ENTREPRENEURSHIP

RISK MANAGEMENT



The sun will always rise

From a small pharmacy in Gampola came a store akin to a department store in Kandy where you could buy a dizzying array of foreign items. By ingeniously introducing imported cheeses and sauces to his shelves and frozen meats into his large freezers, he probably envisioned a supermarket long before its time.

Today the Group headquarters in central Colombo, alive with business touching all corners of the globe, traces a history rich in inspiring growth.

RISK 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 material impact on group profitability.	Moderate	High	Group is exploring avenues for 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 and other crops, it is also expanding into commercial dairy farming. The Fast moving Consumer Goods 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, especially in the renewable energy space.
	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 training initiatives.
	Investment Risk	Non-achievement of Required Return.	Low	High	All investments are approved by the Investment Committee of the Board of Directors before initial approval. Senior 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 error 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.

Risk Category	Risk	Corporate Impact	Risk Rating		Mitigating Actions
			Probability	Impact on profitability	
	Health & safety of employees	Occupational hazards at factory.	Low	Moderate	Priority is placed on training employees on acceptable procedures to act in case of an emergency, such as a fire. Employee safety and security programs are also conducted. Additionally, implementation of Workmens 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.
	Bio security risk	A contagious disease could spread across the dairy farm resulting in huge losses to high value assets due to culling of the heard	Low	High	The isolated location of the fam on top of Lonach mountain gives it a natural geographical advantage as its difficult to access. Furthermore, tight physical access controls are in place to properly screen and disinfect anyone coming into the premises. Major quarantine protocals have been put in place in case of such instances.
External	Drug price control	Drug price control will have a significant impact on the Healthcare sector in terms of revenue and profitability	Moderate	High	Diversification from the Pharma sub sector by growing other sectors of the group will minimize the impact of such a regulation on the group profitability. Furthermore, the Healthcare sector leverage their good working relationships with the regulator to engage in dialogue on issues relating to the industry.

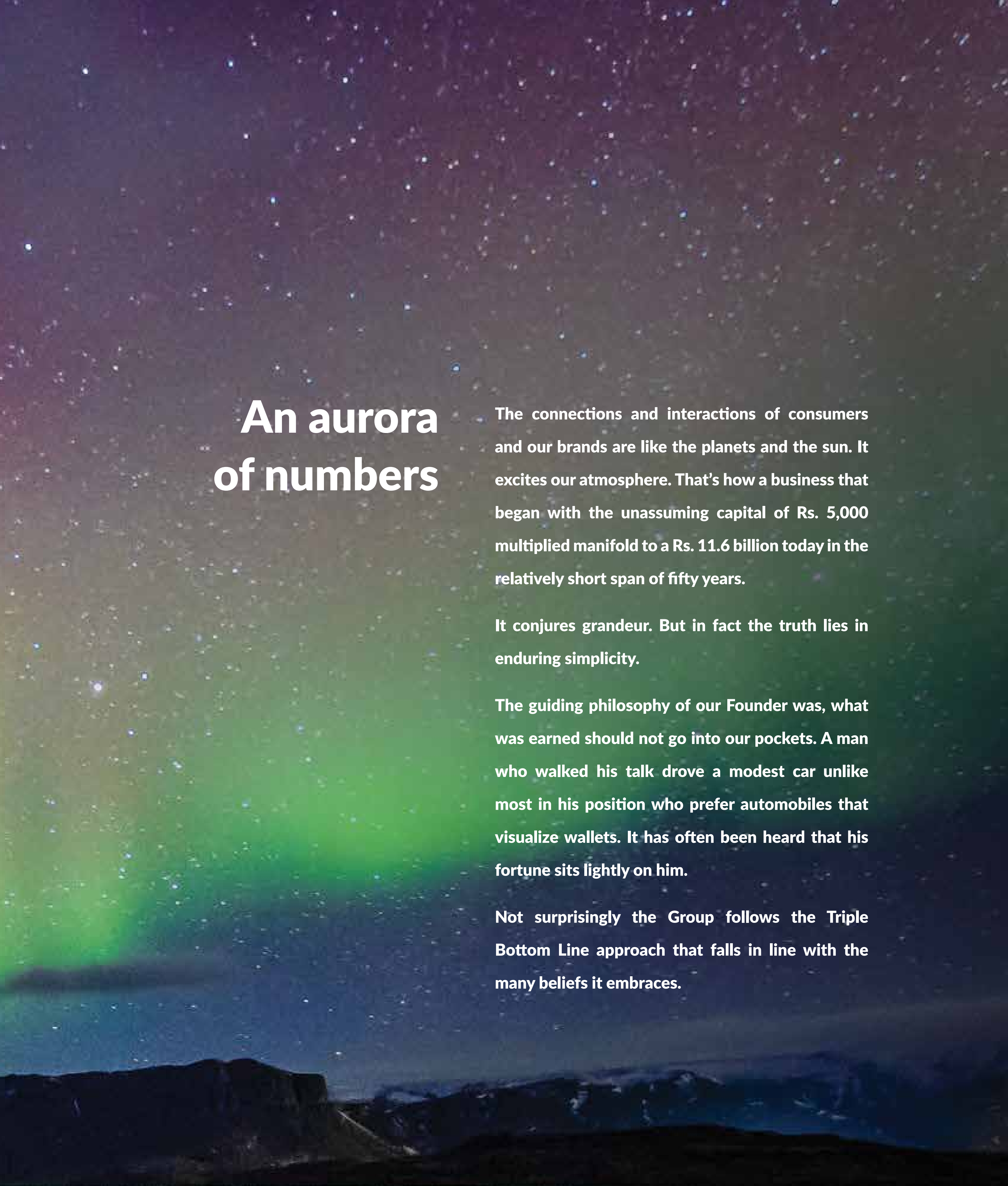
Risk Category	Risk	Corporate Impact	Risk Rating		Mitigating Actions
			Probability	Impact on profitability	
	Loss of Principals	Global mergers resulting in loss of business principals and partners. Loss of market share due to new entrants and change in consumer behavior causing a drop in demand.	Moderate	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	Clear agricultural management programs to address and mitigate severe weather conditions.
	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. Group is also looking at suitable locations among the many factories and warehouses to install solar electricity, which will reduce the dependency on the national grid.
	Loss of market share	Possible loss of customers and revenue.	Moderate	Moderate	Group is 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.

Risk Category	Risk	Corporate Impact	Risk Rating		Mitigating Actions
			Probability	Impact on profitability	
Financial	Interest rate risk	This will have a direct impact on profitability.	Moderate	Low	The Group periodically reviews at all possibilities of reinvesting its own funds and reducing high interest borrowings. It also borrowed 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	The Group has established 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.

CELEBRATING 50 SINCE 1967

RESPONSIBLE ENTREPRENEURSHIP

FINANCIAL INFORMATION



An aurora of numbers

The connections and interactions of consumers and our brands are like the planets and the sun. It excites our atmosphere. That's how a business that began with the unassuming capital of Rs. 5,000 multiplied manifold to a Rs. 11.6 billion today in the relatively short span of fifty years.

It conjures grandeur. But in fact the truth lies in enduring simplicity.

The guiding philosophy of our Founder was, what was earned should not go into our pockets. A man who walked his talk drove a modest car unlike most in his position who prefer automobiles that visualize wallets. It has often been heard that his fortune sits lightly on him.

Not surprisingly the Group follows the Triple Bottom Line approach that falls in line with the many beliefs it embraces.

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 2017 presented in the report have been prepared in accordance with the Sri Lanka Accounting Standards/ SLFRS 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 Statements. 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

A. D. B. Talwatte
31st May 2017

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/ SLFRS 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 re-classified 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 reflect in a true and fair manner, the forms and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Subsidiaries Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

The Consolidated Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants and their report is given on page 133 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 Auditors 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 has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those disclosed in the Financial Statements in the Annual Report.

V. Govindasamy
Group Managing Director

W. D. P. L. Vithanage
Group Chief Financial Officer
31st May 2017

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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Internet : www.kpmg.com/lk

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 2017, 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 141 to 228.

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 2017, 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 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards,

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

KPMG

CHARTERED ACCOUNTANTS
Colombo
31st May 2017.

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
Ms. C.T.K.N. Perera ACMA (UK)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		COMPANY	
For the year ended 31st March	Note	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue	5	19,216,569,056	17,422,249,764	414,779,815	265,431,378
Cost of sales		(14,389,192,537)	(13,329,433,616)	(153,907,783)	(16,364,802)
Gross profit		**4,827,376,519**	**4,092,816,148**	**260,872,032**	**249,066,576**
Other operating income	6	240,085,334	158,561,283	149,419,482	119,819,056
Administration expenses		(1,943,107,096)	(1,639,871,812)	(302,886,658)	(211,180,779)
Selling and distribution expenses		(1,026,716,542)	(929,384,452)	-	-
Write off expenses incurred on new venture		-	(21,522,591)	-	-
Results from operating activities		**2,097,638,215**	**1,660,598,576**	**107,404,856**	**157,704,853**
Finance income	7	195,050,401	109,014,813	85,731,746	65,040,812
Finance expense	7	(241,141,996)	(176,960,928)	(2,335,771)	(1,569,267)
Net finance income/ (expense)		**(46,091,595)**	**(67,946,115)**	**83,395,975**	**63,471,545**
Share of profit of equity accounted associate (net of income tax)		-	(1,408,453)	-	-
Profit before income tax expenses	8	**2,051,546,620**	**1,591,244,008**	**190,800,831**	**221,176,398**
Income tax expense	9	(430,325,906)	(373,645,411)	(342,692)	(769,355)
Profit for the year		**1,621,220,714**	**1,217,598,597**	**190,458,139**	**220,407,043**
Other comprehensive income					
Actuarial gain/(loss)		98,789,460	95,650,888	(14,601)	(9,147,887)
Fair value change in available for sale financial assets		6,983,422	12,918,829	6,983,422	2,155,829
Taxes related to other comprehensive income		(11,059,429)	(16,108,621)	-	-
Total other comprehensive income for the year net of tax		**94,713,453**	**92,461,096**	**6,968,821**	**(6,992,058)**
Total comprehensive income for the year		**1,715,934,167**	**1,310,059,693**	**197,426,960**	**213,414,985**
Profit attributable to:					
Equity holders of the Company		572,258,446	586,787,880	190,458,139	220,407,043
Non-controlling interest		1,048,962,268	630,810,717	-	-
Total other comprehensive income attributable to:					
Equity holders of the Company		33,761,141	19,001,508	6,968,821	(6,992,058)
Non-controlling interest		60,952,312	73,459,588	-	-
Total comprehensive income for the year		**1,715,934,167**	**1,310,059,693**	**197,426,960**	**213,414,985**
Earnings per share	**10**	**4.23**	**4.34**	**1.41**	**1.63**

The accounting policies and notes set out in the pages 141 to 228 form integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
As at 31st March	Note	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Assets					
Non-current assets					
Property, plant and equipment	11	4,754,397,651	3,899,448,315	5,901,315	6,077,792
Leasehold land	12	198,473,000	205,508,000	-	-
Biological assets	13	3,629,026,000	3,431,155,000	-	-
Intangible assets	14	168,765,418	137,471,955	1,533,497	2,191,875
Investment in subsidiaries	15	-	-	1,376,748,442	1,041,371,979
Investment in associate	16	-	6,275,928	-	6,111,426
Other investments	17	636,733,332	1,296,865,044	625,970,332	721,505,044
Investment in gratuity fund	18	258,319,000	234,369,000	-	-
Deferred tax asset	19	75,590,768	82,380,722	-	-
Total non-current assets		9,721,305,169	9,293,473,964	2,010,153,586	1,777,258,116
Current assets					
Inventories	20	3,141,301,725	2,892,173,039	-	-
Biological assets-growing crops on bearer plants		35,757,000	-	-	-
Trade and other receivables	21	3,060,992,146	2,370,524,216	45,161,397	32,983,484
Income tax recoverable		14,631,908	16,487,167	3,158,748	3,158,748
Amounts due from related parties	22	83,466,589	83,962,322	191,996,509	208,404,919
Cash and cash equivalents	23	1,876,004,662	1,465,372,953	731,712,191	894,039,444
Total current assets		8,212,154,030	6,828,519,697	972,028,845	1,138,586,595
Total Assets		**17,933,459,199**	**16,121,993,661**	**2,982,182,431**	**2,915,844,711**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	24	730,939,657	730,939,657	730,939,657	730,939,657
Reserves		331,838,036	324,854,614	329,138,894	322,155,472
Retained profit		5,186,946,894	4,725,795,249	1,854,405,044	1,805,859,541
Equity attributable to owners of the company		**6,249,724,587**	**5,781,589,520**	**2,914,483,595**	**2,858,954,670**
Non-controlling interest		5,340,766,263	4,168,557,293	-	-
Total equity		**11,590,490,850**	**9,950,146,813**	**2,914,483,595**	**2,858,954,670**
Non-current liabilities					
Deferred taxation	19	333,473,307	273,461,405	-	-
Interest bearing borrowings	25	1,226,846,031	1,279,610,187	-	-
Retirement benefit obligations	26	1,085,479,743	1,127,179,002	51,881,378	43,198,526

		GROUP		COMPANY	
As at 31st March	Note	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Deferred income and capital grants	27	193,528,000	203,569,000	-	-
Total non current liabilities		**2,839,327,081**	**2,883,819,594**	**51,881,378**	**43,198,526**
Current liabilities					
Interest bearing borrowings	25	357,644,252	456,186,217	-	-
Trade and other payables	28	2,220,439,605	2,284,702,647	15,817,458	11,735,061
Income tax payable		214,132,832	122,307,205	-	596,051
Amounts due to related parties	29	-	1,377,033	-	1,360,403
Bank overdrafts	23	711,424,579	423,454,152	-	-
Total current liabilities		**3,503,641,268**	**3,288,027,254**	**15,817,458**	**13,691,515**
Total liabilities		**6,342,968,349**	**6,171,846,848**	**67,698,836**	**56,890,041**
Total equity and liabilities		**17,933,459,199**	**16,121,993,661**	**2,982,182,431**	**2,915,844,711**

Figures in brackets indicate deductions.

The accounting policies and notes set out in the pages 141 to 228 form integral part of these Financial Statements.

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

Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board Sunshine Holdings PLC,

Chairman
31st May 2017
Colombo

Group Managing Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2017	Stated capital	Capital accretion reserve	Fair value gain or loss reserve on AFS	General reserve	Retained profit	Total	Non-controlling interest	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Group								
Balance as at 31st March 2015	730,939,657	399,837	318,741,918	857,888	4,252,438,767	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
Total other comprehensive income for the year			4,854,971		14,146,537	19,001,508	73,459,588	92,461,096
Dividend paid-2014/15	-	-	-	-	(128,383,937)	(128,383,937)	(229,598,634)	(357,982,571)
Effect on share issue NCI shareholders by the subsidiaries		-		-	-	-	51,147,540	51,147,540
Effect on percentage change in holding of Energy Group	-	-	-	-	806,002	806,002	(806,002)	-
Balance as at 31st March 2016	730,939,657	399,837	323,596,889	857,888	4,725,795,249	5,781,589,520	4,168,557,293	9,950,146,813
Profit for the year	-	-		-	572,258,446	572,258,446	1,048,962,268	1,621,220,714
Other comprehensive income	-	-	6,983,422	-	26,777,719	33,761,141	60,952,312	94,713,453
Capital accretion reserve transfer to general reserve		(399,837)		399,837		-		-
Effect on percentage change in holding of Energy Group	-	-		-	4,013,515	4,013,515	(4,013,515)	-
Dividend paid- 2015/16	-	-		-	(141,898,035)	(141,898,035)	(282,481,955)	(424,379,990)
Effect on share issue NCI shareholders by the subsidiaries		-		-	-	-	348,789,860	348,789,860
Balance as at 31st March 2017	730,939,657	-	330,580,311	1,257,725	5,186,946,894	6,249,724,587	5,340,766,263	11,590,490,850

The accounting policies and notes set out in the pages 141 to 228 form an integral part of these financial statements.
Figures in brackets indicate deductions.

For the year ended 31st March 2017	Share capital Rs.	Capital accretion reserve Rs.	Fair value gain or loss reserve on AFS Rs.	General reserve Rs.	Retained profit Rs.	Total Rs.
Company						
Balance as at 31st March 2015	730,939,657	399,837	318,741,918	857,888	1,722,984,322	2,773,923,622
Total comprehensive income for the year						
Profit for the year	-	-		-	220,407,043	220,407,043
Total other comprehensive income for the year	-	-	2,155,829	-	(9,147,887)	(6,992,058)
Transactions with owners of the Company						
Dividend paid to owners	-	-	-	-	(128,383,937)	(128,383,937)
Issue of shares	-	-		-	-	-
Balance as at 31st March 2016	730,939,657	399,837	320,897,747	857,888	1,805,859,541	2,858,954,670
Total comprehensive income for the year						
Profit for the year	-	-		-	190,458,139	190,458,139
Total other comprehensive income for the year			6,983,422		(14,601)	6,968,821
Capital accretion reserve transfer to general reserve	-	(399,837)	-	399,837	-	-
Transactions with owners of the Company						
Dividend paid to owners	-	-	-	-	(141,898,035)	(141,898,035)
Issue of shares	-	-	-	-	-	-
Balance as at 31st March 2017	**730,939,657**	**-**	**327,881,169**	**1,257,725**	**1,854,405,044**	**2,914,483,595**

The accounting policies and notes set out in the pages 141 to 228 form integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
For the year ended 31st March	Note	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Cash flows from operating activities					
Profit before income tax expense		2,051,546,620	1,591,244,008	190,800,831	221,176,398
Adjustments for;					
Interest income		(195,050,401)	(109,014,813)	(85,731,746)	(65,040,812)
Share of profit of equity accounted associate		-	1,408,453		-
Profit on disposal of property, plant and equipment		(19,842,013)	(34,851,506)	-	(40,500)
(Gain)/loss on fair value of biological assets		(6,161,000)	(29,491,000)	-	-
Interest expense		241,141,996	176,960,928	2,335,771	1,569,267
Depreciation & amortisation		554,411,291	509,403,601	2,938,950	2,294,976
(Profit)/ loss on sales of shares		1,085,114	-	920,612	-
Biological assets-growing crops on bearer plants		(35,757,000)	-	-	-
Impairment of investment		-	-	21,842,817	-
Provision / (reversal) for bad and doubtful debts		1,271,972	(12,500,437)	-	-
Goodwill write off		-	-	-	-
Amortisation of deferred income and capital grants		(10,041,000)	(10,041,000)	-	-
Amortisation of leasehold right to bare land		7,035,000	7,035,000	-	-
Profit of sales of biological assets		(20,320,000)	(16,179,000)	-	-
Movement in livestock		2,591,000	12,721,000	-	-
Provision for gratuity excluding actuarial gain/loss		206,880,210	205,512,860	8,668,251	5,765,535
Fair value (gain)/ loss fair value through profit or loss		9,113,674	14,809,084	9,113,674	14,809,084
		2,787,905,463	2,307,017,178	150,889,160	180,533,948
Changes in;					
Inventories		(249,128,686)	(257,522,838)	-	-
Trade and other receivables		(684,549,078)	(319,429,602)	(6,987,089)	23,674,617
Amounts due from related parties		495,733	(1,279,703)	16,408,410	(38,073,764)
Trade and other payables		(64,263,042)	291,913,470	2,816,790	1,483,983
Amounts due to related parties		(1,377,033)	431,898	(1,360,403)	441,023
Cash generated from/ (used in) operations		1,789,083,357	2,021,130,403	163,032,475	168,059,807
Interest paid		(241,141,996)	(176,960,928)	(2,335,771)	(1,569,267)
Income tax paid		(280,902,593)	(296,199,966)	(938,743)	(2,252,629)
Gratuity paid		(149,790,009)	(126,136,810)	-	(6,205,240)
Cash generated from operating activities		1,117,248,759	1,421,832,699	159,757,961	158,032,671

