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Chairman's Statement

I am pleased to welcome the members to the 92nd Annual General Meeting of the Company and present on behalf of the Board of Directors, the Annual Report and Audited Financial Statements for the year ended 31st March 2003.

A detailed account of the Group's business activities during the financial year is given in the Review of Operations and in the Financial Review appearing elsewhere. I shall therefore, restrict my comments to a few issues of significant importance.

The reforms pertaining to retail sales of soft liquor - defined as beer and wine below an alcohol content of 13% - is a bold, courageous and praiseworthy step taken by the Administration. Whilst this reform brings the local alcohol policies more in line with international norms, its greatest benefit will be the reduction of illicit alcohol in the medium term. Further beneficiaries will be the Government in the form of greater revenue and stakeholders in the form of increased returns.

During the year under review the Group earned a pre-tax profit of Rs. 353 million on a turnover of Rs. 2.2 billion improving on the previous year's results of Rs. 87 million and Rs. 1.9 billion respectively. Your Company's share price responded well to these results closing the year on Rs. 71/- per share, a gain of 51% on the value as at the start of the year. Shareholders will be pleased to note that your Board is recommending a final dividend of 10%, which if approved by shareholders, will result in a total dividend of 50% for the financial year under review. Of these dividends, 75% will be free of tax in the hands of the shareholders as they have been received out of the tax free earnings of your subsidiary, The Lion Brewery.

Keeping in line with an initiative of the parent Carson Cumberbatch & Co. Ltd., the internal auditing function of The Lion Brewery during the year was carried out by KPMG Malaysia. This follows the establishment of an Audit Charter and an Audit Committee to whom KPMG Malaysia reports. They also conducted a comprehensive risk assessment of that company and management is now in the process of implementing the recommendations that arose out of both exercises.

Looking forward, we can expect both opportunities and challenges to arise out of the recently announced reforms. These are dealt with in some detail in the Review of Operations but suffice to say that your Group is determined to maintain its position of undisputed leadership within the beer industry.

On behalf of my colleagues on the Board, by this opportunity, I would like to place on record my appreciation to the contributions made by the former Chairman Mr. Reginald Poulter and the former Chairman of The Lion Brewery, Mr. Wijaya Unamboowe.

Mr. Poulter was appointed to the Board of The Ceylon Brewery on 4th April 1986 and assumed office as Chairman on 15th October 1986. He relinquished his seat on the Board on 3rd February 2003.

Mr. Wijaya Unamboowe was appointed to the Board of The Ceylon Brewery on 27th November 1981 and to the Board of The Lion Brewery on 1st November 1996. He was subsequently appointed Chairman of The Lion Brewery on 29th March 2000. He relinquished his seat on both Boards on 31st May 2002.

It is pertinent to mention that Mr. Unamboowe's relationship with the Company has been a close one. In the early 80's he was the Carsons' Director overlooking operations of The Ceylon Brewery. For a period, Mr. Unamboowe has also acted as the General Manager of the Company.

Indeed, we are grateful for the immense contributions made by M/s. Poulter and Unamboowe and wish them well.

Equally, I wish to place on record my appreciation for the continued efforts and commitment of the management team and the entirety of our staff.

A big thank you to our valued customers for their continued patronage as well as our suppliers and distributors, local and foreign, for their invaluable support, and last but not least, financial institutions and our shareholders for the confidence placed in your Company.

Again, a word of appreciation to the Board of Directors for their continued co-operation and advice and look forward to their continued guidance in the future.

L. C. R. de C. Wijetunge

Chairman

Colombo
17th April 2003



Review of Operations

The Group's performance during the year under review can be considered as satisfactory as profits for the year reached Rs. 351 million on a turnover of Rs. 2.2 billion. The corresponding figures for the previous year were Rs. 111 million and Rs. 1.9 billion respectively. Earnings per share during the current year increased to Rs. 9.58 from Rs. (0.95) in the previous year. Net Assets per share also increased from Rs. 43.48 as at year ended 2002 to Rs. 49.07 at the end of the year under review. This performance was reflected in a significant gain in the Company's share price which as at 31st March 2003 closed on Rs. 71/- per share, a gain of 51% on the previous year. Shareholders will be pleased to note that arising from these results your Board has already declared two interim dividends totalling 40% and is now pleased to recommend a final dividend of 10% for the year under review. 75% of these dividends will be free of tax in the hands of shareholders as they have been received from your Company's subsidiary, The Lion Brewery Ceylon Ltd.

THE BEER AND ALCOHOL INDUSTRY

After many years of making representations, the Administration finally took the bold and courageous decision to liberalize retail sales of soft alcohol. As a result a retailer will now be in a position to obtain a soft alcohol licence in the event his business is outside a specified distance from a school or place of worship. Soft alcohol is defined as beer or wine with an alcohol content less than 13%. Whilst this is a very significant policy decision taken by the authorities, it now needs to be implemented fully and without delay. The first step in giving effect to the decision is to de-regulate the existing process of applying for and obtaining a soft liquor licence. This change - which brings Sri Lanka's alcohol policies closer to international norms - will derive considerable revenue to the Government whilst significantly enhancing stakeholder value across the beer industry. However, most importantly, when this decision is fully implemented it will help in the reduction of illicit liquor in the country over the medium term.

The financial year under review started on a positive note with the Administration removing the Excise Special Provision Tax of 10% which was applicable on beer at the time. We used this opportunity to further the cause of soft alcohols by passing down to consumers more than the tax reduction applicable on beers below 5%. We cushioned ourselves somewhat against a drastic drop in overall margins by maintaining the price of beers above 5% in alcohol at the existing levels. Thus the price of Lion Lager and Carlsberg were reduced by Rs. 10/- (per 625 ml bottle) although the benefit of the tax reduction to the Group was approximately Rs. 5/-. Nevertheless, the Group did suffer a

loss on a per litre basis as a result of this decision as its brand portfolio is skewed more in favour of beers below 5%. However, we had the satisfaction of witnessing our lower alcohol brands out performing the growth of the total portfolio - and indeed the beer industry - during the year under review.