		GROUP		COMPANY	
For the year ended 31st March	Note	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Cash flows from investing activities					
Interest received		195,050,401	109,014,813	85,731,746	65,040,812
Investment in other investments		658,001,450	(625,612,533)	93,404,450	(61,015,533)
Investments in subsidiary/ associates		-	(3,391,601)	(357,219,280)	(83,391,601)
Investment gratuity fund		(23,950,000)	(14,107,000)	-	-
Immature plantations expenditure		(350,708,000)	(209,025,000)	-	-
Acquisition of property, plant & equipment		(1,199,366,160)	(656,253,473)	(2,014,095)	(4,610,246)
Acquisition of intangible assets		(109,537,315)	(36,752,087)	(90,000)	(2,922,500)
Proceeds from disposal of biological assets		39,693,000	29,252,000	-	-
Proceeds from disposal of property, plant & equipment		29,995,898	55,316,318	-	40,500
Net Cash from / (used in) investing activities		(760,820,726)	(1,351,558,563)	(180,187,179)	(86,858,568)
Cash flows from financing activities					
Proceeds from issue of shares to non-controlling shareholders		348,789,860	51,147,540	-	-
Receipts of interest bearing borrowings		474,783,208	917,092,994	-	-
Repayments of interest bearing borrowings		(620,577,585)	(624,442,282)	-	-
Lease rentals paid		(12,382,244)	(12,836,852)	-	-
Dividend paid		(141,898,035)	(128,383,937)	(141,898,035)	(128,383,937)
Dividend paid to non-controlling shareholders		(282,481,955)	(229,598,634)	-	-
Net Cash from / (used in) financing activities		(233,766,751)	(27,021,171)	(141,898,035)	(128,383,937)
Net Increase/(decrease) in cash and cash equivalents		122,661,282	43,252,965	(162,327,253)	(57,209,834)
Cash and cash equivalents at the beginning of the year	23	1,041,918,801	998,665,836	894,039,444	951,249,278
Cash and cash equivalents at the end of the year	23	1,164,580,083	1,041,918,801	731,712,191	894,039,444

The accounting policies and notes set out in the pages 141 to 228 form 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 2017 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 a portfolio of investments, cultivation and marketing of tea, rubber, palm oil and related products such as dairy farming, 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, however, a subsidiary of the company has entered into dairy farming during the financial year under review in the Group.

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 Companies 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 31st May 2017.

2.2 Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

- Lands are measured at cost at the time of the acquisition and subsequently lands are revalued.
- Available for sale financial assets measured at fair value.
- Non-derivative financial instruments measured at amortised cost.
- Biological assets are measured at fair value less costs to sell.
- Leasehold rights to bare land of JEDB/SLSPC estates have been revalued as at 18th June 1992

- Immovable estate assets on finance lease from JEDB/ SLSPC have 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 recognised 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	171
Property, plant and equipment	11	174
Biological assets	13	177
Intangible assets	14	181
Deferred tax assets / liabilities	19	186
Employee benefits	26	199

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 gain on bargain purchase is recognised immediately in Statement of Profit or Loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in the Statement of 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 recognised in the Statement of 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 operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion the cash-generating unit retained.

3.1.2 Subsidiaries

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

3.1.3 Non-controlling interest

The interest of outside shareholders in Group Companies is disclosed separately under the heading of "Non- controlling Interest". Non-controlling Interest is measured at the proportionate share of the acquiree's identifiable net assets. Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised 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 recognised 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 Statement of 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 Statement of Profit or Loss for the period except for the differences which are recognised 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 Lankan Rupees at the exchange rate at the reporting date;

• Income and expenses are translated at the average/ spot 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 re-classified 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 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/ machineries 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-recognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on de-recognition are recognised in Statement of Profit or Loss and gains are not classified as revenue.

3.3.1.7 Depreciation

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

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

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

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

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

Freehold Assets

Buildings	15 - 40 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	04-06 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 re-assessed 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 recognised 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 re-planting 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 recognised 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 re-planting 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose 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 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 recognised 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 the intangible asset and use or sell it.

c. its ability to use or sell the intangible asset.

d. how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

f. its ability to measure reliably the expenditure attributable to the intangible asset during its 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 amortised 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 recognised 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 recognised as intangible assets and amortised 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 recognised as an expense are not recognised as an asset in a subsequent period. When the computer software is an integral part of the related hardware which 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 recognised 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;

Software license	02 - 06 Years
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/ FIFO 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/ purchase price 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 recognised in the Statement of Profit or Loss in other operating expenses. The carrying amount of the asset is reduced through the use of a provision 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 are largely independent from other assets and groups.

3.3.4.3 Impairment/ Reversal of impairment

An impairment loss is recognized, if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in Statement of Profit or 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 Statement of 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 re-purchasing 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 re-classify these financial assets. The re-classification 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 re-classified 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. Re-assessment 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 amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised 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 amortised cost using the effective interest rate, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised 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 un-realised gains or losses recognised as Other Comprehensive Income in the available-for-sale reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is re-classified 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 re-classify these financial assets. Re-classification 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. Re-classification 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 re-classified from the available-for-sale category, the fair value carrying amount at the date of re-classification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to Statement of Profit or Loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised 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 re-classified 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 re-organisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.3.6.5 Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income in the Statement of Profit or Loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss.

3.3.6.6 Available-for-sale financial investments

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

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

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost 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 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 recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or 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 amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised 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 recognised 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 recognised 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 expired.

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 un-recognised 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 un-recognised 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 off-setting 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 un-amortised fair value is recognised immediately in the Statement of Profit or Loss. When an un-recognised 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 recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while ineffective portion is recognised 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 recognised in finance costs.

Amounts recognised 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 recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised 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 recognised 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 recognised 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 recognised as Other Comprehensive Income while any gains or losses relating to the ineffective portion are recognised 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 as current and non-current portion based on an assessment of the facts and circumstances;

• When the Group 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 as current and non-current portions) consistent with the classification of the underlying item.

• Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

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

3.3.10 Stated capital

3.3.10.1 Ordinary shares

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

3.3.11 Liabilities and provisions

Liabilities classified as current liabilities in the Statement of Financial Position are those obligations payable on demand or within one year from the financial position date. Liabilities classified as non-current liabilities are those obligations, which expire beyond a period of one year from the reporting date.

All known liabilities are accounted for in preparing the Financial Statements. Provisions and liabilities are recognised 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 recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised 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 financial services and amortised over the period of the facility to which it relates. A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired.

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 recognised 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 recognised 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 recognised 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 recognised in Statement of Profit or Loss as other income of the period in which it becomes receivable and when the expenses are recognised.

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

The liability recognised 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 un-recognised past service costs. The defined benefit obligation is calculated annually by the Company using the projected unit credit method prescribed in Sri Lanka Accounting

Standard 19 – "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income in full Statement of Profit or Loss in the period in which they arise.

Past service costs are recognised 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 costs are amortised 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 un-discounted 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 recognised 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 recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised 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 recognised 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 recognised 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 or 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 recognised 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. Un-recognised deferred tax assets are re-assessed 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

Revenue, expenses and assets are recognised 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 recognised 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 recognised 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 or 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 recognised 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 recognised 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 recognised when the goods being 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 recognised 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 recognised 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 recognised when the goods are unloaded at the port of destination.

c. Livestock
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 recognised when legal ownership and the risk of loss transfer to the buyer and the quantity sold is determinable. Revenue on harvesting of timber is recognised 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 recognised 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 recognised 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 recognised is the commission made by the Group and income is recognised on completion of job on an accrual basis.

Rental income is recognised in Statement of Profit or Loss as it accrues.

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

3.4.2 Finance and other Income
Interest and all other income are recognised 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 Statement of Profit or 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 Statement of Profit or 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 Statement of Profit or 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 recognised in Statement of Profit or 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 Statement of Profit or Loss in the year in which the expenditure is incurred.

3.5.1 Borrowing costs
Borrowing costs are recognised 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 Statement of Profit or 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 Statement of Profit or Loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Statement of 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 or 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 Statement of 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 recognised directly in equity is recognised 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 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 203 and 204 in the notes to the Financial Statements.

Sunshine Holdings PLC	Investment
Sunshine Healthcare Lanka Limited	Whole sale and retail (pharmaceutical items)
Healthguard Pharmacy Limited	Retail pharmacy
Estate Management Services (Private) Ltd	Management service
Watawala Plantations PLC	Plantation
Watawala Tea Ceylon Limited	Manufacturing & retail
Watawala Australia Pty Limited	Import and sales of branded tea
Watawala Dairy Limited	Dairy farming
Sunshine Energy (Pvt) Ltd	Investment
Waltrim Energy Limited	Investment
Waltrim Hydropower (Pvt) Limited	Hydro power generation
Upper Waltrim Hydropower (Pvt) Limited	Hydro power generation
Elgin Hydropower (Pvt) Limited	Hydro power generation
Sunshine Packaging Lanka Limited	Packaging

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 recognised. 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.

4.3 SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

SLFRS 16 is effective from 1 January 2019. A company can choose to apply SLFRS 16 before that date but only if it also applies SLFRS 15-Revenue from Contracts with Customers (which is effective from 01st January 2018). SLFRS 16 replaces the existing leases Standard, LKAS 17 Leases, and related interpretations.

For the year ended 31st March		GROUP 2017 Rs.	GROUP 2016 Rs.	COMPANY 2017 Rs.	COMPANY 2016 Rs.
5.	REVENUE				
	Healthcare	7,862,698,302	7,161,309,054	-	-
	Plantations	6,501,765,000	6,298,769,000	-	-
	Packaging	325,814,596	361,904,888	-	-
	Investment	414,779,815	265,431,378	414,779,815	265,431,378
	FMCG	4,212,730,806	3,439,945,117	-	-
	Energy	88,848,902	120,297,977	-	-
	Gross revenue	19,406,637,421	17,647,657,414	414,779,815	265,431,378
	Less: Inter company revenue	(190,068,365)	(225,407,650)	-	-
	Net revenue	19,216,569,056	17,422,249,764	414,779,815	265,431,378
5.1	The revenue includes export sales as follows				
	Plantation	428,796,000	604,527,000	-	-
	Packaging	72,337,730	72,853,510	-	-
	Consumer Goods	614,796,374	72,103,146	-	-
	Total	1,115,930,104	749,483,656	-	-
6.	OTHER OPERATING INCOME				
	Profit on disposal of property, plant and equipment	19,842,013	34,851,506	-	40,500
	Amortisation of capital grants	10,041,000	10,041,000	-	-
	Royalty income	3,564	2,333,697	-	-
	Sale of trees (note 6.1)	20,320,000	16,179,000	-	-
	Service income	-	-	159,453,768	134,587,640
	Income from gratuity fund	37,015,000	-	-	-
	Income from short term investment	20,933,000	-	-	-
	Biological asset-gain/(loss) on fair valuation (note 6.2)	6,161,000	29,491,000	-	-
	Fair value gain/(loss) on live stock	3,983,000	(6,822,000)	-	-
	Profit/ (loss) on sale of shares	(1,085,114)	-	(920,612)	-
	Scrap sales	4,645,842	6,182,535	-	-
	Sundry income (note 6.3)	94,133,703	33,153,629	-	-
	Fair value gain / (loss) on quoted investments	(9,113,674)	(14,809,084)	(9,113,674)	(14,809,084)
	Hydro power income	33,206,000	47,960,000	-	-
	Total other operating income	240,085,334	158,561,283	149,419,482	119,819,056
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 and disposal of bearer-biological assets at the reporting date.				
6.2	The gain/(loss) on fair value of trees of Watawala Plantations PLC, a subsidiary of the Company, represents the unrealised gain from valuation of trees/timber at the reporting date.				
6.3	The sundry income includes commission on pharmaceutical institutional sales amounting to 49 million.				

	For the year ended 31st March	GROUP		COMPANY	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
7.	NET FINANCE INCOME/(EXPENSE)				
	Finance expense				
	Interest on overdrafts & loans	173,740,118	107,605,732	2,335,771	1,569,267
	Interest on finance lease	1,577,878	1,297,164	-	-
	Interest on leasehold rights payable to JEDB/SLSPC	65,824,000	67,640,000	-	-
	Exchange loss	-	418,032	-	-
	Total finance expense	**241,141,996**	**176,960,928**	**2,335,771**	**1,569,267**
	Finance income				
	Finance income on loans given to related companies	-	-	8,908,804	7,670,205
	Interest income on bank deposit	177,360,680	108,339,187	76,822,942	57,370,607
	Exchange gain	17,689,721	675,626	-	-
	Total finance income	**195,050,401**	**109,014,813**	**85,731,746**	**65,040,812**
7.1	Net finance income/(expense)	(46,091,595)	(67,946,115)	83,395,975	63,471,545
8.	PROFIT FROM OPERATING ACTIVITIES				
	Is stated after charging all expenses including the following;				
	Auditors' remuneration				
	- Statutory audit - KPMG	4,146,500	3,378,500	1,250,000	1,089,000
	- Other auditors	6,398,883	6,033,024	-	-
	- Audit related - KPMG	945,289	625,000	945,289	625,000
	- Non audit - KPMG	3,731,263	400,000	1,658,750	150,000
	- Other auditors	2,400,060	567,000	1,686,060	-
	Amortisation - Leasehold right to bare land	7,035,000	7,035,000	-	-
	Provision/(reversal) for doubtful debtors	1,271,972	(12,500,437)	-	-
	Provision/ (reversal) for investment impairment	-	-	21,842,817	-
	Depreciation				
	- Property plant and equipment	388,566,286	350,305,377	2,190,572	1,564,351
	- Immovable lease assets	17,100,000	17,459,000	-	-
	- Biological assets-bearer	137,034,000	131,820,000	-	-
	Amortisation of intangible assets	11,711,006	9,819,222	748,378	730,625
	Personnel costs include;				
	- Defined benefit plan - Gratuity	206,880,210	205,512,860	8,668,251	5,765,535
	- Defined contribution plan - EPF & ETF	316,885,645	307,628,276	14,514,005	11,156,272
	- Salaries and wages & other staff costs	3,584,072,119	3,512,649,102	145,099,812	128,674,665

For the year ended 31st March	GROUP		COMPANY	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
9. INCOME TAX EXPENSE				
9. Income tax				
Current income tax expense (note 9.1)	313,809,807	253,111,155	-	596,051
Deferred taxation charge / (reversal) for the year (note 19)	66,801,856	71,509,593	-	-
Unclaimable ESC	5,407,000	-	-	-
WHT on dividend	61,368,133	64,733,898	-	-
Under provision/ (over provision) in respect of previous year	(6,001,461)	399,386	342,692	173,304
	441,385,335	389,754,032	342,692	769,355
Income tax (expenses)/ savings on other comprehensive income	(11,059,429)	(16,108,621)	-	-
Tax expenses on profit or loss	**430,325,906**	**373,645,411**	**342,692**	**769,355**

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% (2016- 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	
	2017	2016
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 (Private) Limited	28%	-
Waltrim Energy Limited	28%	28%
Waltrim Hydropower (Private) Limited - Income from energy supply	Exempt	Exempt
- Interest Income	28%	28%
Upper Waltrim Hydropower (Private) Limited - Income from energy supply	Exempt	-
- Interest Income	28%	28%

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

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

Pursuant to the agreement entered in to with the Board of Investments (BOI) of Sri Lanka, profit of the Waltrim Hydropower (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.

Waltrim Hydropower (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 (Private) 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.

Elgin Hydropower (Private) 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 (Private) Ltd is not liable for income tax on their business profits as they have not yet commenced commercial operations.

		GROUP		COMPANY	
	For the year ended 31st March	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
9.2	Reconciliation between accounting Profit and taxable profit				
	Accounting profit before tax	2,051,546,620	1,591,244,008	190,800,831	221,176,398
	Inter group adjustments	634,894,497	691,045,371	-	-
		2,686,441,117	**2,282,289,379**	**190,800,831**	**221,176,398**
	Aggregate disallowable items	925,913,272	807,730,618	60,894,222	26,763,995
	Aggregate allowable items	(1,629,647,786)	(1,287,747,697)	(1,531,816)	(10,407,895)
	Aggregate exempt income	(367,229,513)	(246,327,992)	(260,872,032)	(234,257,492)
	Profit / (loss) from business	**1,615,477,090**	1,555,944,308	**(10,708,795)**	3,275,006
	Less tax loss utilised during the year	(83,996,845)	(58,276,807)	-	(1,146,252)
	Taxable profit/(loss)	**1,531,480,245**	1,497,667,501	**(10,708,795)**	2,128,754
	Taxation at 28%	112,168,069	157,656,274	-	596,051
	Taxation at 10%	29,618,144	48,827,072	-	-
	Taxation at effective rates	172,023,594	46,627,809	-	-
		313,809,807	**253,111,155**	**-**	**596,051**
	Tax loss				
	Opening balance	1,224,852,230	1,330,125,026	158,087,319	159,566,849
	Reassessment of previous year tax losses	(651,598)	(54,636,441)	(659,024)	(333,278)
	Tax loss for the year of assessment	32,346,108	7,640,452	10,708,795	-
	Tax loss claimed during the year	(83,996,845)	(58,276,807)	-	(1,146,252)
	Closing balance	**1,172,549,895**	1,224,852,230	**168,137,090**	158,087,319
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.				
	Profit attributable to ordinary share-holders (Rs.)	572,258,446	586,787,880	190,458,139	220,407,043
	Weighted average number of ordinary shares in issue during the year	135,140,986	135,140,986	135,140,986	135,140,986
	Earnings per share (Rs.)	4.23	4.34	1.41	1.63

		GROUP				
		Balance as at 01.04.2016 Rs.	Additions Rs.	Disposal Rs.	Transfers Rs.	Balance as at 31.03.2017 Rs.
11.	PROPERTY, PLANT & EQUIPMENT					
11.1.1	Cost					
	Freehold assets					
	Land	311,972,691	-	(8,451,863)	-	311,972,691
	Buildings	1,120,464,225	56,675,429	-	5,565,300	1,174,253,091
	Plant & machinery	1,722,158,771	111,687,597	-	32,478,810	1,866,325,178
	Power plant	597,278,630	54,339,534	-	600,858,695	1,252,476,859
	Tools	19,347,000	-	-	-	19,347,000
	Machinery oil project	2,399,658	-		-	2,399,658
	Factory equipment	9,816,760	1,116,088	-	-	10,932,848
	Furniture & fittings	150,561,165	30,278,764	(3,584,020)	-	177,255,909
	Equipment	207,450,593	41,452,496	-	(7,047,806)	241,855,283
	Water tank	158,435	-	-	-	158,435
	Computer equipment	95,651,749	10,999,473	-	24,597,987	131,249,209
	Motor vehicles	683,602,064	188,733,840	(29,109,360)	7,047,806	850,274,350
	Electrical equipment	23,171,834	5,509,488	-	-	28,681,322
	Capital work in progress	499,398,487	678,988,235	-	(599,261,927)	579,124,795
	Medical equipment	175,791,062	15,736,436	-	-	191,527,498
	Others	183,265,100	858,000	-	-	184,123,100
	Total freehold assets	5,802,488,224	1,196,375,380	(41,145,243)	64,238,865	7,021,957,226
	Leasehold assets					
	Roads & bridges	484,000	-	-	-	484,000
	Improvements to land	3,340,000	-	-	-	3,340,000
	Vested other assets	3,305,000	-	-	-	3,305,000
	Buildings	93,279,000	-	-	-	93,279,000
	Water supply system	3,838,000	-	-	-	3,838,000
	Machinery	32,506,000	-	-	-	32,506,000
	Mini-hydro power Plant	1,540,000	-	-	-	1,540,000
	Motor vehicles	24,926,060	9,861,280	-	-	34,787,340
	Mature plantations	408,378,536	-	(1,745,536)	-	406,633,000
	Total leasehold assets	571,596,596	9,861,280	(1,745,536)	-	579,712,340
	Total cost	6,374,084,820	1,206,236,660	(42,890,779)	64,238,865	7,601,669,566

		GROUP (Continued...)				
		Balance as at 01.04.2016 Rs.	Charge for the year Rs.	On Disposal Rs.	On Transfers Rs.	Balance as at 31.03.2017 Rs.
11.	PROPERTY, PLANT & EQUIPMENT (CONTD.)					
11.1.2	Accumulated depreciation					
	Freehold assets					
	Buildings	215,627,248	33,315,963	(343,434)	4,403	**248,604,180**
	Plant & machinery	822,013,811	114,180,043	-	(4,403)	**936,189,451**
	Power plant	111,644,442	41,532,870	-	-	**153,177,312**
	Tools	16,897,562	1,291,058	-	-	**18,188,620**
	Machinery oil project	1,164,767	184,589	-	-	**1,349,356**
	Factory equipment	4,749,777	1,108,316	-	-	**5,858,093**
	Furniture & fittings	96,901,043	13,747,171	(3,491,934)	-	**107,156,280**
	Equipment	149,488,011	20,201,170	-	(5,247,534)	**164,441,647**
	Water tank	140,815	2,175	-	-	**142,990**
	Computer equipment	69,389,268	10,806,793	-	(12,861)	**80,183,200**
	Motor vehicles	387,276,209	106,399,574	(27,437,110)	-	**466,238,673**
	Electrical equipment	21,294,979	4,196,922	-	5,247,534	**30,739,435**
	Medical equipment	104,218,378	31,282,523	-	-	**135,500,901**
	Others	48,923,264	3,614,000	-	-	**52,537,264**
	Total freehold assets	2,049,729,574	381,863,167	(31,272,478)	(12,861)	**2,400,307,402**
	Leasehold assets					
	Roads & bridges	278,000	11,000	-	-	289,000
	Improvements to land	2,639,000	111,000	-	-	2,750,000
	Vested other assets	1,065,000	43,000	-	-	1,108,000
	Buildings	88,796,000	3,664,000	-	-	92,460,000
	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	4,555,931	6,703,118	(1,745,536)	-	9,513,513
	Mature plantations	289,689,000	13,271,000	-	-	302,960,000
	Total leasehold assets	424,906,931	23,803,118	(1,745,536)	-	446,964,513
	Total depreciation	2,474,636,505	405,666,285	(33,018,014)	(12,861)	2,847,271,915
11.1.3	Carrying value	3,899,448,315				**4,754,397,651**

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.
11.1.8	Immovable assets of the leasehold assets represent as follows; Roads and bridges, improvements to the land, buildings and mature plantations amounting to Rs. 105,277,000 (net of depreciation)

		COMPANY			
		Balance as at 01.04.2016 Rs.	Additions Rs.	Disposal Rs.	Balance as at 31.03.2017 Rs.
11.2	Company				
	Cost				
	Freehold assets				
	Furniture & fittings	2,634,446	146,534	-	2,780,980
	Equipment	821,337	293,932	-	1,115,269
	Computer equipment	2,941,616	1,573,629	-	4,515,245
	Motor vehicles	3,500,000	-	-	3,500,000
	Total cost	**9,897,399**	**2,014,095**	**-**	**11,911,494**

		Balance as at 01.04.2016 Rs.	Charge for the year Rs.	Disposal Rs.	Balance as at 31.03.2017 Rs.
	Accumulated depreciation				
	Furniture & fittings	827,138	546,289	-	1,373,427
	Equipment	357,114	203,667	-	560,781
	Computer equipment	2,052,341	740,615	-	2,792,956
	Motor vehicles	583,014	700,001	-	1,283,015
	Total depreciation	**3,819,607**	**2,190,572**	**-**	**6,010,179**
	Carrying value	6,077,792	-	-	5,901,315

		GROUP		COMPANY	
	As at 31st March	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
12.	LEASEHOLD RIGHT TO LAND OF JEDB / SLSPC ESTATES				
	Cost			-	-
	As at 1st April	372,840,000	372,840,000	-	-
	Accumulated amortisation				
	Balance at the beginning of the year	167,332,000	160,297,000	-	-
	Amortization for the year	7,035,000	7,035,000	-	-
	Balance at the end of the year	174,367,000	167,332,000	-	-
	Carrying amount	198,473,000	205,508,000	-	-

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 18 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.

		GROUP	
	As at 31st March	2017	2016
		Rs.	Rs.
13.	BIOLOGICAL ASSETS		
	Carrying value		
	Biological assets - Bearer (Note 13.1)	2,955,251,000	2,794,625,000
	Biological assets - Consumables (Note 13.2)	648,831,000	608,995,000
	Biological assets - Live stock (Note 13.3)	24,944,000	27,535,000
		3,629,026,000	3,431,155,000

		Nurseries	Immature plantations	Mature plantations	Total
		Rs.	Rs.	Rs.	Rs.
13.1	Biological assets -Bearer - Group				
	Cost				
	As at 1 April 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
	Transfers from nursaries to immature	(20,053,000)	20,053,000	-	-
	Transfers from immature to mature	-	(325,698,000)	325,698,000	-
	As at 31 March 2016	13,447,000	508,148,000	3,059,069,000	3,580,664,000
	Additions	14,147,000	302,886,000	-	317,033,000
	Disposal	-	-	(34,287,000)	(34,287,000)
	Transfers from immature to mature	-	(3,168,000)	3,168,000	-
	As at 31 March 2017	27,594,000	807,866,000	3,027,950,000	3,863,410,000
	Accumulated depreciation				
	As at 31 March 2015	-	-	(654,219,000)	(654,219,000)
	Charged for the year	-	-	(131,820,000)	(131,820,000)
	As at 31 March 2016	-	-	(786,039,000)	(786,039,000)
	Disposal			14,914,000	14,914,000
	Charged for the year	-	-	(137,034,000)	(137,034,000)
	As at 31 March 2017	-	-	(908,159,000)	(908,159,000)
	Carrying value				
	As at 31 March 2016	13,447,000	508,148,000	2,273,030,000	2,794,625,000
	As at 31 March 2017	27,594,000	807,866,000	2,119,791,000	2,955,251,000

(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 and palm plantations. Bearer biological assets together with any un-managed biological assets are stated at cost.

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

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

(c) The disposal of mature plantation represents the sale of rubber trees.

(d) During the year, the Company transferred the right to use of land at Lonach estate to Watawala Dairy Limited (WDL) for the remaining period of the lease in exchange of X class (voting) shares of WDL. It was transferred at the carrying value as at 31 March 2016.

		Immature plantations	Mature plantations	Total
		Rs.	Rs.	Rs.
13.2	Biological assets - Consumables- Group			
	As at 31 March 2015	86,917,000	480,050,000	566,967,000
	Additions	25,610,000	-	25,610,000
	Gain / (loss) 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 31 March 2016	90,122,000	518,873,000	608,995,000
	Additions	33,675,000	-	33,675,000
	Gain / (loss) arising from changes in fair value less costs to sell	-	6,161,000	6,161,000
	As at 31 March 2017	123,797,000	525,034,000	648,831,000

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% [2016 - 13.5%]
- Maturity for harvesting - 25 years [2016 - 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	525,034,000
Value stand as at 10% positive variance	577,538,000
Value stand as at 10% negative variance	466,199,000

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	525,034,000
Value stand as at 1% positive variance	546,782,000
Value stand as at 1% negative variance	508,283,000

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	
	2017	2016
	Rs.	Rs.
As at 1 April	27,535,000	40,256,000
Loss on fair value- transfer to Watawala Dairy Ltd	(6,574,000)	-
Increase due to purchases	-	788,000
Increase due to births	-	488,000
Decrease due to sales	-	(5,390,000)
Decrease due to deaths	-	(1,785,000)
Price and physical changes	3,983,000	(6,822,000)
As at 31 March	24,944,000	27,535,000

As at 31st March 2017 livestock comprised 167 cattle (2016 -171 cattle).

LKAS 41-Ammended-Valuation of growing crops on bearer plants

The amendment became effective for the period beginning on or after 1 January 2016. The growing crops on bearer plants should be fair valued and recognised in the financial statements.

The volume of produce growing on bearer plants are measured considering the estimated crop of the last harvesting cycle of the year as follows,

- Tea-Three days crop (50% of 6 days cycle),
- Oil palm-five days crop (50% of 10 days cycle)
- Rubber-One day's crop

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the bought leaf formula recommended by the Sri Lanka Tea Board and the value of unharvested fresh fruit bunches(FFB) of oil palm is measured using the actual price used to purchase FFB from outgrowers. The rubber crop is fair valued using RSS prices.

The Group has opted to apply the LKAS 41-Amended prospectively due to the impact of the amendment being not material for the group. The effect on the financial statements had the amendment been retrospectively applied is presented below;

	GROUP	
As at 31st March	2016	2015
Restatement of retained earnings	-	25,212,000
Restatement of Income statement	(3,219,000)	-
Restatement of balance sheet with unharvested crop as biological asset	21,993,000	25,212,000

Consequently Rs 35,727,000, Group has been recognised as the value of growing crops on bearer plants in the statement of Profit or Loss and the statement of Financial Position effective in the current financial year.

		GROUP		
	As at March 2017	Level 01	Level 02	Level 03
	Fair value hierarchy			
	Biological assets - Consumable	-	648,831,000	-
	- Live stock	-	24,944,000	-
	- Growing crop	-	35,757,00	-
	Total	**-**	**709,532,000**	**-**
	As at March 2016			
	Biological assets - Consumable	-	608,995,000	-
	- Live stock	-	27,535,000	-
	Total	**-**	**636,530,000**	**-**

		GROUP		COMPANY	
	As at 31st March	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
14.	INTANGIBLE ASSETS				
	Software (note 14.1)	74,028,044	9,595,228	1,533,497	2,191,875
	Brand (note 14.2)	50,277,500	53,235,000	-	-
	Project development cost (note 14.3)	44,459,874	74,641,727	-	-
	Total	**168,765,418**	**137,471,955**	**1,533,497**	**2,191,875**
14.1	Software				
	Cost				
	Balance at the beginning of the year	43,100,354	37,232,361	2,922,500	-
	Additions during the year	73,017,290	5,867,993	90,000	2,922,500
	Disposals during the year	(7,926,074)	-		
	Transfers during the year	463,013	-		
	Balance at the end of the year	108,654,583	43,100,354	3,012,500	2,922,500
	Amortisation				

	Balance at the beginning of the year	(33,505,126)	(26,643,404)	(730,625)	-
	Charge during the year	(8,753,506)	(6,861,722)	(748,378)	(730,625)
	Disposals during the year	7,644,954	-		
	Transfers during the year	(12,861)	-		
	Balance at the end of the year	(34,626,539)	(33,505,126)	(1,479,003)	(730,625)
	Carrying amount	74,028,044	9,595,228	1,533,497	2,191,875
14.2	**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	(5,915,000)	(2,957,500)	-	-
	Charge during the year	(2,957,500)	(2,957,500)	-	-
	Balance at the end of the year	(8,872,500)	(5,915,000)	-	-
	Carrying amount	50,277,500	53,235,000	-	-
14.2.1	**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 amortise the brand for 20 years beginning from the year 2014/15.				

		GROUP	
	As at 31st March	2017	2016
		Rs.	Rs.
14.4	**Project Development Cost**		
	Balance at the beginning of the year	74,641,727	43,757,633
	Transfer	(66,701,878)	-
	Additions	36,520,025	30,884,094
	Balance at the end of the year	44,459,874	74,641,727

The cost incurred to commence the electricity generation on hydropower plant of Elgin Hydropower (Private) Limited, subsidiary of the Company, has been capitalised as project development cost.

	As at 31st March	2017					2016		
		Holding %	No. of shares	Cost Rs.	Impairment Rs.	Carrying value Rs.	Holding %	No. of shares	Cost Rs.
15.	INVESTMENT IN SUBSIDIARIES								
15.1	Company - Unquoted								
	Sunshine Healthcare Lanka Limited	100.00%	8,274,535	446,657,088	-	446,657,088	100.00%	7,359,184	186,657,168
	Estate Management Services (Private) Limited	33.15%	12,571,402	258,418,516	-	258,418,516	33.15%	12,571,402	258,418,516
	Waltrim Energy Limited (note 15.1.1)	-	-	-	-	-	60.68%	17,832,310	239,796,180
	Sunshine Energy (Pvt) Ltd	100.00%	23,112,987	337,015,540	-	337,015,540	-	-	-
	Sunshine Packaging Lanka Limited (note 15.1.2)	100.00%	35,650,007	356,500,000	(21,842,817)	334,657,183	100.00%	35,650,007	356,500,000
	Elgin Hydropower (Private) Limited	-	1	10	-	10	-	1	10
	Upper Waltrim Hydropower (Private) Limited	-	1	10	-	10	-	1	10
	Sunshine Holdings International (Pte) Ltd (note 15.1.3)	-	1	95	-	95		1	95
	Total			**1,398,591,259**	**(21,842,817)**	**1,376,748,442**			**1,041,371,979**
15.1.1	Waltrim Energy Limited was previously known as Sunshine Energy Limited.								
15.1.2	The board of Sunshine Packaging Lanka Ltd, a fully owned subsidiary, is considering the restructure of its business operations. Further, a provision of Rs.21.8 million has been made in the Company for probable impairment of investment arising on accumulated loss of Sunshine Packaging Lanka Limited								
15.1.3	The Group considered Sunshine Holdings International (Pte) Ltd as non-subsidiary for the consolidation since it is a single share company and no operations from incorporation.								
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%		
	Waltrim Energy Limited	61.62%					-		
	Waltrim Hydropower (Private) Limited (note 15.2.1)	60.70%					59.78%		
	Elgin Hydropower (Private) Limited	61.62%					60.68%		
	Upper Waltrim Hydropower (Private) Limited	61.62%					60.68%		
15.2.1	Waltrim Hydropower (Private) Limited was previously known as Sunshine Power (Private) Limited.								

	As at 31st March	2017			2016		
		Holding %	No. of shares	Cost Rs.	Holding %	No. of shares	Cost Rs.
16.	INVESTMENTS IN ASSOCIATES						
16.1	Group						
	Sunshine Travels and Tours Limited	-	-	-	24.73%	409,371	6,111,426
	Share of profit of equity accounted investees (net of income tax)	-	-	-	-	-	164,502
	Total	**-**	**-**	**-**	**-**	**-**	**6,275,928**
16.2	Company						
	Sunshine Travels and Tours Limited	-	-	-	24.73%	409,371	6,111,426

		GROUP		COMPANY	
	As at 31st March	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
17.	OTHER LONG TERM INVESTMENTS				
	Investment in unquoted shares (note 17.1)	520,573,896	513,590,484	520,573,896	513,590,484
	Investment in quoted shares (note 17.2)	102,580,334	103,041,910	102,580,334	103,041,910
	Investment in unit trust (note 17.3)	2,816,102	669,469,650	2,816,102	104,872,650
	Investment in Unit Energy Lanka (Private) Ltd	10,763,000	10,763,000	-	-
	Total	636,733,332	1,296,865,044	625,970,332	721,505,044
	Note : in the year 2016, Watawala Plantations PLC, a subsidiary of the Company has received Rs. 10,763,000 worth of investment from Unit Energy (Private) Ltd against their land rights.				