THE ECONOMY AND ITS IMPACT ON OUR BUSINESS

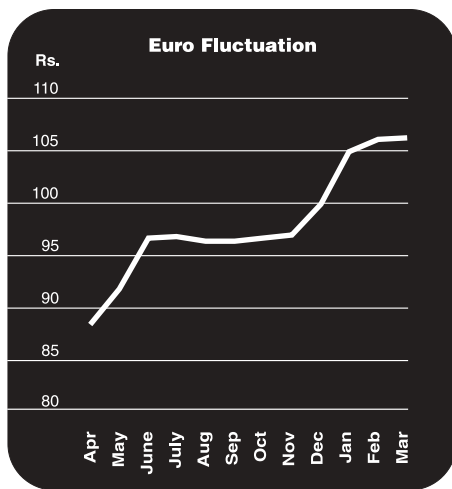
The economy gradually came out of its tailspin of the previous year much to the relief of all concerned. Overall expectations are that GDP growth for 2002 will exceed 3%. The major contributor to growth was from the services sector and is clearly reflected in the Group's sales in the main urban centres. The improvement in the agriculture sector has helped us increase volumes significantly in areas such as Anuradhapura, Polonnaruwa, Kurunegala and Galle whilst the growth in tourist arrivals is reflected in our performance in the Southern and Western coastal belts.

Whilst the economy did turn around in 2002 it appears that the benefits are yet to trickle down to the less affluent and village based segments in the country. This is clearly evidenced in the sales patterns of the rural areas where growth is far below those of the urban centres. However, if the current process of economic reforms were to continue we expect income distribution to become more equitable in the near future.

The power crisis which prevailed at the commencement of the financial year under review was fortunately brought to an end by the 15th of May. However, power in Sri Lanka is one of the most expensive in the region, not a happy position for a developing country. Of greater concern is the possibility of power shortages occurring in the future especially as the earmarked projects in Norachcholai and Upper Kotmale appear to be non-starters. It is critical that the authorities implement an action plan that will ensure adequate power to meet the ever increasing needs of the community at a more competitive price than is prevalent today.

The US Dollar depreciated against the major international currencies during the year and as a result appreciated by just 1% against the Rupee. However, the Rupee depreciated sharply against the Euro, a currency in which the Group transacts extensively. The result was higher operating costs during the year. It also means that capacity expansions will be impacted as most of our plant and machinery purchases are of German origin. Fortunately the reduction in interest rates helped cushion forex based cost increases to a degree.

Review of Operations (Contd.)



The single most important aspect impacting the country was the cease fire which has now held for more than a year. The peace process has helped lift the morale of the entire country and this was reflected in a “feel good” factor especially at the initial stages. The positive impact of a cease fire are only too evident but no doubt the road to peace will be long and hard and we will face many an occasion when doubts creep in as to the sustainability of the process. However, we all have a responsibility to ensure that a lasting peace is found and we call upon our political leadership to come together in finding a solution that allows the diverse communities of our country to live in dignity, peace and harmony.

OPERATIONS

As mentioned previously, the industry and your Group experienced reasonable volume of growth during the year when compared to the previous period. The most noteworthy feature in sales trends was that the “regular” beers - i.e. those with an alcohol content less than 5% - out performed the market. Indeed the performance of the Lion Lager brand was most encouraging considering that purchasing power within its target market remained at a premium for most parts of the year. The Carlsberg brand too recorded healthy growth and is now clearly entrenched as the benchmark international beer brand in the Country.

Industrywide the higher alcohol blond beers continued to grow - as did our own brand - although at a lower rate than that of the regular lagers. No doubt that the pricing policy adopted by your Group has helped in slowing the growth of this segment. We are extremely conscious of the need to prevent the excessive consumption of alcohol and this is the primary reason why our brand of higher alcohol beer is not promoted.

The stout category was the only segment which recorded a negative growth industrywide. However, we are pleased to report that we gained considerable market share in this segment during the year, a trend we are confident of replicating in the years ahead.

Shareholders may be aware that the Group’s distribution system is without parallel within the alcohol industry in the country. Nevertheless, we aim to improve our systems further and we are currently in the process of implementing a far reaching re-structuring programme across our network. At the conclusion of this exercise we aim to provide an even greater return to our distribution partners whilst gearing them to meet the increased demand for our brands in the future.

Another notable feature during the year was the increase in sales to the North and East. Our brands have always been available islandwide but difficulties in logistics meant that their distribution in the North-East was inadequate. The cease fire and the on going peace process however, has given us the opportunity to expand distribution in these areas and volumes have increased significantly.

Export volumes declined marginally during the year as a result of difficulties experienced with our importer in the USA. The agreement with this importer came to an end in February 2003 and we are now in the process of finalizing a new relationship in that country. We expect volumes to pick up once the new importer becomes operational in the near future. Exports to France and the UK have improved during the year under review and we are excited about the potential opportunities in both countries. Notwithstanding the dip in international tourism after “nine eleven” our exports to the Maldives increased during the year under review. A two brand strategy is vital in the Maldives as is clearly evidenced by the success of the Heineken/Tiger combine. A Lion and Carlsberg combination will work well and has the potential of emerging a clear market leader in the Maldives. We are in negotiations with Carlsberg in order to achieve this objective and are hopeful of success sooner rather than later.

Exports to other parts of the world have also continued unabated and new opportunities are constantly emerging, recent examples being Italy, Singapore, South Korea and Vietnam. However, we are well aware that the Group’s current resources are inadequate to meet the needs of a wide spread of markets and thus its focus remains a few countries where potential is believed to be the highest.