		Lanka Commodity Brokers Limited	Secretaries and Financial Services (Pvt) Ltd.	TATA Communications Lanka Ltd.	Total
		Rs.	Rs.	Rs.	Rs.
17.1	Investment in unquoted shares				
	Group & Company				
	Cost				
	Balance as at 01st April 2016	117,692,727	10	75,000,000	192,692,737
	Investments/ (disposal) made during the year	-	(10)	-	(10)
	Carrying value as of 31st March 2017	117,692,727	-	75,000,000	192,692,727
	Fair value adjustment				
	Balance as at 01st April 2016	6,978,926	-	313,918,821	320,897,747
	Increase/ (decrease) in fair valuation during the year	(1,699,008)	-	8,682,430	6,983,422
	Balance as at 31st March 2017	5,279,918	-	322,601,251	327,881,169
	Carrying value of investment as at 31st March 2017	122,972,645	-	397,601,251	520,573,896
	Carrying value of investment as at 31st March 2016	124,671,653	10	388,918,821	513,590,484

	As at 31st March	2017			2016		
		No of Shares	Cost	Market Value	No of Shares	Cost	Market Value
			Rs.	Rs.		Rs.	Rs.
17.2	Investment in quoted shares						
	Group & Company						
	Dialog Axiata PLC	760,000	8,400,928	8,588,000	550,000	6,132,928	5,610,000
	Aitken Spence Hotels Holdings PLC	18,000	1,456,128	633,600	18,000	1,456,128	954,000
	Commercial Bank of Ceylon PLC	68,905	8,126,573	8,985,212	142,327	16,645,307	17,862,039
	Aitken Spence PLC	193,000	19,051,472	10,846,600	193,000	19,051,472	14,185,500
	Hatton National Bank PLC - Non Voting	76,557	10,309,542	14,163,045	112,598	15,013,929	19,589,247
	Kelani Tyres PLC	80,000	5,676,070	4,400,000	80,000	5,676,070	5,120,000
	Hayleys Mgt.Knitting Mills PLC	274,850	2,903,195	3,737,960	300,000	3,221,091	5,400,000
	Distilleries Company of Sri Lanka PLC	-	-	-	90,000	21,515,302	18,558,000
	Ceylon Hotels Corporation PLC	223,966	5,565,735	4,300,147	223,966	5,565,735	5,375,184
	Ceylinco Insurance PLC	10,000	6,774,917	8,200,000	10,000	6,774,917	7,820,000
	Peoples Insurance Limited	72,700	1,090,500	1,330,410	72,700	1,090,500	1,228,630
	Softlogic Holdings PLC	300,700	4,482,276	3,578,330	100,700	1,482,276	1,339,310
	Tokyo Cement PLC	80,000	3,200,000	4,880,000	-	-	-
	Expolanka Holdings PLC	790,000	5,530,000	4,740,000	-	-	-
	National Development Bank PLC	28,029	4,571,748	3,912,848	-	-	-
	Melstacorp PLC	149,000	8,831,975	8,820,800	-	-	-
	Chevron Lubricants Lanka PLC	49,000	8,085,000	8,330,000	-	-	-
	Sampath Bank PLC	12,098	3,365,146	3,133,382	-	-	-
			107,421,205	102,580,334		103,625,655	103,041,910
	Fair value adjustment		(4,840,871)	-	-	(583,745)	-
	Fair value		**102,580,334**	**-**	**-**	**103,041,910**	**-**

	As at 31st March	2017		2016	
		Cost	Market Value	Cost	Market Value
		Rs.	Rs.	Rs.	Rs.
17.3	Investment in unit trusts				
	Group				
	Investment in unit trusts	2,800,000	2,816,102	664,597,000	669,469,650
	Total cost	2,800,000	-	664,597,000	-
	Fair value adjustment	16,102	-	4,872,650	-
	Fair value	**2,816,102**	**-**	**669,469,650**	**-**

	As at 31st March	2017		2016	
		Cost	Market Value	Cost	Market Value
		Rs.	Rs.	Rs.	Rs.
	Investment in unit trusts				
	Company				
	Investment in unit trusts	2,800,000	2,816,102	100,000,000	104,872,650
	Total cost	2,800,000	-	100,000,000	-
	Fair value adjustment	16,102	-	4,872,650	-
	Fair value	**2,816,102**	**-**	**104,872,650**	**-**

		GROUP	
	As at 31st March	2017	2016
		Rs.	Rs.
18.	INVESTMENT IN GRATUITY FUND		
	Balance at the beginning of the year	234,369,000	220,262,000
	Investments made during the year	-	
	Reinvestment of income	23,950,000	14,107,000
	Balance at the end of the year	**258,319,000**	**234,369,000**

As at the date of the financial reporting Watawala Plantations PLC, a subsidiary of the Company has set aside Rs.258,319,000/- 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 10.22% (2016- 6.04%)

		GROUP		COMPANY	
	As at 31st March	2017	2016	2017	2016
		Rs .	Rs.	Rs.	Rs.
19.	DEFERRED TAXATION				
19.1	Deferred tax asset				
	Balance at the beginning of the year	82,380,722	92,863,490	-	-
	Charge / (reversal) for the year	(4,347,140)	(10,482,768)	-	-
	Reclassified from deferred tax liability	(2,442,814)	-	-	-
	Balance at the end of the year	75,590,768	82,380,722	-	-
19.2	Deferred tax liability				
	Balance at the beginning of the year	273,461,405	212,434,580	-	-
	Charge / (reversal) for the year	62,454,716	61,026,825	-	-
	Reclassified from deferred tax assets	(2,442,814)	-	-	-
	Balance at the end of the year	333,473,307	273,461,405	-	-
	Net deferred tax asset/(liability)	(257,882,539)	(191,080,683)	-	-

	As at 31st March	2017		2016	
		Temporary Difference	Tax effect on Temporary Difference	Temporary Difference	Tax effect on Temporary Difference
		Rs.	Rs.	Rs.	Rs.
	Group				
	On property, plant & equipment	(2,091,873,850)	(367,871,312)	(1,822,147,164)	(304,057,811)
	On biological assets - Bearer	(2,955,251,000)	(333,685,000)	(2,794,625,000)	(381,916,000)
	On biological assets - Consumable	(648,831,000)	(19,749,000)	(608,995,000)	(10,318,000)
	On retirement benefit obligation	1,085,479,743	181,611,814	1,127,179,002	189,424,203
	On provision for investment	21,842,817	6,115,989	-	-
	On capital grants	193,528,000	54,223,000	203,569,000	56,638,000
	On debtors provision	27,360,852	6,208,686	15,040,374	4,211,305
	On tax losses carried forward	1,172,549,895	304,142,442	1,224,852,230	328,437,454
	Total	**(2,612,002,543)**	**(169,003,381)**	**(2,327,989,232)**	**(117,580,849)**
	Less: Unrecognized deferred tax assets				
	Sunshine Holdings PLC	-	(66,416,784)	-	(56,092,150)
	Waltrim Energy Limited	-	(5,088,512)	-	(7,984,693)
	Waltrim Hydropower (Private) Limited	-	(14,032,967)	-	(8,685,747)
	Upper Waltrim Hydropower (Private) Limited	-	(3,340,895)	-	(737,244)
	Deferred tax recognized in the Financial Statements	-	(257,882,539)	-	(191,080,683)

The board of directors of Sunshine Holdings PLC, Waltrim Energy Limited, Waltrim Hydropower (Private) Limited and Upper Waltrim Hydropower (Private) Limited is of the opinion that the above deferred tax asset amounting to Rs.66,416,784/- (Rs. 56,092,150/- in 2016), Rs5,088,512/- (Rs. 7,984,693/- in 2016), Rs.14,032,967/- (Rs. 8,685,747/- in 2016) and Rs. 3,340,895/- (737,244 in 2016) would not be crystalised in the foreseeable future. Therefore the above mentioned deferred tax assets have not been recognised in the Financial Statements.

	As at 31st March	2017		2016	
		Rs.	Rs.	Rs.	Rs.
	Company				
	On property, plant & equipment	(4,658,484)	(1,304,376)	(956,736)	(267,886)
	On retirement benefit obligation	51,881,378	14,526,786	43,198,526	12,095,587
	On provision for investment	21,842,817	6,115,989	-	-
	On tax losses carried forward	168,137,090	47,078,385	158,087,319	44,264,449
	Total	**237,202,801**	**66,416,784**	**200,329,109**	**56,092,150**

The Company has not recognised deferred tax asset amounting to Rs. 66,416,784/- (2016- Rs. 56,092,150/-) as the board is of the opinion that the reversal of deferred tax asset will not be crystalised in the foreseeable future.

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

	As at 31st March	GROUP 2017 Rs.	GROUP 2016 Rs.	COMPANY 2017 Rs.	COMPANY 2016 Rs.
20.	INVENTORIES				
	Medical items	1,608,573,670	1,667,453,068	-	-
	Harvested crops	473,128,000	388,775,000	-	-
	Input materials, spares and consumables	537,614,824	412,947,443	-	-
	Finished goods	210,184,494	200,544,636	-	-
	Work in progress	144,794,414	37,892,547	-	-
	Machinery spares	9,977,806	9,977,803	-	-
	Goods in transit	157,028,517	174,582,542	-	-
	Total	**3,141,301,725**	**2,892,173,039**	**-**	**-**
21.	TRADE AND OTHER RECEIVABLES				
	Trade receivables	2,011,508,291	1,501,960,437	-	-
	Less: Provision for bad debts	(27,360,852)	(26,088,880)	-	-
	Net trade receivable	1,984,147,439	1,475,871,557	-	-
	Staff loan recoverable	66,271,741	6,451,934	92,814	-
	Other receivables	417,461,339	293,383,999	6,380,324	322,670
	Withholding tax recoverable	33,577,435	25,237,481	32,029,083	24,042,574
	Interest income receivables	15,675,265	36,026,446	3,293,895	3,661,879
	ESC recoverable	44,676,288	30,398,618	2,871,169	663,578
	ACT recoverable	26,359,000	31,359,000	-	-
	VAT recoverable	165,331,944	110,276,579	-	-
	Advances and deposits	307,491,695	361,518,602	494,112	4,292,783
	Total	**3,060,992,146**	**2,370,524,216**	**45,161,397**	**32,983,484**

	As at 31st March		GROUP 2017 Rs.	GROUP 2016 Rs.	COMPANY 2017 Rs.	COMPANY 2016 Rs.
22.	AMOUNTS DUE FROM RELATED PARTIES					
	Estate Management Services (Private) Limited	Subsidiary	-	-	-	24,268,750
	Sunshine Tea (Pvt) Ltd.	Affiliated	31,900	3,726,633	-	-
	Sunshine Packaging Lanka Ltd.	Subsidiary	-	-	133,251,000	64,350,881
	Waltrim Energy Ltd.	Subsidiary	-	-	55,045,820	116,085,599
	TATA Global Beverages Ltd.	Affiliated	79,735,000	76,536,000	-	-
	Sunshine Holdings International Pte Ltd.	Affiliated	3,699,689	3,699,689	3,699,689	3,699,689
	Total		**83,466,589**	**83,962,322**	**191,996,509**	**208,404,919**

	As at 31st March	GROUP 2017 Rs.	GROUP 2016 Rs.	COMPANY 2017 Rs.	COMPANY 2016 Rs.
23.	CASH AND CASH EQUIVALENTS				
23.1	Favourable balance				
	Fixed deposits	1,609,619,063	965,016,279	705,789,067	837,478,179
	Call deposits	111,460	70,156,311	-	51,044,851
	Import margin at bank	929,038	17,874,688	-	-
	Cash at bank	259,481,635	390,877,559	25,846,944	5,471,251
	Cash in hand	5,863,466	21,448,116	76,180	45,163
	Total	**1,876,004,662**	**1,465,372,953**	**731,712,191**	**894,039,444**
23.2	Unfavourable balance				
	Bank overdrafts	(711,424,579)	(423,454,152)	-	-
	Cash and cash equivalents for the purpose of Statement of Cash Flows	1,164,580,083	1,041,918,801	731,712,191	894,039,444
24.	STATED CAPITAL				
	No. of shares				
	Balance at the beginning of the year	135,140,986	135,140,986	135,140,986	135,140,986
	Issued during the year	-	-	-	-
	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	730,939,657	730,939,657	730,939,657
	Issued during the year	-	-	-	-
	Balance as at the end of the year	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 shareholders or one vote per share in the case of a poll.

		GROUP		COMPANY	
	As at 31st March	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
25	INTEREST BEARING BORROWINGS				
	Amount repayable after one year				
	Loans (note 25.1)	887,460,557	933,207,032	-	-
	Finance lease obligations (note 25.2)	10,973,474	10,107,155	-	-
	SLSPC / JEDB lease creditors (note 25.3)	328,412,000	336,296,000	-	-
	Trust receipt and money market loans (note 25.4)	-	-	-	-
	Total	**1,226,846,031**	**1,279,610,187**	**-**	**-**
	Amount repayable within one year				
	Loans (note 25.1)	344,299,342	444,347,244	-	-
	Finance lease obligations (note 25.2)	6,624,910	5,378,973	-	-
	SLSPC / JEDB lease creditors (note 25.3)	6,720,000	6,460,000	-	-
	Trust receipt and money market loans (note 25.4)	-	-	-	-
	Total	**357,644,252**	**456,186,217**	**-**	**-**
	Total interest bearing borrowings	1,584,490,283	1,735,796,404	-	-
25.1	Loans				
	Balance at the beginning of the year	1,377,554,276	1,050,456,264	-	-
	Add: Loans obtained during the year	474,783,208	817,092,994	-	-
	Less: Repayment during the year	(620,577,585)	(489,994,982)	-	-
	Balance at the end of the year	**1,231,759,899**	**1,377,554,276**	**-**	**-**
	Amount repayable within one year	344,299,342	444,347,244	-	-
	Amount repayable after one year	887,460,557	933,207,032	-	-

	As at 31st March	GROUP		COMPANY	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
25.2	Finance lease obligations				
	Balance at the beginning of the year	18,206,204	10,612,133	-	-
	Addition/(disposal) made during the year	9,079,440	15,748,176	-	-
	Repayment during the year	(6,336,122)	(8,154,105)	-	-
	Balance at the end of the year	20,949,522	18,206,204	-	-
	Future interest	(3,351,138)	(2,720,076)	-	-
	Net lease obligation	**17,598,384**	**15,486,128**	**-**	**-**
	Amount repayable within one year	6,624,910	5,378,973	-	-
	Amount repayable after one year	10,973,474	10,107,155	-	-
25.3	SLSPC / JEDB lease creditors				
	Balance at the beginning of the year	589,280,000	609,600,000	-	-
	Repayment during the year	(20,320,000)	(20,320,000)	-	-
	Balance at the end of the year	568,960,000	589,280,000	-	-
	Future interest	(233,828,000)	(246,524,000)	-	-
	Net lease obligation	**335,132,000**	**342,756,000**	**-**	**-**
	Amount repayable within one year	6,720,000	6,460,000	-	-
	Amount repayable after one year	328,412,000	336,296,000	-	-

The annual lease series of payments payable by Watawala Plantations PLC, a subsidiary of the Company, with effect from 18 June 1996 in respect of these estates is Rs 20.32 million (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying Rs 20.32 million by gross domestic product (GDP) deflator of the preceding year. However as per the agreement entered into with the Ministry of Plantations the application of GDP deflator has been suspended for five years commencing from 18 June 2003, resulting in a fixed lease payment of Rs 29,041,405/-. Since this agreement lapsed on 31st March 2008, the subsidiary continued to adopt the same terms and conditions until such time the fresh terms and conditions are negotiated and agreed. The gross liability to the 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 installments in advance) has been debited to the gross liability and the appropriate interest amount for the year is charged to finance costs by crediting the interest in suspense account.

	As at 31st March	GROUP		COMPANY	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
25.4	Trust receipt and money market loans				
	Balance at the beginning of the year	-	34,447,300	-	-
	Loan obtained during the year	-	100,000,000	-	-
	Repayment during the year	-	(134,447,300)	-	-
	Balance at the end of the year	**-**	-	**-**	-
	Amount repayable within one year	-	-	-	-
	Amount repayable after one year	-	-	-	-
	Amount repayable after one year	-	-	-	-

	As at 31st March		2017			2016		
	Company/Lender	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2017	Repayable within one year	Repayable after one year	Balance as at 31 March 2016
25.5	Term Loans							
01	Watawala Plantations PLC							
	Hatton National Bank PLC	AWPLR + 0.5%	31,250,000	124,960,000	156,210,000	31,250,000	156,251,000	187,501,000
			31,250,000	124,960,000	156,210,000	31,250,000	156,251,000	187,501,000
	Seylan Bank PLC	AWPLR + 0.5% (1-2 Years) AWPLR + 0.75% (3-5 Years)	62,000,000	170,490,000	232,490,000	62,000,000	232,490,000	294,490,000
			62,000,000	**170,490,000**	**232,490,000**	62,000,000	232,490,000	294,490,000
	Sri Lanka Tea Board		25,068,000	29,556,000	54,624,000	18,395,000	-	18,395,000
			25,068,000	29,556,000	54,624,000	18,395,000	-	18,395,000
	Total		**118,318,000**	**325,006,000**	**443,324,000**	**111,645,000**	**388,741,000**	**500,386,000**
2	Sunshine Healthcare Lanka Limited							
	Public Bank Berhad	9.75%	1,092,637	-	1,092,637	1,259,885	1,599,175	2,859,060
	Public Bank Berhad	7.50%	11,633,534	5,355,690	16,989,224	11,633,534	15,301,140	26,934,674
	Total		**12,726,171**	**5,355,690**	**18,081,861**	**12,893,419**	**16,900,315**	**29,793,734**
3	Healthguard Pharmacy Limited							
	Hatton National Bank PLC		-	-	-	35,000,000	-	35,000,000
	Total		**-**	**-**	**-**	**35,000,000**	-	**35,000,000**

Purpose	Commencing from	Repayment terms Equal monthly installments	Security
To finance re-planting of plantation	April 2014	96	Unsecured
	December 2015	60	Unsecured
			Unsecured
	April 2012	60	Primary mortgage over vehicle bearing No. WP KV-1828
	September 2013	60	Primary mortgage property bearing assessment No 60/52, Sri-wickrama Mawatha, Mattakkuliya Lot 20 plan no. 2317
	March 2016	8	Registered primary mortgage bond over movable assets laying at No 139/A, Dharmapala Mawatha Colombo 7, No 229, Kirula Road, Colombo 5 and No 415, Galle road, Colombo 3

	As at 31st March		2017			2016		
	Company/Lender	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2017	Repayable within one year	Repayable after one year	Balance as at 31 March 2016
4	Sunshine Packaging Lanka Limited							
	Hatton National Bank PLC	AWPLR + 0.75%	45,255,171	-	45,255,171	116,513,705	13,537,654	130,051,359
	Sampath Bank PLC	AWPLR + 1%	-	-	-	20,295,120	-	20,295,120
	Total		**45,255,171**	**-**	**45,255,171**	**136,808,825**	**13,537,654**	**150,346,479**
5	Waltrim Hydropower (Private) Ltd							
	Hatton National Bank PLC	AWPLR + 0.5% (3month avg)	51,000,000	115,504,219	166,504,219	51,000,000	166,505,220	217,505,220
	Total		**51,000,000**	**115,504,219**	**166,504,219**	**51,000,000**	**166,505,220**	**217,505,220**
6	Estate Management Services (Private) Ltd							
	ICICI Bank Limited	SLIBOR + 2.5%	-		-	50,000,000		50,000,000
		SLIBOR + 3.25%	47,000,000	23,500,000	70,500,000	47,000,000	70,500,000	117,500,000
	Total		**47,000,000**	**23,500,000**	**70,500,000**	**97,000,000**	**70,500,000**	**167,500,000**
7	Upper Waltrim Hydropower (Private) Limited							
	DFCC Bank PLC		70,000,000	350,000,000	420,000,000	-	277,022,843	277,022,843
	Total		**70,000,000**	**350,000,000**	**420,000,000**	**-**	**277,022,843**	**277,022,843**
8	Elgin Hydropower (Private) Limited							
	DFCC Bank PLC		-	68,094,648	68,094,648	-	-	-
	Total		**-**	**68,094,648**	**68,094,648**	**-**	**-**	**-**
	Grand Total		**344,299,342**	**887,460,557**	**1,231,759,899**	**444,347,244**	**933,207,032**	**1,377,554,276**

			Repayment terms	
	Purpose	Commencing from	Equal monthly installments	Security
	Purchase of machinery and working capital			Registered primary floating mortgage bond for Rs. 111.25 Mn over immovable property at No 75, kandawala road rathmalana.
		From the date of first disbursement.	08 years inclusive of an initial grace period of 24 months	Primary oncurrent mortgage bond for Rs. 290 Mn over the sub-lease right over the project property and structure to be constructed/ machinery to be installed.
	To acquire 100% shares of Watawala Tea Ceylon (Pvt) Ltd.		10 semi annual installments	Share certificates logged.
	To Purchase shares of Watawala Plantations PLC		10 semi annual installments	Share certificates logged.
		From the date of first disbursement.	08 years inclusive of an initial grace period of 24 months	Corporate guarantee of the Sunshine Holdings PLC

	As at 31st March	2017	2016	Security
		Rs.	Rs.	
25.6	BANK OVERDRAFTS			
	Estate Management Services (Private) Ltd			
	Hatton National Bank PLC	-	10,259,399	Unsecured
	Total	**-**	**10,259,399**	
	Watawala Plantations PLC			
	Hatton National Bank PLC	-	27,901,000	Unsecured
	Commercial Bank of Ceylon PLC	-	2,360,000	Unsecured
	Seylan Bank Limited	-	6,845,000	Unsecured
	Total	**-**	**37,106,000**	
	Sunshine Healthcare Lanka Limited			
	MCB Bank Limited	159,717,901	162,949,290	A.) Primary concurrent mortgage over stocks & book Debts for Rs.150 Million. B.) Clearing and Post dated cheques of LKR 150 Million.
	Sampath Bank PLC	3,891,919	10,819,111	A) Primary concurrent mortgage over stocks & book Debts for Rs.110 Million. B) Bank Overdraft agreement for Rs.10 Million.
	Nations Trust Bank PLC	39,728,627	75,858,749	A) Primary concurrent mortgage over stocks & book Debts for Rs.100 Million. B) Bank Overdraft agreement for Rs.100 Million.
	Commercial Bank of Ceylon	24,138,075	-	Bank Overdraft agreement
	Hatton National Bank PLC	72,256,606	49,503,902	A) Primary concurrent mortgage over stocks & book Debts for Rs.150 Million. B) Absolute Ownership of the Leased Assets C) Bank Overdraft agreement for Rs.200 Million.
	Total	**299,733,128**	**299,131,052**	
	Watawala Tea Ceylon Limited			
	Hatton National Bank PLC	171,192,438	-	Unsecured
	Commercial Bank of Ceylon	43,921,643	-	Unsecured
	Muslim Commercial Bank Limited	70,994,252	-	Unsecured
	Total	**286,108,333**	**-**	

	As at 31st March	2017	2016	Security
		Rs.	Rs.	
	Healthguard Pharmacy Limited			
	Hatton National Bank PLC	62,850,443	20,920,273	Registered primary floating mortgage bond over movable assets lying at No: 139/A, Dharmapala Mawatha, Colombo 7; No 229, Kirula Road, Colombo 5; No 415, Galle road, Colombo 3
	Nation Trust Bank	5,028,640	9,798,381	Bank Overdraft agreement
	Commercial Bank of Ceylon	-	2,801,411	Bank Overdraft agreement
	Total	**67,879,083**	**33,520,065**	
	Sunshine Packaging Lanka Limited			
	Hatton National Bank PLC	45,873,662	36,671,915	Bank Overdraft agreement
	Sampath Bank PLC	173,873	-	Unsecured
	Bank of Ceylon PLC	5,820,824	5,351,238	Bank Overdraft agreement
	Total	**51,868,359**	**42,023,153**	
	Waltrim Hydropower (Private) Ltd			
	Hatton National Bank PLC	500,103	-	Unsecured
	Total	**500,103**	**-**	
	Upper Waltrim Hydropower (Private) Limited			
	Hatton National Bank PLC	5,335,573	1,414,483	Unsecured
	Total	**5,335,573**	**1,414,483**	
	Grand Total	**711,424,579**	**423,454,152**	

		GROUP		COMPANY	
	As at 31st March	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
26.	EMPLOYEE BENEFITS				
	Balance at the beginning of the year	1,127,179,002	1,143,212,840	43,198,526	9,980,594
	Staff transfer	-	241,000	-	24,509,750
	Provision made during the year	108,090,750	109,861,972	8,682,852	14,913,422
	Payments made during the year	(149,790,009)	(126,136,810)	-	(6,205,240)
	Balance at the end of the year	1,085,479,743	1,127,179,002	51,881,378	43,198,526
	Present value of unfunded obligation	1,085,479,743	1,127,179,002	51,881,378	43,198,526
	Present value of funded obligation	-	-	-	-
	Total present value of obligations	1,085,479,743	1,127,179,002	51,881,378	43,198,526
	Fair value of plan assets	-	-	-	-
	Present value of net obligations	1,085,479,743	1,127,179,002	51,881,378	43,198,526
	Unrecognised acturial (gain)/loss	-	-	-	-
	Recognised liability for the defined obligation	1,085,479,743	1,127,179,002	51,881,378	43,198,526
	The movement in the defined benefit obligation over the year is as follows;				
	At the beginning of the year	1,127,179,002	1,143,212,840	43,198,526	9,980,594
	Staff transfer	-	241,000	-	24,509,750
	Current service cost	81,206,890	80,828,631	3,126,261	2,432,825
	Interest cost	125,673,320	124,684,229	5,541,990	3,332,710
	Actuarial (gain) / loss	(98,789,460)	(95,650,888)	14,601	9,147,887
	Benefits paid	(149,790,009)	(126,136,810)	-	(6,205,240)
	As the end of the year	1,085,479,743	1,127,179,002	51,881,378	43,198,526
	The amounts recognised in the statement of Profit or Loss are as follows:				
	Current service cost	81,206,890	80,828,631	3,126,261	2,432,825
	Interest cost	125,673,320	124,684,229	5,541,990	3,332,710
	Staff cost on retirement benefit charged to Profit or Loss	206,880,210	205,512,860	8,668,251	5,765,535
	Actuarial loss/(gain) recognized in Other Comprehensive Income	(98,789,460)	(95,650,888)	14,601	9,147,887
	Total provision for the year	**108,090,750**	**109,861,972**	**8,682,852**	**14,913,422**

	As at 31st March	2017	2016
26.1	Company		
	The Company applied Projected Unit Credit (PUC) method and used the following key assumptions in arriving at the retirement benefit liability;		
	Rate of interest (net of tax) per annum	12.9%	11.0%
	Rate of salary increase	6.0%	6.0%
	Staff turnover factor	12.0%	36.0%
	Retiring age	55 Years	55 Years
26.2	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	11.5%	11.0%
	Rate of salary increase		
	- tea estate workers (every 2 years)	19.0%	19.0%
	- oil palm factory workers (every 2 years)	19.0%	19.0%
	- estate staff (every 3 years)	20.0%	20.0%
	- 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)	12.9%	13.9%
	Rate of salary increase	10.0%	15.0%
	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)	12.9%	11.0%
	Rate of salary increase	2.5%	2.5%
	Staff turnover - Staff	35.0%	17.0%
	- Workers	41.0%	15.0%
	Retirement age	55 years	55 years
	The subsidiary will continue in business as a going concern.		

	As at 31st March	2017	2016
	Waltrim Hydropower (Private) Ltd.		
	Rate of interest (net of tax)	11.0%	11.0%
	Rate of salary increase	10.0%	10.0%
	Staff turnover - Staff	5.6%	0.0%
	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)	12.0%	12.0%
	Rate of salary increase	10.0%	10.0%
	Staff turnover - Staff	24.0%	18.0%
	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)	12.0%	12.0%
	Rate of salary increase	11.0%	11.0%
	Staff turnover - Staff	21.0%	13.0%
	Retirement age	55 Years	55 Years
	The subsidiary will continue in business as a going concern.		

26.3	Sensitivity of assumptions used		
	A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st March 2017 is as shown below;		
	Discount rate	Salary /wage escalation rate	Present value of defined benefit obligation
	Group		
	One percentage point increase	As given above	1,008,404,357
	One percentage point decrease	As given above	1,174,132,059
	As given above	One percentage point increase	1,133,727,085
	As given above	One percentage point decrease	1,040,325,425
	Company		
	One percentage point increase	As given above	51,290,417
	One percentage point decrease	As given above	52,494,942
	As given above	One percentage point increase	52,529,168
	As given above	One percentage point decrease	51,247,105

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.

	As at 31st March	GROUP 2017 Rs.	GROUP 2016 Rs.	COMPANY 2017 Rs.	COMPANY 2016 Rs.
27.	DEFERRED INCOME AND CAPITAL GRANTS				
	Balance at the beginning of the year	203,569,000	213,610,000	-	-
	Amortised during the year	(10,041,000)	(10,041,000)	-	-
	Balance at the end of the year	193,528,000	203,569,000	-	-

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 amortised on a straight line basis over the useful life of the respective asset.

	As at 31st March		GROUP 2017 Rs.	GROUP 2016 Rs.	COMPANY 2017 Rs.	COMPANY 2016 Rs.
28.	TRADE AND OTHER PAYABLES					
	Trade payables		1,464,703,283	1,529,517,815	-	-
	Advance from customers		287,409	328,571	-	-
	Sales representatives security deposits		19,899,686	9,512,083	-	-
	Withholding tax payables		-	3,734,324	-	-
	Advances received for share issue		51,422,599	58,052,459	-	-
	Accrued expenses and other payables		684,126,628	683,557,395	15,817,458	11,735,061
	Total		**2,220,439,605**	**2,284,702,647**	**15,817,458**	**11,735,061**
29.	AMOUNTS DUE TO RELATED PARTIES					
	Secretaries and Financial Services (Private) Limited	Affiliated	-	16,630	-	-
	Sunshine Travels & Tours Limited	Associate	-	1,360,403		1,360,403
	Total		**-**	**1,377,033**	**-**	**1,360,403**

		Investment		Healthcare		Plantations		Consumer Goods	
	For the year ended/ As at 31st March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
30.	Segment Analysis								
	Revenue	414,779,815	265,431,378	7,862,698,302	7,161,309,054	6,501,765,000	6,298,769,000	4,212,730,806	3,439,945,117
	Result								
	Operating profit	107,404,856	157,704,853	343,479,614	514,412,179	1,493,701,000	669,051,000	302,828,499	469,107,925
	Net finance cost	83,395,975	63,471,545	(39,910,527)	(21,240,941)	(47,620,000)	(78,815,000)	9,126,717	19,006,042
	Share of profit/(loss) from associate								
	Income tax	(342,692)	(769,355)	(105,654,205)	(165,760,056)	(220,422,000)	(72,486,000)	(36,644,617)	(65,071,912)
	Profit for the year	**190,458,139**	**220,407,043**	**197,914,882**	**327,411,182**	**1,225,659,000**	**517,750,000**	**275,310,599**	**423,042,055**
	Other comprehensive income	6,968,821	(6,992,058)	6,281,962	893,929	83,759,000	97,892,000	(2,564,930)	136,370
	Total comprehensive income	**197,426,960**	**213,414,985**	**204,196,844**	**328,305,111**	**1,309,418,000**	**615,642,000**	**272,745,669**	**423,178,425**
	Statement Of Financial Position								
	Assets								
	Non current assets	2,010,153,586	1,777,258,116	674,328,732	593,363,337	6,638,705,000	6,417,302,000	269,159,015	306,662,797
	Current assets	972,028,845	1,138,586,595	3,394,250,366	3,165,431,234	2,473,822,000	1,328,905,000	1,233,835,551	811,322,518
	Total assets	**2,982,182,431**	**2,915,844,711**	**4,068,579,098**	**3,758,794,571**	**9,112,527,000**	**7,746,207,000**	**1,502,994,566**	**1,117,985,315**
	Equity & reserves								
	Shareholders' fund	2,914,483,595	2,858,954,670	2,265,442,082	1,901,245,318	5,758,934,661	4,780,050,000	831,334,362	826,968,708
	Non-controlling interest	-	-	-	-	291,200,000	-	-	-
	Sub total	**2,914,483,595**	**2,858,954,670**	**2,265,442,082**	**1,901,245,318**	**6,050,134,661**	**4,780,050,000**	**831,334,362**	**826,968,708**
	Non current liabilities								
	Long term borrowings	-	-	10,325,868	22,697,007	653,418,000	725,037,000	-	-
	Other liabilities	51,881,378	43,198,526	97,579,770	88,641,693	1,432,902,000	1,447,213,000	22,829,042	17,933,231
	Sub total	**51,881,378**	**43,198,526**	**107,905,638**	**111,338,700**	**2,086,320,000**	**2,172,250,000**	**22,829,042**	**17,933,231**
	Current liabilities								
	Short term borrowings	-	-	383,253,294	383,230,183	125,038,000	155,211,000	286,108,333	-
	Other liabilities	15,817,458	13,691,515	1,311,978,084	1,362,980,370	851,034,339	638,696,000	362,722,829	273,062,376
	Sub total	15,817,458	13,691,515	1,695,231,378	1,746,210,553	976,072,339	793,907,000	648,831,162	273,062,376
	Total equity & liabilities	**2,982,182,431**	**2,915,844,711**	**4,068,579,098**	**3,758,794,571**	**9,112,527,000**	**7,746,207,000**	**1,502,994,566**	**1,117,985,315**
		-	-	-	-	-	-	-	-
	Other information								
	Depreciation & amortization	2,938,950	2,294,976	105,370,777	87,442,210	313,073,000	309,547,000	70,784,345	63,052,895
	Capital expenditure	2,104,095	7,532,746	190,341,300	153,659,302	1,106,155,000	289,387,000	36,800,747	79,975,197
	Cash generated from operations	159,757,961	158,032,671	35,972,526	277,310,140	1,335,879,339	818,093,000	(143,175,318)	401,116,139

Energy		Management		Packaging		Inter Company		Group	
2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
88,848,902	120,297,977	-	-	325,814,596	361,904,888	(190,068,365)	(225,407,650)	19,216,569,056	17,422,249,764
(1,687,335)	48,886,022	462,151,138	454,066,168	24,654,940	37,007,347	(634,894,497)	(689,636,918)	2,097,638,215	1,660,598,576
(32,482,941)	(16,173,430)	813,528	(15,471,556)	(19,414,347)	(18,722,775)	-	-	(46,091,595)	(67,946,115)
						-	(1,408,453)	-	(1,408,453)
(910,019)	(731,329)	(3,087,980)	(2,101,140)	(1,896,260)	(1,991,721)	(61,368,133)	(64,733,898)	(430,325,906)	(373,645,411)
(35,080,295)	**31,981,263**	**459,876,686**	**436,493,472**	**3,344,333**	**16,292,851**	**(696,262,630)**	**(755,779,269)**	**1,621,220,714**	**1,217,598,597**
(221,312)	64,042	-	-	489,912	466,813		-	94,713,453	92,461,096
(35,301,607)	**32,045,305**	**459,876,686**	**436,493,472**	**3,834,245**	**16,759,664**	**(696,262,630)**	**(755,779,269)**	**1,715,934,167**	**1,310,059,693**
1,283,909,194	1,003,825,989	1,855,801,000	1,855,801,000	306,617,693	321,788,812	(3,317,369,051)	(2,982,528,087)	9,721,305,169	9,293,473,964
92,396,080	170,231,115	150,943,268	123,027,879	283,227,404	295,839,883	(388,349,484)	(204,824,527)	8,212,154,030	6,828,519,697
1,376,305,274	**1,174,057,104**	**2,006,744,268**	**1,978,828,879**	**589,845,097**	**617,628,695**	**(3,705,718,535)**	**(3,187,352,614)**	**17,933,459,199**	**16,121,993,661**
330,583,007	453,700,807	1,931,230,364	1,773,219,031	334,657,254	330,823,009	(8,116,940,738)	(7,143,372,023)	6,249,724,587	5,781,589,520
250,082,345	8,256,922	-	-	-	-	4,799,483,918	4,160,300,371	5,340,766,263	4,168,557,293
580,665,352	**461,957,729**	**1,931,230,364**	**1,773,219,031**	**334,657,254**	**330,823,009**	**(3,317,456,820)**	**(2,983,071,652)**	**11,590,490,850**	**9,950,146,813**
539,603,163	447,838,526	23,500,000	70,500,000	-	13,537,654	(1,000)	-	1,226,846,031	1,279,610,187
1,283,786	768,506	-	-	5,919,074	6,347,451	86,000	86,000	1,612,481,050	1,604,209,407
540,886,949	**448,607,032**	**23,500,000**	**70,500,000**	**5,919,074**	**19,885,105**	**85,000**	**86,000**	**2,839,327,081**	**2,883,819,594**
130,545,674	55,010,376	47,000,000	97,000,000	97,123,530	242,181,411	-	(63,252,000)	1,069,068,831	879,640,369
124,207,299	208,481,967	5,013,904	38,109,848	152,145,239	24,739,170	(388,346,715)	(141,114,962)	2,434,572,437	2,408,386,885
254,752,973	263,492,343	52,013,904	135,109,848	249,268,769	266,920,581	(388,346,715)	(204,366,962)	3,503,641,268	3,288,027,254
1,376,305,274	**1,174,057,104**	**2,006,744,268**	**1,978,828,879**	**589,845,097**	**617,628,695**	**(3,705,718,535)**	**(3,187,352,614)**	**17,933,459,199**	**16,121,993,661**
-	-	-		-		-		-	
46,385,540	30,821,774	-	-	16,558,680	16,715,988	(700,001)	(471,242)	554,411,291	509,403,601
321,008,745	372,611,676	-	-	3,201,588	1,693,639	-	(2,829,000)	1,659,611,475	902,030,560
(91,728,784)	126,979,416	(25,113,890)	(57,407,468)	94,629,092	(30,545,790)	(248,972,167)	(271,745,409)	1,117,248,759	1,421,832,699

		GROUP		COMPANY	
	As at 31st March	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
31.	FINANCIAL INSTRUMENTS				
31.1	Financial instruments - Statement of Financial Position				
	Fair value through profit or loss				
	Quoted shares	102,580,334	103,041,910	102,580,334	103,041,910
	Unit trust	2,816,102	669,469,650	2,816,102	104,872,650
	Total	**105,396,436**	**772,511,560**	**105,396,436**	**207,914,560**
	Held-to-maturity				
	SOFP line item :				
	Investment in gratuity fund	258,319,000	234,369,000	-	-
	Cash and cash equivalent	1,610,659,561	1,053,047,278	705,789,067	888,523,030
	Total	**1,868,978,561**	**1,287,416,278**	**705,789,067**	**888,523,030**
	Loans and receivabale				
	SOFP line item :				
	Trade and other receivabale	2,483,555,784	1,811,733,936	9,767,033	3,984,549
	Amounts due from related parties	83,466,589	83,962,322	191,996,509	208,404,919
	Income tax refunds	14,631,908	16,487,167	3,158,748	3,158,748
	Total	**2,581,654,281**	**1,912,183,425**	**204,922,290**	**215,548,216**
	Availabale-for-sale				
	SOFP line item :				
	Investment in subsidiaries	-	-	1,376,748,442	1,041,371,979
	Investment in associates	-	6,275,928	-	6,111,426
	Other investments	531,336,896	524,353,484	520,573,896	513,590,484
	Total	**531,336,896**	**530,629,412**	**1,897,322,338**	**1,561,073,889**
	Cash and cash equivalents	265,345,101	412,325,675	25,923,124	5,516,414
		5,352,711,275	**4,915,066,350**	**2,939,353,255**	**2,878,576,109**