We anticipate a substantial increase in volumes once the soft liquor licensing reforms are fully implemented. Thus, gearing your Group’s manufacturing capabilities to meet this increased demand is of prime importance. As a first step in this direction we have placed an order for 4 new fermenting vessels to supplement the existing 12 in Biyagama. These vessels will arrive shortly and together with the high gravity brewing plant commissioned in October 2002 will almost double the initially installed plant capacity at the Lion Brewery. That Company makes these investments from internally generated funds. The next step in the expansion

Review of Operations (Contd.)

programme - which too has commenced - is to revalidate the existing capacity master plan for The Lion Brewery followed by an appropriate financing mechanism.

We are determined that expansion will not be at the cost of efficiencies that we have strived to achieve in our brewing operations. Thus the management at The Lion Brewery is shifting its division based organization structure within the technical area to a process based one. On completion of this exercise we will have teams of empowered, multi skilled and motivated employees operating within a flat organization structure. A necessary pre-requisite to a corporate structure such as this is an extensive IT infrastructure. This is now available within the Group and all employees at all levels communicate extensively on e-mail and have access to information via an intranet. An open, transparent and creative culture where employees at all levels can challenge the status quo and engage in constructive debate with each other irrespective of designation on subjects ranging from strategy to operational matters is also a key requirement for the success of empowered teams. Management is vigorously pursuing this objective and whilst results have been slow in coming - employees still find it hard to question their supervisors - definite progress has been made and we are now confident that it's a matter of time before the requisite culture is established. An energizing work space was also thought desirable in establishing a culture of this nature along with the ability of close and consistent interaction between employees from the various disciplines within the Organization. This was achieved to a great extent during the latter part of the previous financial year when the administration and marketing offices of the Group were shifted to the brewery premises at Biyagama. Thus, the entire organization is now situated in a single location and housed in a modern environment conducive to high energy, creative output. A few further improvements to the work space are being carried out and when complete, the layout and business facilities within the Group will complement its world-class manufacturing infrastructure.

During the year under review The Lion Brewery obtained ISO 9001 - 2000 certification and to date it remains the only brewery in the country with this international quality accreditation. The ISO certification - which it has enjoyed since the commencement of operations in 1998 - together with the internationally acclaimed quality assurance systems of Carlsberg and its world-class manufacturing systems places the Lion Brewery in a unique position amongst brewers locally. Most importantly these systems working in tandem ensure that our consumers are consistently provided with products of the highest possible quality.

In July 2002 the Preference Shares issued by the Lion Brewery and held by the two development banks were taken over by your Company thus making good use of funds available. With effect from 1st April 2003 the Dividend attached to these Preference

Shares will be reduced from 15.5% to 14.5%. A detailed financial analysis of the Company and its performance during the year appears on pages 11 to 36.

COMMUNITY SERVICE

During the year under review the Lion Brewery distributed school books to all students - numbering 425 and ranging from Grade 1 to the Advanced Level - living in close proximity to the brewery. In addition three students studying for the Advanced Level received scholarships that will assist them through their current and subsequently, graduate studies. A further 12 children in Ordinary Level and Advanced Level studies are being provided with computer training. A programme in English is also being looked at for the near future. All these programmes are permanent efforts to help those in the area surrounding our brewery become self-sufficient, positive contributors to society.

THE FUTURE

If the recently announced reforms on account of soft liquor retailing are implemented in full, markets are expected to open up and expand bringing with it both opportunities and challenges. The opportunities - greater geographic penetration driving volume growth - will result in higher returns to stakeholders including shareholders, employees and Government. The challenges will come in the form of organizational re-structuring, acquisition of new skills and redefining existing norms in operational efficiencies in the effort to maximize opportunities. Financing of large scale expansion will also pose challenges in the near future as will the possibility of greater competition. We are excited about these prospects and we look forward to them with confidence.

Sustainable corporate success can be achieved only if the destiny of the organization were to remain in its hands. For many years now - indeed for far too long - your Group has had to operate under the heavy hand of local alcohol policies. Having recognized the dangers associated with this position and having experienced first hand the serious threat posed to society by illicit liquor, your Group has single handedly attempted to convince the Administration of the need to change local alcohol policies and to bring them in line with international norms. This has been a daunting task filled with many years of frustration. That we have stayed the course and come as far as we have highlights some key strengths of your Group; patience, determination, commitment and single minded focus on the long term. It also highlights the commitment and loyalty of our employees, distributors, customers and consumers for which we are both privileged and indebted. These are strengths that will serve us well in the future too. Finally the light appears at the end of the tunnel and soon we expect to be masters of our own destiny. What we make of ourselves will finally be up to us and we can't wait to get started.

Carsons Management Services (Pvt) Limited,

Managers

Colombo

17th April 2003

Report of the Directors

The Directors are pleased to submit their Report for the year ended 31st March 2003, together with the audited financial statements of the Company and the consolidated financial statements of the Group.

REVIEW FOR THE YEAR AND FUTURE DEVELOPMENTS

The Chairman's Statement, the Review of Operations and the Financial Review describe in detail the performance during the year together with comments on the financial results and future developments of the Group.

PRINCIPAL ACTIVITY OF THE GROUP

The principal activity of the Group continues to be brewing of high quality beers for the local and export markets. Consequent to the closure of the Nuwara Eliya brewery, The Ceylon Brewery operates as a holding Company.

REVENUE

The revenue of the Group was Rs. 2,179.55 million (2002 - Rs. 1,915.81 million), an analysis of which is given in Note 1 to the financial statements.

FINANCIAL RESULTS

For the period ended 31st March	Company		Group	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
The profit/(loss) available for appropriation is	102,006,343	(70,566,278)	320,524,617	48,798,002
From which the following appropriations have been made				
Transferred to property, plant & equipment replacement reserve	-	(33,656,961)	-	(33,656,961)
Transferred to revenue reserve	-	(36,909,317)	-	(36,909,317)
Dividends				
Ordinary - First interim 20%	41,976,180	-	41,976,180	-
- Second Interim 20%	41,976,180	-	41,976,180	-
Leaving a balance to be carried forward of	18,053,983	-	236,572,257	119,364,280

RESERVES

After the above mentioned appropriations, the total Group Reserves stand at Rs. 819.93 million (2002 - Rs. 702.72 million) comprising Capital Reserves of Rs. 396.25 million (2002 - Rs. 396.25 million) and Revenue Reserve of Rs. 423.68 million (2002 - Rs. 306.47 million). The movements are shown in the Statement of Changes in Equity and Notes 17 and 18 to the Financial Statements.