		GROUP		COMPANY	
	As at 31st March	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
	Financial liabilities				
	Fair value through profit or loss				
	The Group and the Company does not hold any financial liabilities which falls to the category of fair value through profit or loss.				
	Other financial liabilities				
	SOFP line item :				
	Interest bearing borrowings- Non current	1,226,846,031	1,279,610,187	-	-
	Interest bearing borrowings- Current	357,644,252	456,186,217	-	-
	Trade and other payables	2,148,829,911	2,216,809,534	15,817,458	11,735,061
	Amounts due to related parties	-	1,377,033	-	1,360,403
	Income tax payable	214,132,832	122,307,205	-	596,051
	Total	3,947,453,026	4,076,290,176	15,817,458	13,691,515
	Bank overdrafts	711,424,579	423,454,152	-	-
		4,658,877,605	4,499,744,328	15,817,458	13,691,515

		2017		2016	
	As at 31st March	Gains / Income	Lossess / Expenses	Gains / Income	Lossess / Expenses
		Rs.	Rs.	Rs.	Rs.
31.2	Financial instruments - Statement of Profit or Loss and Other Comprehensive Income				
	Group				
	Held-to maturity investments	177,360,680		108,339,187	-
	Loans and receivables	-	-	-	-
	Asset classified as held for sale	-	-	-	-
	Other financial liabilities	-	241,141,996	-	176,960,928
	Total	**177,360,680**	**241,141,996**	**108,339,187**	**176,960,928**
	Company				
	Held-to maturity investments	76,822,942	-	57,370,607	-
	Loans and receivables	8,908,804	-	7,670,205	-
	Asset classified as held for sale	-	-	-	-
	Other financial liabilities	-	2,335,771	-	1,569,267
	Total	**85,731,746**	**2,335,771**	**65,040,812**	**1,569,267**

	As at 31st March	GROUP 2017 Rs.	GROUP 2016 Rs.	COMPANY 2017 Rs.	COMPANY 2016 Rs.
31.	FINANCIAL INSTRUMENTS (Cotinued)				
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	531,336,896	524,353,484	520,573,896	513,590,484
	Fair value through profit or loss financial assets- quoted equity instruments	105,396,436	772,511,560	105,396,436	207,914,560
	Total	**636,733,332**	**1,296,865,044**	**625,970,332**	**721,505,044**

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

the rate used to discount the estimated cash flows is significantly based on the Company's weigted average cost of capital of 18.42%

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 mearsurement
	Forecast annual EBIT growth rate - LCBL 3%- 15% TATA (5%)	The estimated fair value increase /(decraese) if: the annual revenue growth rate were highre /(lower) the EBITDA margin were higher /(lower) the risk adjusted discount rate were lower/ (higher)
	Risk adjusted discount rate - LCBL 18.42% TATA 18.42%	Generally a change in annual revenue growth rate is accompanied 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 quentitative information abount the Group's exposure to each of the above risks, The Group's objectives, policies and procdeses for measuring and managing risk.
	Risk management framework
	The Board of Directors has overall resposibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adhearence to limits. Risk management policies and systems are reviewd regulary to reflect changes in market conditions and the Group's activities.
31.4.1	Credit Risk
	Credit risk is the risk of financial loss to the group if a customer or counter party to a financial instrument fails to meet it's contractual obligation, and arises principally from the group's receivabales from customers and investments.
	Group's credit exposure is closely monitered. Credit terms are reviewed with the pre-determined approval procedures and constractual agreement made for every high value transactions.
	The carrying amount of financial assest represent the maximum credit exposure. The maximum exposure to the credit risk as at 31.03.2017 is;

		Carrying Amount	
	As at 31st March	GROUP	COMPANY
		Rs.	Rs.
	Financial assets		
	Fair value through profit or loss	105,396,436	105,396,436
	Availabale-for-sale financial assets	531,336,896	1,897,322,338
	Held to maturity investmets	1,868,978,561	705,789,067
	Loans and receivabales	2,581,654,281	204,922,290
	Cash and cash equivalents	265,345,101	25,923,124
	Total	**5,352,711,275**	**2,939,353,255**

		GROUP		COMPANY	
	As at 31st March	2017	2017	2017	2017
		Carrying Amount	Impairment	Carrying Amount	Impairment
		Rs.	Rs.	Rs.	Rs.
31.	FINANCIAL INSTRUMENTS (Cotinued)				
	Loans and receivables	2,581,654,281	27,360,852	204,922,290	-
	Total	**2,581,654,281**	**27,360,852**	**204,922,290**	**-**

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

		GROUP	COMPANY
	As at 31st March	2017	2017
		Rs.	Rs.
	Balance at the beginning of the year	26,088,880	-
	Provision of impairment	1,271,972	-
	Balance at the end of the year	27,360,852	-

31.4.2 Liquidity risk

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

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

	As at 31st March	Note	Carrying Value	Contractual Cash Flow	Less Than one year	More than 1 Years
			Rs.	Rs.	Rs.	Rs.
	Financial Liability					
	Group					
	Interest bearing borrowings	25	1,584,490,283	1,584,490,283	357,644,252	1,226,846,031
	Trade and other payables	28	2,220,439,605	2,220,439,605	2,220,439,605	-
	Income tax payable		214,132,832	214,132,832	214,132,832	-
	Amounts due to related parties	29	-	-	-	-
	Bank overdraft	22	711,424,579	711,424,579	711,424,579	-
	Total		**4,730,487,299**	**4,730,487,299**	**3,503,641,268**	**1,226,846,031**
	Company					
	Trade and other payables	28	15,817,458	15,817,458	15,817,458	-
	Income tax payable		-	-	-	
	Amounts due to related parties	29	-	-	-	-
	Total		**15,817,458**	**15,817,458**	**15,817,458**	**-**

31.4.3	Market risk
	Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and ect; will affect the Group's income or the value of its holidings of financial instruments.
	The objective of the market risk management is to manage and control market risk exposures within 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 forcasted 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 31.03.2017 are as follows;

		Average rate	Clossing Rate	
			Buying	Selling
		Rs.	Rs.	Rs.
	U.S Dollar	151.74	150.06	153.91
	Euro	162.03	159.28	165.43
	Australian Dollar	115.97	113.67	118.81
	Singapore Dollar	108.49	106.88	110.85
	Japanese Yen	1.35	1.33	1.38

31.4.3.2	Interest rate risk
	Interest rate risk is the risk that the fair value or future cash flows of a financial instruments flactuate 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 oblogation 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 exporsures to interest rate risks arising due to financial instruments.

32. List of Subsidiaries

As at 31st March 2016

Sunshine Holdings PLC

100%

Sunshine Healthcare Lanka Ltd.

Effective Group Holdings	
2017	2016
100%	100%

100%

Healthguard Pharmacy Ltd.

Effective Group Holdings	
2017	2016
100%	100%

33.15%

Estate Management Services (Pvt) Ltd.

Effective Group Holdings	
2017	2016
33.15%	33.15%

75.65%

Watawala Plantations PLC.

Effective Group Holdings	
2017	2016
25.08%	25.08%

100%

Watawala Tea Ceylon Ltd.

Effective Group Holdings	
2017	2016
33.15%	33.15%

68.25%

Watawala Dairy Ltd.

Effective Group Holdings	
2017	2016
17.2%	N/A

100%

Watawala Australia (Private) Ltd.

Effective Group Holdings	
2017	2016
25.08%	25.08%

100%

Sunshine Energy (Pvt) Ltd.

Effective Group Holdings	
2017	2016
100%	N/A

100%

Sunshine Packaging Lanka Ltd.

Effective Group Holdings	
2017	2016
100%	100%

61.62%

Waltrim Energy Ltd.

Effective Group Holdings	
2017	2016
61.62%	60.68%

97.49%

2.51%

Waltrim Hydropower (Pvt) Ltd.

Effective Group Holdings	
2017	2016
60.70%	59.78%

100%

Elgin Hydropower (Pvt) Ltd.

Effective Group Holdings	
2017	2016
61.62%	60.68%

100%

Upper Waltrim Hydropower (Pvt) Ltd.

Effective Group Holdings	
2017	2016
61.62%	60.68%

32.1	NON-CONTROLLING INTEREST

The following is summarised financial information of Estate Management Services (Private) Ltd, Watawala Plantations PLC, Watawala Dairy Limited, Watawala Tea Ceylon Limited, Watawala Tea Australia (Pty) Ltd, Waltrim Energy Limited, Waltrim Hydropower (Private) Ltd., Upper Waltrim Hydropower (Private) Ltd. and Elgin Hydropower (Private) 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 2017	Estate Management Services (Private) Ltd	Waltrim Energy Limited	Watawala Plantations PLC
	Rs.	Rs.	Rs.
Principal place of business	Sri Lanka	Sri Lanka	Sri Lanka
Operating segment	Management	Energy	Plantation
NCI percentage	66.85%	38.38%	74.92%
Revenue	-	-	6,438,312,000
Profit	459,876,686	(10,160,619)	1,231,778,766
Other comprehensive income	-	-	83,759,000
Total comprehensive income	459,876,686	(10,160,619)	1,315,537,766
-Elimination of Inter company dividends	(467,660,255)	-	(24,530,131)
Total comprehensive income adjusted to intra group transactions	**(7,783,569)**	**(10,160,619)**	**1,291,007,635**
Other adjustments		(174,946)	-
Profit attributable to NCI	(5,203,316)	(3,724,858.55)	906,475,202
Total other comprehensive income attributable to NCI	-	-	62,753,939
Total comprehensive income attributable to NCI	(5,203,316)	(3,724,859)	969,229,141
Current assets	150,943,268	80,555,711	2,342,612,985
Non-current assets	1,855,801,000	579,727,976	5,804,158,056
Current liability	(52,013,904)	(107,454,823)	(951,786,430)
Non-current liability	(23,500,000)		(2,057,230,205)
Unrealised profits	-	-	(458,838,548)
Net asset	1,931,230,364	552,828,864	4,678,915,858
Net asset attributable to NCI before NCI investments	1,291,027,498	212,184,368	3,505,538,509
NCI investment	-	(58,601,703)	(452,846,963)
Carrying amount of NCI	1,291,027,498	153,582,665	3,052,691,546
Cash flow from operating activities	(25,113,890)	(1,548,230)	1,423,887,832
Cash flow from investing activities	478,182,695	7,719,351	190,543,805
Cash flow from financing activities	(398,865,353)	1,040,810	(834,254,870)
Net increase in cash and cash equivalents	54,203,452	7,211,931	780,176,767
Dividend paid to NCI during the year	(201,796,988)	-	(80,684,966)

	Watawala Dairy Limited	Watawala Tea Ceylon Limited	Waltrim Hydropower (Private) Ltd.	Upper Waltrim Hydropower (Private) Ltd.	Elgin Hydropower (Private) Ltd.	TOTAL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	
	Plantation	FMCG	Energy	Energy	Energy	
	82.88%	66.85%	39.30%	38.38%	38.38%	
	63,453,000	4,212,730,806	63,845,950	25,002,952	-	10,803,344,708
	(6,119,766)	275,310,599	(6,862,810)	(16,755,120)	(1,273,030)	1,925,794,706
	-	(2,564,930)	(221,312)	-	-	20,564,595
	(6,119,766)	272,745,669	(7,084,122)	(16,755,120)	(1,273,030)	1,946,359,301
		(26,838,002)	-	-	-	(519,028,388)
	(6,119,766)	**245,907,668**	**(7,084,122)**	**(16,755,120)**	**(1,273,030)**	**1,427,330,913**
	-	-	-	-	-	(174,946)
	(5,072,264.20)	166,103,931	(2,696,941)	(6,430,877)	(488,609)	1,048,962,268
	-	(1,714,656)	(86,971)	-	-	60,952,312
	(5,072,264)	164,389,276	(2,783,912)	(6,430,877)	(488,609)	1,109,914,580
	131,209,015	1,233,835,551	34,830,969	41,899,678	5,971,819	4,021,858,996
	834,546,944	269,159,015	466,535,261	647,745,269	168,018,266	10,625,691,787
	(24,285,909)	(648,831,162)	(57,360,913)	(90,103,181)	(70,667,447)	(2,002,503,769)
	(29,089,795)	(22,829,042)	(120,813,363)	(351,978,939)	(68,094,648)	(2,673,535,992)
		-	-	-	-	(458,838,548)
	912,380,255	831,334,362	323,191,954	247,562,827	35,227,990	9,512,672,474
	756,210,743	555,747,021	127,007,699	95,018,486	13,521,054	6,556,255,378
	(292,000,000)	(237,317,505)	(114,852,118)	(56,569,841)	(3,300,985)	(1,215,489,115)
	464,210,743	318,429,516	12,155,581	38,448,645	10,220,069	5,340,766,263
	(88,008,493)	(143,175,318)	12,074,013	(328,665,652)	7,447,889	856,898,151
	(627,332,805)	(6,300,888)	(475,309)	1,976,386	(7,415,602)	36,897,633
	730,235,531	(268,380,015)	(52,336,612)	264,501,978	-	(558,058,531)
	14,894,233	(417,856,221)	(40,737,908)	(62,187,288)	32,287	335,737,253
	-	-	-	-	-	(282,481,955)

32.2	EQUITY ACCOUNTED INVESTEES		
	ASSOCIATES		
	"Sunshine Travels & Tours Limited was the only Associate which the group owned. However it was disposed on 28th December 2016.		
	TIhe 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	2017	2016
	Percentage ownership interest		24.73%
	Non-current assets		16,386,797
	Current assets		160,835,838
	Non-current liabilities		(806,356)
	Current liabilities		(151,038,487)
	Net assets (100%)	-	25,377,792
	Group's share of net assets (24.73%)	-	6,275,928
	Carrying amount of interest in associate	-	6,275,928
	Revenue		17,761,447
	Profit from continuing operations (100%)		(5,695,320)
	Other comprehensive income (100%)	-	-
	Total comprehensive income (100%)	-	(5,695,320)
	Total comprehensive income (24.73%)	-	(1,408,453)
	Group's share of profit and total comprehensive income	-	(1,408,453)
	Equity adjustment	-	-
		-	(1,408,453)

33	RELATED PARTY TRANSACTIONS						
		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				2017 Rs.	2016 Rs.
33.1	Related party transactions analysis						
	(i)	Sunshine Holdings PLC					
		Sunshine Healthcare Lanka Ltd.	G. Sathasivam	Director	Dividend Received	90,000,000	125,842,130
			V. Govindasamy	Chairman	Service Income	35,243,016	24,521,001
			S. G. Sathasivam	Managing Director	Loan Given	(50,000,000)	(135,000,000)
			N.B. Weerasekera	Director	Loan Settled	50,000,000	135,000,000
					Interest Income	4,910,659	3,228,663
					Investment in shares	(259,999,920)	-
		Estate Management Services (Private) Ltd.	G. Sathasivam	Chairman	Dividend Received	100,068,376	99,565,520
			V. Govindasamy	Director			
		Sunshine Packaging Lanka Limited	V. Govindasamy	Managing Director	Interest Received	3,452,517	4,439,700
			H. D. Abeywickrama	Director	Service Income	3,473,018	2,811,582
					Purchase	-	(233,506)
					Advance given	(70,000,000)	-
		Watawala Plantations PLC	G. Sathasivam	Director	Purchase	(79,047)	(3,500,000)
			V. Govindasamy	Managing Director	Service Income	77,585,571	59,089,469
			B. A. Hulangamuwa	Director			
			N. B. Weerasekera	Director			
		Watawala Tea Ceylon Ltd.	V. Govindasamy	Chairman	Purchase	(8,686)	(2,229)
			S. G. Sathasivam	Managing Director	Service Income	56,824,218	45,354,007
			H. D. Abeywickrama	Director			
		Lamurep Properties Ltd	G. Sathasivam	Director	Office rental paid	(16,141,225)	(9,190,800)
			S. G. Sathasivam	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				2017 Rs.	2016 Rs.
		Waltrim Energy Limited	G. Sathasivam	Chairman	Advance given	(26,479,200)	(107,581,751)
			V. Govindasamy	Director	Service Income	3,473,018	2,811,582
			B. A. Hulangamuwa	Director	Investment in Shares	97,219,360	(80,000,000)
			N. B. Weerasekera	Director			
		Sunshine Tea (Private) Ltd	G. Sathasivam	Director	Gratuity Payment Received	-	132,325
			B. A. Hulangamuwa	Director			
		TATA Communications Lanka Ltd	V. Govindasamy	Chairman	Services Rendered	(2,868,078)	(679,592)
					Dividend income	54,645,696	13,661,424
		Sunshine Energy (Private) Ltd	G. Sathasivam	Director	Investment in Shares	(337,015,540)	-
			V. Govindasamy	Director	Shares transferred	(239,796,180)	-
	(ii)	Sunshine Healthcare Lanka Ltd.					
		Sunshine Holdings PLC	G. Sathasivam	Director	Dividend Paid	(90,000,000)	(125,842,130)
			V. Govindasamy	Group Managing Director	Service Cost	(35,243,016)	(24,521,001)
			S. G. Sathasivam	Director	Loan Obtained	50,000,000	135,000,000
			N.B. Weerasekera	Director	Loan Settled	(50,000,000)	(135,000,000)
					Interest Paid	(4,910,659)	(3,228,663)
					Share issue	259,999,920	-
		Sunshine Packaging Lanka Limited	V. Govindasamy	Managing Director	Purchases	(11,686,098)	(10,237,437)
		Healthguard Pharmacy Ltd	G. Sathasivam	Director	Sales	137,848,469	106,580,678
			V. Govindasamy	Chairman	Purchase	(36,821,212)	-