DIVIDEND

A first and second interim dividend of 20% each on ordinary shares was paid in June 2002 and February 2003 respectively. Directors have recommended the payment of a final dividend of 10% on ordinary shares for the year ended 31st March 2003, which will be declared at the Annual General Meeting. The details are shown in Note 8 to the Financial Statements.

CAPITAL EXPENDITURE

The total expenditure on the purchase of property, plant & equipment by the Group during the year amounted to Rs. 124.64 million (2002 - Rs. 47.75 million). The movements during the year are set out in Note 10 to these financial statements.

VALUE OF PROPERTIES (LAND AND BUILDINGS)

The land and buildings (including buildings on leasehold land) owned by the Group were last valued in March 2001 by a qualified independent valuer. The Market value arrived at was Rs. 704.04 million. The carrying value shown as at 31st March 2003 is net of subsequent additions, disposals and depreciation.



Report of the Directors (Contd.)

STATUTORY PAYMENTS

The Directors' to the best of their knowledge and belief are satisfied that all statutory payments in relation to the employees and the Government have been made up to date or provided for as at the Balance Sheet date.

DONATIONS

No donations were made by the Group during the year (2002 - Rs. 0.18 million).

DIRECTORATE

The names of the Directors who served during the year are disclosed on the inner back cover.

Mr. W. Unamboowe, who was a Director of the Company, resigned with effect from 31st May 2002.

Mr. R.F. Poulier, who served as the Chairman of the Company, resigned from the Directorate with effect from 3rd February 2003.

Mr. L.C.R. de C. Wijetunge was appointed as Chairman of the Company with effect from 25th February 2003.

Mr. M.C.S. luul, alternate Director to Y. Bhg. Dato J. Bornhoft D.P.T.J. (Kehormat) resigned with effect from 25th November 2002.

In terms of Articles 105 and 106 of the Articles of Association of the Company, Mr. H. Selvanathan retires from the Board and being eligible offers himself for re-election.

DIRECTORS' INTERESTS IN CONTRACTS AND DIRECTORS' SHAREHOLDINGS

Directors' interests in contracts of the Company are disclosed in Note 30 to these Financial Statements and have been declared at meetings of the Directors. The Directors have no direct or indirect interests in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interests in the shares of the Company.

	No. of Shares 2003	No. of Shares 2002
<i>As at 31st March</i>		
R. F. Poulier (<i>Resigned w.e.f. 3rd Feb 2003</i>)	-	-
L.C.R. de C. Wijetunge (<i>Chairman</i>)	-	-
H. Selvanathan	690	690
M. Selvanathan	690	690
W. Unamboowe (<i>Resigned w.e.f. 31st May 2002</i>)	64	64
S. K. Shah	2,632	2,632
Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (Kehormat)	-	-
R.S. Goonewardhane	2,115	2,115
C.P. Amerasinghe	-	-
D.C.R. Gunawardena	15	15
P.C.P. Tissera	15	15

AUDIT COMMITTEE

An Audit Committee was formed on 1st April 2002 comprising of the following members:

Tilak de Zoysa (Chairman) - (Non Executive Chairman - Carson Cumberbatch & Co. Ltd.)	- Appointed w.e.f. 1st April 2002
D.C.R. Gunawardena - (Director - Carson Cumberbatch & Co.Ltd.)	- Appointed w.e.f. 1st April 2002
Ralph de Lanerolle (Chief Executive Officer- Property Development Ltd.)	- Appointed w.e.f. 6 th January 2003

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the Balance Sheet date, no circumstances have arisen which required adjustments to or disclosure in these Financial Statements.

Report of the Directors (Contd.)

CAPITAL COMMITMENTS

As at the Balance Sheet date, the subsidiary has established an irrevocable Letter of Credit for Euro 866,300/- to import four fermenting tanks which is estimated to cost Rs. 130 million including cost of installation and commissioning. Out of this, Euro 259,890/- has been paid as an advance as at the Balance Sheet date, which is reflected under capital work-in-progress.

SUBSTANTIAL SHAREHOLDINGS

The substantial shareholdings of the Company have been disclosed in Note 4 of the Information to Shareholders & Investors. As at 31st March 2003 the Company had 916 shareholders (31st March 2002 - 993 shareholders), whose distribution of holdings is disclosed in Note 3 of the Information to Shareholders & Investors.

SHARE INFORMATION

Information relating to dividends and market price per share and information on share trading is given on pages 42 and 43 of the Annual Report.

AUDITORS

Messrs. KPMG Ford, Rhodes, Thornton & Co., offer themselves for re-appointment.

By Order of the Board,

Carsons Management Services (Pvt) Limited

Managers and Secretaries

Colombo

17th April 2003

Statement of Directors' Responsibilities

The responsibilities of the Directors, in relation to the Financial Statements, are detailed in the following paragraphs, while the responsibilities of the Auditors are set out in the Report of the Auditors

According to the Companies Act No. 17 of 1982 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, Directors are required to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss for the said period.

In preparing these Financial Statements the Directors are required to ensure that:

- Appropriate Accounting Policies have been selected and applied consistently while material departures, if any, have been disclosed and explained.
- All applicable Accounting Standards have been complied with and,
- Reasonable and prudent judgments and estimates have been made.

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company

and that of the Group in order to ensure that the Financial Statements of the Company and that of the Group meet with the requirements of the Companies Act No. 17 of 1982 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995. They are also responsible for taking reasonable measures to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate systems of internal controls with a view to prevent, detect and rectify fraud and other irregularities.

These financial statements have been prepared on a going concern basis, since the Directors are of the view that the Company has adequate resources to continue in operation for a foreseeable future from the date of signing these Financial Statements.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board,

Carsons Management Services (Pvt) Limited
Managers and Secretaries

Colombo
17th April 2003

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FINANCIAL CALENDAR

Financial Year - 31st March 2003

Announcement of Results

First Quarter	8th August 2002
Second Quarter	28th October 2002
Third Quarter	6th February 2003

92nd Annual General Meeting

19th May 2003

F i n a n c i a l H i g h l i g h t s - G r o u p

	2003	2002	% Change
	Rs.	Rs.	
Revenue	2,179,554,794	1,915,809,291	13.77
Profit from operations	410,756,586	121,194,225	238.92
Profit after taxation	350,713,046	110,639,596	216.99
Dividend, including preference dividend	97,514,860	53,812,497	81.21
Shareholders' Funds	1,029,811,483	912,603,506	12.84
Total assets	2,620,987,110	2,623,308,577	(0.09)
Earnings/(Loss) per ordinary share	9.58	(0.95)	1,108.42
Net assets per ordinary share	49.07	43.48	12.86
Market Capitalisation	1,490,154,390	986,440,000	51.06



KPMG Ford, Rhodes, Thornton & Co.

(CHARTERED ACCOUNTANTS)

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TO THE MEMBERS OF THE CEYLON BREWERY LIMITED

We have audited the Balance Sheet of The Ceylon Brewery Limited as at 31st March 2003 and the Consolidated Balance Sheet of the Company and its subsidiary as at that date and the related Statements of Income, Changes in Equity and Cash Flows for the year then ended, together with the Accounting Policies and Notes as set out on pages 11 to 30 of the Annual Report.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing and presenting these Financial Statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these Financial Statements, based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said Financial Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said Financial Statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the Financial Statements, and determining whether the said Financial Statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We, therefore, believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31st March 2003 and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Changes in Equity, Cash Flows and Accounting Policies and Notes thereto, which are in agreement with the said books, have been prepared and presented in accordance with the Sri Lanka Accounting Standards, and provide the information required by the Companies Act No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st March 2003, and of its Profit, Changes in Equity and Cash Flows for the year then ended.

In our opinion, the Consolidated Balance Sheet, Statements of Income, Changes in Equity, Cash Flows and the Accounting Policies and Notes thereto have been properly prepared and presented in accordance with the Sri Lanka Accounting Standards, and provide the information required by the Companies Act No. 17 of 1982 and give a true and fair view of the state of affairs as at 31st March 2003, and of its Profit, Changes in Equity and Cash Flows for the year then ended of the Company and its subsidiary dealt with thereby, so far as concerns the members of the Company.

DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March 2003 except as stated in Note 30 to these Financial Statements.

(Sgd.)

KPMG Ford, Rhodes, Thornton & Company

Chartered Accountants

Colombo

17th April 2003

Income Statements

For the year ended 31st March	Note	Company		Group	
		2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
Revenue	1	134,866,490	200,766,068	2,179,554,794	1,915,809,291
Cost of sales		-	(152,651,197)	(1,301,959,662)	(1,205,770,531)
Gross profit		134,866,490	48,114,871	877,595,132	710,038,760
Other operating income	2	1,277,020	28,879,429	4,410,902	6,594,921
		136,143,510	76,994,300	882,006,034	716,633,681
Distribution costs		-	(17,455,250)	(199,325,758)	(235,712,959)
Administrative expenses		(15,798,180)	(15,688,113)	(176,653,380)	(138,773,284)
Other operating expenses		-	-	(95,270,310)	(58,494,444)
Profit from ordinary activities		120,345,330	43,850,937	410,756,586	283,652,994
Net restructuring expenses	3	-	(143,834,938)	-	(162,458,769)
Profit/(Loss) from operations	4	120,345,330	(99,984,001)	410,756,586	121,194,225
Finance cost	5	(15,940,666)	(1,857,763)	(57,645,219)	(34,363,855)
Profit/(Loss) before taxation		104,404,664	(101,841,764)	353,111,367	86,830,370
Taxation	6	(2,398,321)	23,809,226	(2,398,321)	23,809,226
Profit/(Loss) for the year after taxation		102,006,343	(78,032,538)	350,713,046	110,639,596
Preference dividend	7	-	-	(13,562,500)	(53,812,497)
Minority interest		-	-	(135,990,209)	(76,737,684)
Profit/(Loss) attributable to ordinary shareholders		102,006,343	(78,032,538)	201,160,337	(19,910,585)
Retained profit brought forward		-	7,466,260	119,364,280	68,708,587
Profit/(Loss) available for appropriation		102,006,343	(70,566,278)	320,524,617	48,798,002
Appropriations:					
Transferred to property, plant & equipment replacement reserve		-	(33,656,961)	-	(33,656,961)
Transferred to revenue reserve		-	(36,909,317)	-	(36,909,317)
Dividend	8	83,952,360	-	83,952,360	-
Retained profit carried forward		18,053,983	-	236,572,257	119,364,280
		102,006,343	(70,566,278)	320,524,617	48,798,002
Earnings/(Loss) per ordinary share	9	4.86	(3.72)	9.58	(0.95)
Dividend per ordinary share		4.00	-	4.00	-

The Accounting Policies and Notes on pages 15 to 30 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