		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				2017 Rs.	2016 Rs.
			S. G. Sathasivam	Managing Director	Investment in shares	(155,000,000)	-
			N.B. Weerasekera	Director			
		Watawala Plantations PLC	G. Sathasivam	Director	Sales	-	303,000
			V. Govindasamy	Managing Director	Purchase	(13,897)	(680,574)
			N.B. Weerasekera	Director			
		Sunshine Tea (Private) Ltd	G. Sathasivam	Director	Services Rendered	-	(1,347,522)
					Purchases	(42,750)	(120,750)
		Watawala Tea Ceylon Limited	V. Govindasamy	Chairman	Purchases	(1,372,005)	(199,744)
			S. G Sathasivam	Managing Director	Sales	178,205	436,799
		TATA Communications Lanka Ltd	V. Govindasamy	Chairman	Services Rendered	-	(2,661,807)
	(iii)	Healthguard Pharmacy Limited					
		Watawala Tea Ceylon Limited	V. Govindasamy	Chairman	Purchases	(651,787)	(549,071)
			S. G Sathasivam	Managing Director	Sales	58,563	185,602
		Sunshine Healthcare Lanka Ltd.	V. Govindasamy	Chairman	Purchases	(137,848,469)	(106,580,678)
			G. Sathasivam	Director	Sales	36,821,212	-
			S. G. Sathasivam	Managing Director	Share issue	155,000,000	-
			N.B. Weerasekera	Director			
		Watawala Plantations PLC	V. Govindasamy	Managing Director	Sales	12,655	421,000
			G. Sathasivam	Director			
			N.B. Weerasekera	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				2017 Rs.	2016 Rs.
		Sunshine Packaging Lanka Limited	W. D. P. L. Vithanage	Director	Purchases	(816,890)	(58,424)
	(iv)	Watawala Plantations PLC					
		Sunshine Tea (Private) Ltd	G. Sathasivam	Director	Sales	20,087,373	3,663,000
			B. A. Hulangamuwa	Director	Purchases	-	(23,534,000)
					Rent payment	(4,928,571)	
		Sunshine Healthcare Lanka Ltd.	G. Sathasivam	Director	Sales	13,897	680,574
			V. Govindasamy	Chairman	Purchases	-	(303,000)
			N.B. Weerasekera	Director			
		Watawala Diary Limited	Sunil G. Wijesinha	Chairman	Sales	7,617,807	-
			V. Govindasamy	Director	Purchase	(30,892,652)	-
					Investment in shares	(626,500,020)	-
		Watawala Tea Ceylon Limited	V. Govindasamy	Chairman	Sales	31,654,601	76,815,000
			S. G. Sathasivam	Managing Director	Purchases	(36,508)	-
			M.S. Mawzoon	Director	Interest income	3,149,370	-
			A. K. Misra	Director			
			K. Venkataramanan	Director			
			L. Ramanayake	Director			
		Tata Global Beverages Limited	A. K. Misra	Director	Sales	352,547,636	600,203,000
		Waltrim Hydropower (Private) Ltd	G. Sathasivam	Director	Lease Rent Received	5,570,193	24,724,000
			V. Govindasamy	Director	Sales	13,378	-
			B. A. Hulangamuwa	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				2017 Rs.	2016 Rs.
		Sunshine Holdings PLC	G. Sathasivam	Director	Sales	79,047	3,500,000
			V Govindasamy	Group Managing Director	Service Cost	(77,585,571)	(59,089,469)
			B. A. Hulangamuwa	Director			
			N. B. Weerasekera	Director			
		Estate Management Services (Pvt) Ltd	V. Govindasamy	Director	Dividend Paid	(226,118,241)	(81,010,749)
			G. Sathasivam	Chairman			
			M. S. Mawzoon	Director			
			A. K. Misra	Director			
			K. Venkataramanan	Director			
		Healthguard Pharmacy Ltd	V. Govindasamy	Chairman	Purchases	(12,655)	(421,000)
			G. Sathasivam	Director			
			N. B. Weerasekera	Director			
		Pyramid Wilmar (Private) Ltd	M.S. Mawzoon	Director	Sales	1,881,098,000	1,236,901,000
		Upper Waltrim Hydropower (Private) Ltd	G. Sathasivam	Chairman	Lease Rent Received	841,733	-
			V. Govindasamy	Director			
			N. B. Weerasekera	Director			
			B. A. Hulangamuwa	Director			
	(v)	Watawala Tea Ceylon Limited					
		Sunshine Tea (Private) Ltd	G. Sathasivam	Director	Sales	154,517	1,744,238
			B. A. Hulangamuwa	Director	Purchases	(205,546,546)	(58,411,614)

		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				2017 Rs.	2016 Rs.
		Watawala Plantations PLC	V. Govindasamy	Managing Director	Purchases	(31,654,601)	(76,815,000)
			M.S. Mawzoon	Director	Sales	36,508	-
			A. K. Misra	Director	Interest expense	(3,149,370)	-
			K. Venkataramanan	Director			
			L. Ramanayake	Director			
		Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Sales	8,686	2,229
			G. Sathasivam	Director	Service Cost	(56,824,218)	(45,354,007)
			S. G. Sathasivam	Director			
			B. A. Hulangamuwa	Director			
			N.B. Weerasekera	Director			
		Sunshine Healthcare Lanka Ltd.	V. Govindasamy	Chairman	Sales	1,372,005	199,744
			S. G. Sathasivam	Managing Director	Purchases	(178,205)	(436,799)
		Estate Management Services (Pvt) Ltd	V. Govindasamy	Director	Dividend Payment	(241,542,014)	(380,205,021)
			M.S. Mawzoon	Director			
			A. K. Misra	Director			
			K. Venkataramanan	Director			
			P. Karunagaran	Director			
		Healthguard Pharmacy Ltd	V. Govindasamy	Chairman	Sales	651,787	549,071
			S. G. Sathasivam	Managing Director	Purchases	(58,563)	(185,602)
		Sunshine Packaging Lanka Ltd	V. Govindasamy	Managing Director	Purchases	(11,816,951)	(8,607,993)
					Sales	6,198	2,840
		Lamurep Properties Ltd	S. G. Sathasivam	Director	Office rental paid	(9,519,183)	-

		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				2017 Rs.	2016 Rs.
	(vi)	Estate Management Services (Private) Ltd					
		Watawala Plantations PLC	V. Govindasamy	Managing Director	Dividend Received	226,118,241	81,010,749
			G. Sathasivam	Director			
			M. S. Mawzoon	Director			
			A. K. Misra	Director			
			K. Venkataramanan	Director			
		Watawala Tea Ceylon Limited	V. Govindasamy	Chairman	Dividend Received	241,542,014	380,205,021
			M. S. Mawzoon	Director			
			A. K. Misra	Director			
			K. Venkataramanan	Director			
			P. Karunagaran	Director			
		Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Dividend Paid	(100,068,376)	(99,565,520)
			G. Sathasivam	Director			
		Lamurep Properties Ltd	G. Sathasivam	Director	Rent Payment	(2,922,857)	(2,346,352)
	(vii)	Sunshine Packaging Lanka Ltd					
		Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Interest Paid	(3,452,517)	(4,439,700)
			H. D. Abeywickrama	Director	Service Cost	(3,473,018)	(2,811,582)
					Sales	-	233,506
					Advance received	70,000,000	-
		Sunshine Healthcare Lanka Ltd	V. Govindasamy	Chairman	Sales	11,686,098	10,237,437
		Watawala Tea Ceylon Limited	V. Govindasamy	Chairman	Sales	11,816,951	8,607,993
			H. D. Abeywickrama	Director	Purchases	(6,198)	(2,840)

		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				2017 Rs.	2016 Rs.
		Healthguard Pharmacy Ltd	W. D. P. L. Vithanage	Director	Sales	816,890	58,424
		Sunshine Tea (Private) Ltd	N/A	N/A	Sales	27,246,379	43,233,832
	(viii)	Elgin Hydropower (Pvt) Ltd					
		Waltrim Energy Limited	G. Sathasivam	Chairman	Project Development Expenses	82,159,995	4,748,197
			V. Govindasamy	Director	Share Issue	28,566,600	-
			B. A. Hulangamuwa	Director			
			N. B. Weerasekera	Director			
		Upper Waltrim Hydropower (Private) Ltd	G. Sathasivam	Chairman	Project Development Expenses	-	2,906,511
			V. Govindasamy	Director			
			B. A. Hulangamuwa	Director			
			N. B. Weerasekera	Director			
	(ix)	Upper Waltrim Hydropower (Private) Ltd					
		Waltrim Energy Limited	G. Sathasivam	Chairman	Share Issue	124,401,810	100,000,008
			V. Govindasamy	Director	Advance Given	-	213,601,751
			B. A. Hulangamuwa	Director			
			N. B. Weerasekera	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				2017 Rs.	2016 Rs.
		Elgin Hydropower (Private) Ltd	G. Sathasivam	Chairman	Project Development Expenses	-	(2,906,511)
			V. Govindasamy	Director			
			B. A. Hulangamuwa	Director			
			N. B. Weerasekera	Director			
	(x)	Waltrim Energy Limited					
		Sunshine Holdings PLC	G. Sathasivam	Director	Advance Received	26,497,200	107,581,751
			V. Govindasamy	Group Managing Director	Service Cost	(3,473,018)	(2,811,582)
			B. A. Hulangamuwa	Director	Share Issue	97,219,360	80,000,000
			N. B. Weerasekera	Director			
		Elgin Hydropower (Private) Ltd	G. Sathasivam	Chairman	Investment in Shares	(28,566,600)	
			V. Govindasamy	Director	Project Development Expenses	(82,159,995)	(4,748,197)
			B. A. Hulangamuwa	Director			
			N. B. Weerasekera	Director			
		Upper Waltrim Hydropower (Private) Ltd	G. Sathasivam	Chairman	Investment in Shares	(124,401,810)	(100,000,008)
			V. Govindasamy	Director	Advance Given	-	(213,601,751)
			B. A. Hulangamuwa	Director			
			N. B. Weerasekera	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				2017 Rs.	2016 Rs.
	(xi)	**Waltrim Hydropower (Private) Ltd**					
		Watawala Plantations PLC	V. Govindasamy	Managing Director	Lease Rent Paid	(5,570,193)	(24,724,000)
			G. Sathasivam	Director	Purchases	(13,378)	-
			B. A. Hulangamuwa	Director			
		Lamurep Properties Ltd	G. Sathasivam	Director	Rent Paid	-	(543,673)
	(xii)	**Sunshine Energy (Private) Ltd**					
		Sunshine Holdings PLC	G. Sathasivam	Director	Share Issue	337,015,540	-
			V. Govindasamy	Group Managing Director	Share transferred	(239,796,180)	-
	(xiii)	**Watawala Diary Limited**					
		Watawala Plantations PLC	Sunil G. Wijesinha	Chairman	Sales	30,892,652	-
			V. Govindasamy	Managing Director	Purchases	7,617,807	-
					Invest in shares	626,500,020	-

Note : All transactions were carried out at 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

33.3	TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL
	For the year ended 31st March 2017
	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

		2017	2016
		Rs.	Rs.
	Salaries and other employee benefits	125,047,910	108,252,019
	(iii) Other transactions with key management personnel		
	There were no other trasactions with Key Management Personnel other than disclosed above.		

	Group
	Subsidiaries
	Sunshine Healthcare Lanka Limited , Watawala Plantations PLC, Watawala Dairy Limited, Sunshine Packaging Lanka Limited., Estate Management Services Private Ltd., Healthguard Pharmacy Limited, Watawala Tea Ceylon Limited., Sunshine Energy (Private) Ltd., Waltrim Energy limited, Waltrim Hydropower (Private) Ltd., Elgin Hydropower (Private) Ltd., Upper Waltrim Hydropower (Private) 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

		2017	2016
		Rs.	Rs.
	Salaries and other employee benefits	225,633,913	302,810,307
	(Rs. 89,897,016 relating to employees left in the year 2016)		
	(iii) Other transactions with key management personnel		
	There were no other trasactions 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 2016/2017 annual report, capital commitments as at 31st March 2017 is Rs 130.21 Mn (2016 - 318.61 Mn). However the budgeted capital expenditure approved but not committed by the directors for the financial year 2017 /18 amounting to to Rs. 514,583,000/-. (2016/17 Rs. 484,614,000/-).
	There were no material capital commitments outstanding as at 31st March 2017 other than those disclosed above.
35.	CONTINGENCIES
	Company
	The contingent liabilities as at 31st March 2017 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	2017	2016
		Amount	Amount
		Rs.	Rs.
	Sunshine Packaging Lanka Limited	-	105,000,000
	Hatton National Bank PLC	-	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.Further, bank guarantees amounting to Rs. 8,565,000 was issued for other operations As at the reporting date the subsidiary is in compliance with the terms and conditions of the imports.
	There were no other material contingent liabilities outstanding as at the reporting date that require adjustments to or disclosure in the Financial Statements.

36	EVENTS OCCURRING AFTER THE REPORTING DATE
	Company
	The Directors of the Company have proposed the payment of dividend of Rs. 1.75 per share (cash dividend of Rs. 1.25 and scrip dividend of Rs. 0.50) on ordinary shares amounting to Rs. 236,496,726/- for the year ended 31st March 2017. (2016 - Rs. 141,898,035/-) at the meeting held on 31st May 2017.
	There have been no material events occuring after the reporting date that require adjustments to or disclosure in the Financial Statements other than those disclosed above.

INVESTOR INFORMATION

STOCK EXCHANGE LISTING

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

Shareholder Information		
Total no of shareholders	1,387	(As at 31st March 2016 is 1,451)
Total no of shares	135,140,986	(As at 31st March 2016 is 135,140,986)

Range of Shareholdings		Resident			Non-resident			Total		
		No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
1	1,000	1,052	463,324	0.34%	8	3,624	0.00%	1,060	466,948	0.35%
1,001	5,000	186	491,766	0.36%	7	18,725	0.01%	193	510,491	0.38%
5,001	10,000	43	365,779	0.27%	-	-	0.00%	43	365,779	0.27%
10,001	50,000	52	1,304,966	0.97%	5	208,193	0.15%	57	1,513,159	1.12%
50,001	1,000,000	21	4,808,461	3.56%	6	744,053	0.55%	27	5,552,514	4.11%
1,000,001 & above		3	61,909,825	45.81%	4	64,822,270	47.97%	7	126,732,095	93.78%
	Total	1,357	69,344,121	51.31%	30	65,796,865	48.69%	1,387	135,140,986	100.00%

Analysis of Shareholders	31st March 2017			31st March 2016		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Individuals	1,301	4,412,942	3.27%	1,367	7,050,451	5.22%
Institutions	86	130,728,044	96.73%	84	128,090,535	94.78%
Total	1,387	135,140,986	100.00%	1,451	135,140,986	100.00%

Public Shareholdings	31st March 2017	31st March 2016
The percentage of shares held by the public	7.01%	6.46%
Number of shareholders representing public holdings	1,376	1,442

Shareholder trading information from 1st April to 31st March							
	2017	2016	2015	2014	2013	2012	2011
Highest price (Rs.)	58.80	62.00	63.50	38.90	34.00	32.00	57.00
Lowest price (Rs.)	45.00	45.20	28.00	26.60	18.10	17.00	42.00
As at 31st March (Rs.)	46.10	50.00	48.00	28.70	26.60	20.00	42.10
Nos of transactions	1,093	1,216	6,626	2,453	1,794	939	2,756
Nos of shares traded	34,337,459	3,596,659	59,275,212	20,960,576	2,574,012	1,852,621	5,857,600
Value of shares traded(Rs.)	1,684,887,480	200,914,813	2,348,879,263	710,627,572	67,442,412	43,113,108	299,084,260

Market Capitalisation Vs Shareholder Fund	
Market Capitalisation as at 31st March 2017	Rs. 6,229,999,455
Shareholders fund as at 31st March 2017	Rs. 6,249,724,587

Dividend					
	2017	2016	2015	2014	2013
Propose & final dividend (Rs.)	236,496,726	141,898,035	128,383,937	127,135,210	66,666,665
Dividend per share (Rs.)	1.75	1.05	0.95	0.95	0.50
Normalised dividend pay-out ratio (%)	124.2%	64.4%	43.5%	36.1%	37.6%

Twenty (20) largest shareholders as at 31st March				
Name	2017		2016	
	Nos of Shares Held	%	Nos of Shares Held	%
Lamurep Investments Limited	43,408,220	32.12%	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%
Sampath Bank/Dr. T. Senthilverl	15,501,605	11.47%	30,946,100	22.90%
SBI Ven Holdings Pte Limited	14,850,000	10.99%	-	0.00%
Ceylon Property Development Limited	3,000,000	2.22%	3,000,000	2.22%
GF Capital Global Limited	1,561,540	1.16%	1,261,540	0.93%
Hatton National Bank PLC A/C No 05	669,661	0.50%	669,661	0.50%
Nuwara Eliya Property Developers (Pvt) Ltd	575,261	0.43%	575,261	0.43%
Deutsche Bank AG as Trustee to Candor Opportunitie	550,000	0.41%	-	0.00%
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%
Pershing LLC S/A Aerbach Grauson & Co	322,286	0.24%	602,286	0.45%
J.B. Cocoshell (Pvt) Limited	250,000	0.18%	-	0.00%
Mr. R. Maheswaran	250,000	0.18%	-	0.00%
Miss. A. Radhakrishnan	250,000	0.18%	-	0.00%
Miss. M.P. Radhakrishnan	250,000	0.18%	-	0.00%
E.W. Balasuriya & Co. (Pvt) Limited	183,139	0.14%	-	0.00%
Deutsche Bank AG as Trustee to Amana Candor Sharia	175,000	0.13%	-	0.00%
Mr. K. Chandran	133,661	0.10%	-	0.00%
Sub Total	131,171,226	97.06%	113,688,531	84.13%
Others	3,969,760	2.94%	21,452,455	15.87%
Total	**135,140,986**	**100.00%**	**135,140,986**	**100.00%**

OTHER INFORMATION

Another Year

We've completed 50 glorious earth years and yet another orbit around the sun. All of life is a cycle and there are cycles within cycles. Sathasivam always looked ahead and planned the future. He handed over the reins to his brother seamlessly and knows the next generation meets his expectations to grow and develop the business exponentially.

We bask in the symbol of light, energy and foresight, the sun, and as always eagerly look forward to new beginnings and the next cycle, as the future is bright.