Balance Sheets

As at 31st March	Note	Company		Group	
		2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
ASSETS					
Non-Current Assets					
Property, plant & equipment	10	19,778,169	34,150,826	1,880,359,139	1,846,944,644
Investment in subsidiary	11	853,999,860	503,999,860	-	-
Goodwill on consolidation	12	-	-	-	1,229,600
		<u>873,778,029</u>	<u>538,150,686</u>	<u>1,880,359,139</u>	<u>1,848,174,244</u>
Current Assets					
Inventories	13	-	-	241,564,645	228,366,486
Trade and other receivables	14	2,025,709	4,824,074	455,766,476	430,549,932
Amounts due from related companies		-	166,097,671	-	-
Short term investments	15	-	200,000	-	700,000
Income tax recoverable		1,131,387	8,732,274	1,131,387	8,732,274
Short term deposits		-	12,000,000	3,545,017	29,207,268
Cash at bank and in hand		1,396,258	12,729,357	38,620,446	77,578,373
		<u>4,553,354</u>	<u>204,583,376</u>	<u>740,627,971</u>	<u>775,134,333</u>
Total Assets		<u>878,331,383</u>	<u>742,734,062</u>	<u>2,620,987,110</u>	<u>2,623,308,577</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	16	209,880,900	209,880,900	209,880,900	209,880,900
Capital reserves	17	343,427,098	343,427,098	396,249,963	396,249,963
Revenue reserves	18	205,162,346	187,108,363	423,680,620	306,472,643
Shareholders' funds		<u>758,470,344</u>	<u>740,416,361</u>	<u>1,029,811,483</u>	<u>912,603,506</u>
Minority interest		-	-	781,362,219	682,572,011
Preference share capital	19	-	-	-	350,000,000
		<u>758,470,344</u>	<u>740,416,361</u>	<u>1,811,173,702</u>	<u>1,945,175,517</u>
Non-Current Liabilities					
Creditors due after one year	20	37,500,000	-	447,727,862	210,273,128
Retirement benefit obligations	22	-	-	9,563,596	7,303,168
		<u>37,500,000</u>	<u>-</u>	<u>457,291,458</u>	<u>217,576,296</u>
Current Liabilities					
Taxes payable	23	2,371,379	393,840	72,715,691	130,740,653
Trade and other liabilities	24	2,468,128	1,923,861	65,391,517	75,204,208
Amounts due to related companies	25	-	-	-	10,901,700
Long term loans repayable within one year	20	70,000,000	-	70,000,000	35,554,000
Short term loans		-	-	-	82,200,000
Bank overdrafts		7,521,532	-	144,414,742	125,956,203
		<u>82,361,039</u>	<u>2,317,701</u>	<u>352,521,950</u>	<u>460,556,764</u>
Total equity and liabilities		<u>878,331,383</u>	<u>742,734,062</u>	<u>2,620,987,110</u>	<u>2,623,308,577</u>
Net assets per ordinary share		36.14	35.28	49.07	43.48

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

Approved and signed on behalf of the Managers,

Approved and signed on behalf of the Board,

Sgd.
D.C.R. Gunawardena
Director

Sgd.
M. Selvanathan
Director

Sgd.
Suresh K. Shah
Director

Carsons Management Services (Pvt) Limited
Colombo
17th April 2003

The Accounting Policies and Notes on pages 15 to 30 form an integral part of these Financial Statements.

Statements of Changes in Equity

	Note	Share Capital Rs.	Share Premium Rs.	Revaluation Reserve Rs.	Property, Plant & Equipment Replacement Reserve Rs.	Capital Redemption Reserve Rs.	Capital Accretion Reserve Rs.	General Capital Reserve Rs.	Revenue Reserve Rs.	Retained Profit Rs.	Total Equity Rs.
Company											
Balance as at 1st April 2001		209,880,900	323,503,388	14,147,901	35,500,000	-	3,932,770	-	224,017,680	7,466,260	818,448,899
Loss attributable to											
ordinary shareholders		-	-	-	-	-	-	-	-	(78,032,538)	(78,032,538)
Transfers		-	-	-	(35,500,000)	-	(3,932,770)	5,775,809	(36,909,317)	70,566,278	-
Balance as at 31st March 2002		209,880,900	323,503,388	14,147,901	-	-	-	5,775,809	187,108,363	-	740,416,361
Profit attributable to											
ordinary shareholders		-	-	-	-	-	-	-	-	102,006,343	102,006,343
Dividend	8	-	-	-	-	-	-	-	-	(83,952,360)	(83,952,360)
Balance as at 31st March 2003		209,880,900	323,503,388	14,147,901	-	-	-	5,775,809	187,108,363	18,053,983	758,470,344
Group											
Balance as at 1st April 2001		209,880,900	323,503,388	31,690,763	35,500,000	35,280,003	3,932,770	-	224,017,680	68,708,587	932,514,091
Loss attributable to											
ordinary shareholders		-	-	-	-	-	-	-	-	(19,910,585)	(19,910,585)
Transfers		-	-	-	(35,500,000)	-	(3,932,770)	5,775,809	(36,909,317)	70,566,278	-
Balance as at 31st March 2002		209,880,900	323,503,388	31,690,763	-	35,280,003	-	5,775,809	187,108,363	119,364,280	912,603,506
Profit attributable to											
ordinary shareholders		-	-	-	-	-	-	-	-	201,160,337	201,160,337
Dividend	8	-	-	-	-	-	-	-	-	(83,952,360)	(83,952,360)
Balance as at 31st March 2003		209,880,900	323,503,388	31,690,763	-	35,280,003	-	5,775,809	187,108,363	236,572,257	1,029,811,483

The Accounting Policies and Notes from pages 15 to 30 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



Cash Flow Statements

For the year ended 31st March	Note	Company		Group	
		2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
Cash Flows from Operating Activities					
Profit/(Loss) before taxation		104,404,664	(101,841,764)	353,111,367	86,830,370
Adjustments for:					
Amortisation of goodwill on consolidation	12	-	-	1,229,600	1,229,600
Finance costs	5	15,940,666	1,857,763	57,645,219	34,363,855
Depreciation on property, plant & equipment	10	6,321,707	21,661,866	91,165,032	103,721,513
Gratuity provision	22	-	5,834,286	2,920,953	7,294,582
Provision for loss of value of investments		200,000	-	700,000	-
Write off of property, plant & equipment		-	33,656,961	-	33,656,961
Other operating income	2	(1,277,020)	(27,879,367)	(4,325,244)	(5,853,575)
Profit on disposal of bottles & crates		-	(18,623,831)	-	-
Profit on disposal of investment		-	(154,899)	-	(154,899)
Profit on disposal of property, plant & equipment	2	-	(586,447)	(85,658)	(586,447)
Operating cash flow before working capital changes		125,590,017	(86,075,432)	502,361,269	260,501,960
(Increase)/Decrease in inventories		-	54,156,505	(13,198,159)	(14,591,410)
(Increase)/Decrease in trade and other receivables		8,000,931	160,719,645	(20,013,969)	(7,991,622)
(Increase)/Decrease in amounts due from related companies		166,097,671	84,980,738	-	-
Gratuity transferred to The Lion Brewery Ceylon Ltd.		-	(2,512,922)	-	-
Decrease in amounts due to related companies		-	(3,434,194)	(10,901,700)	(13,470,283)
Increase/(Decrease) in trade and other payables		2,124,604	(104,372,054)	(68,329,101)	(53,389,477)
Cash generated from operations		301,813,223	103,462,286	389,918,340	171,059,168
Finance costs paid		(15,940,666)	(1,857,763)	(57,645,219)	(34,363,855)
Gratuity paid	22	-	(13,556,905)	(660,525)	(14,031,472)
Net cash inflows from operating activities		285,872,557	88,047,618	331,612,596	122,663,841
Cash Flows from Investing Activities					
Purchase and construction of property, plant & equipment	10	-	(4,815,993)	(124,636,779)	(47,749,030)
Proceeds from sale of property, plant & equipment		8,050,949	6,764,724	142,900	6,764,724
Interest and other income received		1,277,020	27,879,367	2,942,241	3,649,105
Revaluation of deposits		-	-	1,383,003	2,204,470
Purchase of investments	11	(350,000,000)	-	(350,000,000)	(500,000)
Proceeds from sale of investment		-	302,899	-	302,899
Customer deposits received	20	-	2,197,194	61,431,921	29,138,375
Customer deposits refunded	20	-	(95,028,853)	(26,477,187)	(4,230,282)
Net cash used in investing activities		(340,672,031)	(62,700,662)	(435,213,901)	(10,419,739)
Cash Flows from Financing Activities					
Long term loan received	20	150,000,000	-	400,000,000	-
Repayment of long term borrowings	20	(42,500,000)	-	(163,054,000)	(96,657,324)
Preference dividend paid		-	-	(13,562,500)	(53,812,497)
Dividends paid to ordinary shareholders	8	(83,555,157)	-	(83,555,157)	-
Payment to minority shareholders		-	-	(37,105,755)	-
Net cash inflows/(outflows) from financing activities		23,944,843	-	102,722,588	(150,469,821)
Net increase/(decrease) in Cash & Cash Equivalents		(30,854,631)	25,346,956	(878,717)	(38,225,719)
Cash & cash equivalents at the beginning of the year		24,729,357	(617,599)	(101,370,562)	(63,144,843)
Cash & cash equivalents at the end of the year		(6,125,274)	24,729,357	(102,249,279)	(101,370,562)
Analysis of Cash & Cash Equivalents					
Cash at bank and in hand		1,396,258	12,729,357	38,620,446	77,578,373
Short term deposits		-	12,000,000	3,545,017	29,207,268
		1,396,258	24,729,357	42,165,463	106,785,641
Short term loans		-	-	-	(82,200,000)
Bank overdrafts		(7,521,532)	-	(144,414,742)	(125,956,203)
		(6,125,274)	24,729,357	(102,249,279)	(101,370,562)

The Accounting Policies and Notes on pages 15 to 30 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Significant Accounting Policies

1. GENERAL

1.1 Accounting Convention

The financial statements of The Ceylon Brewery Limited, and its subsidiary comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and Notes to the financial statements.

These statements are prepared in accordance with the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The accounting policies have been applied by the Company and its subsidiary consistent with the previous year, and the previous year figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

The financial statements of the Group have been prepared on a historical cost convention except for revaluation of freehold land and buildings as stated in Notes to these financial statements.

All values presented in the financial statements are in Sri Lankan Rupees (Rs.) unless otherwise indicated.

1.2 Group Consolidation Policy

(i) Subsidiaries

The financial statements of the Group represent the consolidation of the financial statements of the Company and its subsidiary, The Lion Brewery Ceylon Limited, in accordance with Section 150 (1) (a) of the Companies Act No. 17 of 1982, and Sri Lanka Accounting Standard 26.

(ii) Financial Period

The Company and its subsidiary have a common financial year which ends on 31st March.

(iii) Minority Interest

The total profit or loss for the year of the Company and of its subsidiary included in consolidation are shown in the Consolidated Income Statement while the proportion of

profit or loss after taxation pertaining to minority shareholders of the subsidiary has been deducted and shown as "Minority Interest".

All assets and liabilities of the Company and its subsidiary are included in the Consolidated Balance Sheet. The proportionate interest of the non-group shareholders in the net assets employed, is stated separately in the Consolidated Balance Sheet as "Minority Interest".

(iv) Intra-group Transactions

Intra-group balances, intra-group transactions and resulting unrealised profits are eliminated in full in the financial statements. Unrealised losses resulting from intra-group transactions are eliminated unless the cost cannot be recovered.

(v) Goodwill

Goodwill reflects the excess of the purchase price over the fair value of the net assets as at the date of purchase.

Acquired goodwill is amortised over a useful life of 5 years using the straight-line method.

(vi) Consolidation of Subsidiaries in the pre-production stage

The financial statements of a subsidiary in its pre-production stage is not consolidated with the Group and will be recognised as a subsidiary for consolidation only on commencement of commercial operations.

1.3 Conversion of Foreign Currencies

All foreign currency transactions are converted at the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities have been translated into reporting currencies at rates of exchange prevailing at the Balance Sheet date, while non-monetary items are reported at the rates prevailing at the time the transactions were effected.



Significant Accounting Policies (Contd.)

The exchange differences arising therefrom are dealt within the Income Statements.

1.4 Taxes on Income

The Group liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 38 of 2000 and amendments thereto, taking into consideration the maximum relief available. The relevant details are disclosed in the respective Notes to the financial statements.