DECADE AT A GLANCE

For the year ended 31st March	2017		2016		2015		2014		2013
	Group	Company	Group	Company	Group	Company	Group	Company	Group
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	19,216,569,056	414,779,815	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
Gross profit	4,827,376,519	260,872,032	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
Profit Before interest & tax	**2,097,638,215**	**107,404,856**	**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**
Profit before tax	2,051,546,620	190,800,831	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
Income tax	(430,325,906)	(342,692)	(373,645,411)	(769,355)	(335,820,583)	(2,023,953)	(324,141,236)	(6,218,055)	(299,952,674)
Profit for the year	**1,621,220,714**	**190,458,139**	**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**
Other comprehensive income	94,713,453	6,968,821	92,461,096	(6,992,058)	73,387,932	57,076,838	42,414,470	107,525,886	51,423,000
Total comprehensive income	**1,715,934,167**	**197,426,960**	**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**
Profit Attributable to owners of parent company	606,019,587	197,426,960	605,789,388	213,414,985	542,303,854	349,793,639	687,649,273	1,211,188,670	631,051,369
Equity & liabilities									
Stated capital	730,939,657	730,939,657	730,939,657	730,939,657	730,939,657	730,939,657	690,993,533	690,993,533	679,999,949
Capital & other reserves	331,838,036	329,138,894	324,854,614	322,155,472	1,257,725	1,257,725	1,257,725	1,257,725	1,076,455
Retained profit	5,186,946,894	1,854,405,044	4,725,795,249	1,805,859,541	4,571,180,685	2,041,726,240	4,156,248,570	1,819,067,811	3,071,318,173
Shareholders' fund	**6,249,724,587**	**2,914,483,595**	**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**
Non-controlling interest	5,340,766,263	-	4,168,557,293	-	3,643,544,084	-	3,422,805,717	-	2,972,805,082
Total equity	**11,590,490,850**	**2,914,483,595**	**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**
Non current liabilities	2,839,327,081	51,881,378	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
Current liabilities	3,503,641,268	15,817,458	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
Total equity & liabilities	**17,933,459,199**	**2,982,182,431**	**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**
Assets									
Property, plant & equipments	4,952,870,651	5,901,315	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
Biological assets	3,629,026,000	-	3,431,155,000	-	3,350,253,000	-	3,139,569,000	-	2,880,079,000
Intangible assets	168,765,418	1,533,497	137,471,955	2,191,875	110,539,090	-	153,569,864	-	143,633,919
Investments in subsidiaries	-	1,376,748,442	-	1,041,371,979	-	961,371,884	-	961,371,884	-
Other investments	636,733,332	625,970,332	1,296,865,044	721,505,044	673,142,764	673,142,764	506,094,835	506,094,835	297,905,868
Investment in gratuity fund	258,319,000	-	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	75,590,768	-	82,380,722	-	92,863,490	-	91,018,038	-	86,088,863
Current assets	8,212,154,030	972,028,845	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
Total assets	17,933,459,199	2,982,182,431	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
Key indicators									
Earnings per share	4.23	1.41	4.34	1.63	3.62	2.19	4.47	8.25	4.73
Dividends per share - cash	1.25	1.25	1.05	1.05	0.95	0.95	0.95	0.95	0.50
Dividends per share - scrip	0.50	0.50	-	-	-	-	-	-	-
Net assets per share	46.25	21.57	42.78	21.16	39.24	20.53	36.23	18.77	28.14
Return on equity (ROE)	15.10%	6.77%	12.90%	7.46%	12.16%	12.61%	13.92%	62.64%	18.25%
Current ratio	2.34	66.71	2.08	83.16	2.06	67.13	2.3	93.3	1.7
Dividend payout ratio	-	124.2%	-	64.4%	-	43.5%	-	36.1%	-

	2012		2011		2010		2009		2008	
Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
230,073,381	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
230,073,381	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
165,957,234	**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**
177,206,637	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
-	(300,914,098)	-	(219,814,038)	-	(108,401,185)	-	(128,847,482)	(668,686)	(138,619,712)	(402,328)
177,206,637	**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**
2,124,123	(95,826,331)	16,703,238	56,345,000	-	-	-	-	-	-	-
179,330,760	**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**
179,330,760	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
679,999,949	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
1,257,725	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
674,792,410	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
1,356,050,084	**3,161,343,208**	**1,216,719,323**	**2,696,205,101**	**1,126,003,975**	**1,864,653,039**	**917,976,462**	**1,385,069,759**	**836,962,923**	**726,465,686**	**267,952,388**
-	2,457,276,937	-	2,531,624,546	-	1,609,021,951	-	1,520,382,041	-	1,407,283,124	-
1,356,050,084	**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**
6,285,163	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
8,322,763	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
1,370,658,010	**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**
753,193	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
-	2,766,583,000	-	2,460,320,000	-	-	-	-	-	-	-
-	134,829,240	-	120,728,232	-	36,712,570	-	-	-	-	-
860,698,768	-	817,752,548	-	817,752,548	-	649,402,568	125,001,473	417,402,568	123,809,735	208,745,400
297,905,868	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
-	42,641,000	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	85,734,448	-	46,412,333	-	-	-	-	-	-	-
211,300,181	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
1,370,658,010	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
1.33	3.51	0.86	4.76	0.83	2.97	0.86	14.37	7.03	20.54	3.23
0.50	0.30	0.30	0.30	0.30	0.3	0.3	2.5	2.5	2.5	2.5
-	-	-	-	-	-	-	-	-	-	-
10.17	23.71	9.13	18.56	8.45	13.98	6.9	103.88	62.77	72.65	26.8
13.94%	16.66%	11.16%	23.88%	11.64%	24.36%	13.03%	12.39%	10.04%	28.22%	12.07%
25.3	1.5	22.5	1.5	9.7	1.59	40.44	1.5	24.14	1.47	0.66
37.6%	-	35.1%	-	36.1%	-	34.9%	-	35.6%	-	77.4%

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	GROUP		COMPANY	
For the year ended 31st March	2017	2016	2017	2016
	US$	US$	US$	US$
Revenue	126,645,259	121,071,923	2,733,573	1,844,554
Cost of sales	(94,830,821)	(92,629,837)	(1,014,317)	(113,723)
Gross profit	31,814,438	28,442,086	1,719,256	1,730,831
Other operating income	1,582,263	1,101,885	984,737	832,655
Administration expenses	(12,805,892)	(11,395,913)	(1,996,150)	(1,467,552)
Selling and distribution expenses	(6,766,493)	(6,458,544)	-	-
Write off expenses incurred on new venture		(149,566)	-	-
Results from operating activities	13,824,316	11,539,948	707,843	1,095,934
Finance income	1,285,464	757,573	565,008	451,986
Finance cost	(1,589,227)	(1,229,749)	(15,394)	(10,905)
Net finance income/ (expense)	(303,763)	(472,176)	549,614	441,081
Share of profit of equity accounted associate (net of income tax)	-	(9,788)	-	-
Profit before income tax expenses	13,520,553	11,057,984	1,257,457	1,537,015
Income tax expense	(2,836,028)	(2,596,563)	(2,258)	(5,346)
Profit for the year	10,684,525	8,461,421	1,255,199	1,531,669
Other comprehensive income				
Actuarial gain/(loss)	651,064	664,704	(96)	(63,571)
Fair value change in available for sale financial assets	46,024	89,776	46,024	14,981
Taxes related to other comprehensive income	(72,886)	(111,943)	-	-
Total other comprehensive income for the year net of tax	624,202	642,537	45,928	(48,590)
Total comprehensive income for the year	11,308,727	9,103,958	1,301,127	1,483,079
Profit attributable to:				
Equity holders of the Company	3,771,423	4,077,747	1,255,199	1,531,669
Non-controlling interest	6,913,102	4,383,674	-	-
Total other comprehensive income attributable to:				
Equity holders of the Company	222,500	132,047	45,928	(48,590)
Non-controlling interest	401,702	510,490	-	-
Total comprehensive income for the year	11,308,727	9,103,958	1,301,127	1,483,079
Earnings per share	0.03	0.03	0.01	0.01

STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
For the year ended 31st March	2017	2016	2017	2016
	US$	US$	US$	US$
ASSESTS				
Non-Current Assets				
Property, plant and equipment	31,683,311	27,098,320	39,326	42,236
Leasehold land	1,322,624	1,428,131	-	-
Biological assets	24,183,833	23,844,024	-	-
Intangible assets	1,124,653	955,330	10,219	15,232
Investment in subsidiaries	-	-	9,174,653	7,236,775
Investment in associate	-	43,613	-	42,470
Other investments	4,243,192	9,012,266	4,171,467	5,013,934
Investment in gratuity fund	1,721,438	1,628,694	-	-
Deferred tax asset	503,737	572,486	-	-
	64,782,788	**64,582,864**	**13,395,665**	**12,350,647**
Current Assets				
Inventories	20,933,638	20,098,492	-	-
Biological assets-growing crops on bearer plants	238,285	-	-	-
Trade and other receivables	20,390,021	16,473,414	292,522	229,211
Income tax recoverable	97,507	114,573	21,050	21,951
Amounts due from related parties	556,221	583,476	1,279,465	1,448,262
Cash and cash equivalents	12,501,697	10,183,273	4,876,131	6,212,922
	54,717,369	47,453,228	6,469,168	7,912,346
Total Assets	**119,500,157**	**112,036,092**	**19,864,833**	**20,262,993**
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	5,499,922	5,499,922	5,499,922	5,499,922
Reserves	1,883,616	1,837,078	1,864,860	1,818,322
Retained profit	33,572,270	32,840,829	12,057,339	12,549,406
Equity attributable to owners of the company	40,955,808	40,177,829	19,422,121	19,867,650
Non controlling interest	36,283,236	28,968,432	-	-
Total equity	77,239,044	69,146,261	19,422,121	19,867,650
Non-current liabilities				
Deferred taxation	2,222,266	1,900,357		-
Interest bearing borrowings	8,175,703	8,892,357		-
Retirement benefit obligations	7,233,638	7,833,072	345,738	300,198
Deferred income and capital grants	1,289,671	1,414,656		-
Total non current liabilities	**18,921,278**	**20,040,442**	**345,738**	**300,198**
Current liabilities				
Interest bearing borrowings	2,383,342	3,170,161	-	-
Trade and other payables	14,788,578	15,877,016	96,974	81,550
Income tax payable	1,426,981	849,946	-	4,142
Amounts due to related parties	-	9,569	-	9,453
Bank overdrafts	4,740,934	2,942,697	-	-
Total current liabilities	23,339,835	22,849,389	96,974	95,145
Total liabilities	42,261,113	42,889,831	442,712	395,343
Total equity and liabilities	**119,500,157**	**112,036,092**	**19,864,833**	**20,262,993**
	-	-	-	-

STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
For the year ended 31st March	2017	2016	2017	2016
	US$	US$	US$	US$
Cash flows from operating activities				
Profit before income tax expense	11,057,985	11,057,984	1,257,457	1,537,015
Adjustments for;				
Interest income	(1,285,464)	(757,573)	(565,008)	(451,986)
Share of profit of equity accounted associate	-	9,788	-	-
Profit on disposal of property, plant and equipment	(130,767)	(242,193)	-	(281)
(Gain)/loss on fair value of biological assets	(40,604)	(204,941)	-	-
Interest expense	1,589,227	1,229,749	15,394	10,905
Depreciation & amortisation	3,653,803	3,539,983	19,369	15,948
(Profit)/ loss on disposal of investments	7,151	-	6,067	
Biological assets-growing crops on bearer plants	(235,654)			
Impairement of investment	-		143,953	
Provision / (reversal) for bad and doubtful debts	8,383	(86,869)	-	-
Goodwill write off	-	-	-	-
Amortisation of deferred income and capital grants	(66,174)	(69,778)	-	-
Amortisation of leasehold right to bare land	46,364	48,888	-	-
Provision for inventory	120,647			
Profit of sales of biological assets	(133,917)	(112,432)	-	-
Movement in livestock	17,076	88,402	-	-
Provision for gratuity excluding actuarial gain/loss	1,363,427	1,429,839	57,127	210,391
Fair value (gain)/ loss fair value through profit or loss	60,063	102,912	60,063	102,912
Devidend income	-	-	-	
Conversion (gain)/ loss	2,174,366	(1,831,580)	(266,984)	(547,146)
	18,205,912	14,202,179	727,438	877,758
Changes in;				
Inventories	(1,762,510)	(1,789,596)	-	-
Trade and other receivables	(4,503,125)	(2,221,477)	(37,707)	164,521
Amounts due from related parties	3,267	(8,893)	108,138	(434,910)
Trade and other payables	(431,861)	2,028,586	18,564	10,313
Amounts due to related parties	(9,075)	3,001	(8,966)	3,065
Cash generated from/ (used in) operations	11,502,608	12,213,800	807,467	620,747

Interest paid	(1,589,227)	(1,229,749)	(15,394)	(10,905)
Income tax paid	(1,851,266)	(2,058,374)	(6,187)	(15,654)
Gratuity paid	(987,179)	(876,559)	-	(43,122)
Cash generated from operating activities	7,074,936	8,049,118	785,886	551,066
Cash flows from investing activities				
Interest received	1,285,464	757,573	565,008	451,986
Investment in other investments	4,336,506	(4,347,551)	615,575	(424,013)
Investments in subsidiary/ associates	-	(23,569)	(2,354,225)	(579,511)
Dividend received	-	-	-	-
Investment gratuity fund	(157,841)	(98,033)	-	-
Immature plantations expenditure	(2,311,313)	(1,452,571)	-	-
Acquisition of property, plant & equipment	(7,904,327)	(4,560,483)	(13,274)	(32,038)
Acquisition of intangible assets	(721,897)	(255,400)	(593)	(20,309)
Proceeds from disposal of investment	-	-	-	-
Proceeds from disposal of biological assets	261,594	203,280	-	-
Proceeds from disposal of property, plant & equipment	197,686	384,408	-	281
Net Cash from / (used in) investing activities	(5,014,128)	(9,392,346)	(1,187,509)	(603,604)
Cash flows from financing activities				
Proceed from issue of shares	-	-	-	-
Proceeds from issue of shares to non-controlling shareholders	2,298,672	355,438	-	-
Stamp duty paid	-	-	-	-
Receipts of interest bearing borrowings	3,129,021	6,373,127	-	-
Repayments of interest bearing borrowings	(4,089,867)	(4,339,418)	-	-
Lease rentals paid	(81,604)	(89,207)	-	-
Dividend paid	(935,168)	(892,175)	(935,168)	(892,175)
Dividend paid to non-controlling shareholders	(1,861,675)	(1,595,541)	-	-
Net Cash from / (used in) financing activities	(1,540,621)	(187,776)	(935,168)	(892,175)
Net Increase/(decrease) in cash and cash equivalents	520,187	(1,531,004)	(1,336,791)	(944,712)
Cash and cash equivalents at the beginning of the year	7,240,576	8,771,580	6,212,922	7,157,634
Cash and cash equivalents at the end of the year	7,760,763	7,240,576	4,876,131	6,212,922

GLOSSARY

Accrual basis
Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period

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

Capital employed
Shareholders' funds plus minority interest and debt.

Contingent Liabilities
Conditions or situations at the reporting date, the financial effects of which are to be determined by future events, which may or may not occur

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

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

Crop
The total produce harvested during a financial year

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

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

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

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

EBIT margin
EBIT divided by turnover

EBITDA
Earnings before interest, tax, depreciation and Amortisation

EBITDA margin
EBITDA divided by turnover

Enterprise Value
Market capitalization plus net debt

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

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

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

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

ISO
International Standards Organization

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

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

JEDB
Janatha Estate development Board

Liquidity Ratio
Current assets divided by current liabilities

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

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

Non-controlling Interest
A portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiary, by the parent.

Net assets per share
Net assets over weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

Net profit margin
Profit after tax divided by turnover

Net Debt
Total debt minus (cash plus short term deposits)

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

Net Assets
Sum of fixed Assets and Current Assets less total liabilities

Net Assets per share
Net Assets at the end of the period divided by the number of Ordinary Shares in issue

Price Earnings Ratio
Market price per share over EPS

Return on Equity (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 forth (44th) Annual General Meeting of Sunshine Holdings PLC will be held at 'Committee Room B, Bandaranaike Memorial Internationals Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Thursday, the 29th day of June 2017 at 12.00 noon 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 2017 with the report of the Auditors thereon.

2. To declare a final cash dividend of Rupees One and Cents Twenty Five (Rs. 1.25) per share as recommended by the Directors.

3. To declare a scrip dividend of Cents Fifty (Rs. 0.50) per share as recommended by the Directors.

ORDINARY RESOLUTION (1)

"IT IS HEREBY RESOLVED THAT a final scrip dividend of cents fifty (Rs.0.50) per share be issued in the form of script dividend amounting to a total sum of Rupees Sixty Seven Million Five Hundred and Seventy Thousand Four Hundred Ninety Three (Rs.67,570,493/-). This will be free of dividend tax as scrip dividend will be paid out of dividend received. The shares issued in the script dividend shall be valued at Rupees Fifty (Rs.50/-) per share which result in one (01) share being issued for each Hundred (100) shares held by the shareholders at the end of trading on the Colombo Stock Exchange on the date of the Annual General Meeting. Consequently, the total number of shares to be issued under the script dividend shall be One Million Three Hundred Fifty One Thousand Four Hundred Ten (1,351,410) ordinary shares. The residual fractions arising upon the Scrip Dividend, will be paid in cash and are distributed to shareholders in the proportion that they are entitled to"

"IT IS FURTHER RESOLVED THAT the shares issued for the scrip dividend be listed on the Colombo Stock Exchange"

4. To propose the following resolution as an Ordinary resolution for the re-appointment of Mr. Munir Shaikh who has reached the age of 73 years.

ORDINARY RESOLUTION (2)

"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 73 years prior to this Annual General Meeting and that he be re-appointed."

5. To re-appoint Mr.A.Cabraal who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.

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

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

8. To re-elect Mr.H.D.Abeywickrema 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 Advisory Services (Pvt) Ltd
Secretaries

31st May 2017
Colombo.

We shall be obliged if the shareholders/ proxies attending the Annual General Meeting, produce their National Identity Card to the Security Personnel stationed at the entrance.

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 released	Date of released
		2016/17	2015/16
01st Quarter	Within 45 days of the end of quarter	09th August 2016	14th August 2015
2nd Quarter	Within 45 days of the end of quarter	08th November 2016	02nd November 2015
3rd Quarter	Within 45 days of the end of quarter	13th February 2017	11th February 2016
4th Quarter	Within 60 days of the end of quarter	31st May 2017	30th May 2016

2. Audited Financial Statements

Listing rule: Submission of audited financial statements within five months from year ended

Meeting	Financial Year	Date of released	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	15th June 2016	11th July 2016
44th Annual General Meeting	2016/17	05th June 2017	29th June 2017

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 Thursday the 29th day of June 2017 at 12.00 noon 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 2017 with the report of the Auditors thereon.		
02	To declare a final cash dividend of Rupees One and Cents Twenty Five (Rs.1.25) per share as recommended by the Directors.		
03	To declare a scrip dividend of Cents Fifty (Rs.0.50) per share as recommended by the Directors by passing the ordinary resolution set out in the notice.		
04	To pass an ordinary resolution to re-appoint Mr. M. Shaikh who has reached the age of seventy three, as a Director.		
05	To re-appoint Mr.A.Cabraal who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.		
06	To re-elect Mr.B.A.Hulangamuwa who retires by rotation in terms of Article 104 of the Articles of Association of the Company, as a Director.		
07	To re-elect Mr.N.B.Weerasekera who retires by rotation in terms of Article 104 of the Articles of Association of the Company, as a Director.		
08	To re-elect Mr.H.D.Abeywickrema who retires by rotation in terms of Article 104 of the Articles of Association of the Company, as a Director.		
09	To re-appoint Messrs. KPMG (Chartered Accountants) as Auditors of the company and authorize the Directors to determine their remuneration.		
10	To authorize the Directors to determine contributions to Charities.		

Dated this ....day of 2017

....
Signature of Shareholder

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

Instructions as to completion of The Form of Proxy

- To be valid, the completed form of proxy should be deposited at the Registered Office of the Company at 60, Dharmapala Mawatha, Colombo 3, not less than 48 hours before the time of the meeting.
- In perfecting the form of proxy, please ensure that all the details are legible.
- If you wish to appoint a person other than the Chairman (or failing him, one of the Directors of the Company) as your proxy, please insert the relevant details.
- Please indicate with an 'X' in the space provided how your proxy to vote on each resolution. If no indication is given, the proxy, in his discretion, will vote, as he thinks fit.
- In the case of a Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- In the case of a proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office No. 60, Dharmapala Mawatha, Colombo 03 for registration.

CORPORATE INFORMATION

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. N. B. Weerasekera
Mr. A. Hollingsworth (Resigned w.e.f 17.04.2017)
Mr. S. G. Sathasivam
Mr. H. D. Abeywickrama
Dr. T. Senthilverl (Resigned w.e.f 31.05.2017)
Mr. B. A. Hulangamuwa
Ms. R. M. Kobbekaduwa
Mr. A. D. B. Talwatte

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.

Nithya Partners (Attorney-at-Law)
No. 97/A, Galle Road,
Colombo 03.

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