1.5 Deferred Taxation

Deferred taxation is provided on the liability method for all timing differences to the extent that they are expected to reverse in the future. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purpose of the assets on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for tax purposes only on payment.

1.6 Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred, except those that are directly attributable to the purchase/ construction of property, plant & equipment which are capitalised as a part of the cost of the asset during the period of construction/ development.

1.7 Research and Development Cost

Expenditure incurred in respect of research is charged to revenue while business or product development costs are recognised as an asset in accordance with Sri Lanka Accounting Standard 11, and is charged to the Income Statement equally over a period of five years.

1.8 Events occurring after the Balance Sheet date

The materiality of events occurring after the Balance Sheet date has been considered and appropriate adjustments to or disclosures are made in these financial statements where necessary.

2. ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realised in cash during the normal operating cycle of the Company's business or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the Balance Sheet date.

2.1 Property, Plant & Equipment and Depreciation

(i) Valuation

Property, plant & equipment are stated at cost or valuation less accumulated depreciation, provided on the basis stated in (iii) below.

(ii) Cost

Cost of property, plant & equipment is the cost of acquisition 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 is treated as capital expenditure.

(iii) Depreciation

Depreciation is provided for on a straight-line basis over periods appropriate to the estimated useful lives of different types of assets, at varying rates specified on their costs or revalued amounts as follows:

	The Ceylon Brewery Ltd.	The Lion Brewery Ceylon Ltd.
	per annum (%)	per annum (%)
Freehold buildings	2.5	2
Plant and machinery	10	5-10
Furniture, fittings and office equipment	10-25	8-10
Computer equipment	25	33 1/3
Motor vehicles	20-25	20 - 25
Laboratory equipment	-	25

Significant Accounting Policies (Contd.)

No depreciation is provided on freehold land.

No depreciation is provided in the year of acquisition or construction while a full year's depreciation is provided in the year of disposal.

The depreciation rate for brand new vehicles has been changed to 20% from 25%. The depreciation rate for reconditioned vehicles remains at 25%.

(iv) Revaluation of Land and Buildings

The freehold land and buildings of the Company and the subsidiary have been revalued and revaluation of these assets are carried out at least once every five years in order to ensure that the book values reflect the realisable values. Any surplus or deficit arising therefrom is adjusted in the revaluation reserve.

(v) Capital work-in-progress

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation of the asset or on commissioning.

(vi) Project Expenditure

Project expenditure in respect of pre-operational activities are capitalised with the respective assets.

2.2 Investments

Classification

Investments in subsidiaries and associate Companies of the Carsons Group are classified as non-current investments and stated in the Balance Sheet at cost while all other investments are classified as current investments.

(i) Valuation

All non-current investments and unquoted investments are stated in the Balance Sheet at cost less any amounts written off to reflect any permanent diminution in the value of such investments.

(ii) Cost

Cost of investments is the cost of acquisitions inclusive of brokerage, commission and fees.

2.3 Inventories

Inventories are recognised at cost or net realisable value whichever is lower after making due allowance for obsolete and slow moving items. Actual breakages of bottles are removed from inventory and charged against revenue.

(I) The cost of each category of inventory is derived on the following bases:

Raw material and containers - cost of purchase together with any incidental expenses.

Work-in-progress - raw material cost and proportion of manufacturing expenses.

Finished goods - raw material cost and manufacturing expenses in full.

(ii) Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and/or cost of conversion from their existing state to a saleable condition.

2.4 Trade and other Receivables

Trade and other receivables are stated at the amounts estimated to be realised. Where necessary, provision has been made for bad and doubtful debts.

2.5 Cash & Cash Equivalents

For the purpose of the Cash Flow Statement, cash & cash equivalents comprise of cash at bank and in hand, short term deposits with bank less bank overdrafts and short term borrowings.

The Cash Flow Statement has been prepared using "Indirect Method".



Significant Accounting Policies (Contd.)

3. LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities in the Balance Sheet are those obligations payable on demand or within one year from the Balance Sheet date. Items classified as non-current liabilities are those obligations which will be repaid after a period of one year from the Balance Sheet date.

All known liabilities are accounted for in preparing the financial statements. Liabilities are recognised when the Company 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.

3.1 Distributor Deposits

Containers issued to distributors are secured against a refundable deposit representing the cost. Refunding of deposits could arise due to a discontinuance of a distributorship or due to a contraction in sales.

3.2 Retirement Benefits Defined Benefit Plan - Gratuity

The Company is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983.

Gratuity Provision for employees has been made on the basis of an actuarial valuation as at 31st March 2003 which was carried out by Messrs. Actuarial and Management Consultants (Pvt) Limited. As recommended by the related Sri Lanka Accounting Standard, the 'Projected Unit Credit' (PUC) method has been used in this valuation. The principal assumptions are given below:

- | | |
|------------------------|----------|
| - Rate of discount | 11% p.a. |
| - Rate of pay increase | 10% p.a. |
| - Retirement age | 55 years |
- The Company will continue in business as a going concern.

The liability is not externally funded.

3.3 Defined Contribution Plans Employees' Provident Fund and Employees' Trust Fund

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contribution funds in line with the respective statutes. Contributions to the defined contribution plans are recognised as an expense in the Statements of Income when incurred.

3.4 Capital Commitments and Contingent Liabilities

All material capital commitments and contingencies which exist as at the Balance Sheet date are disclosed in the respective Notes to the financial statements.

4. INCOME STATEMENT

4.1 Revenue

Revenue represents the amounts derived from customers outside the Company, on the provision of goods and services which fall within the ordinary activities net of trade discounts. Value added tax is excluded in arriving at the revenue.

4.2 Revenue Recognition

Revenue is principally accrued and matched with the related expenditure and is recognised in accordance with Sri Lanka Accounting Standard 29.

4.2.1 Sale of Goods

Revenue from sale are recognised upon delivery of products and customer acceptance, if any, whereby significant risks and rewards of ownership are passed on to the buyer, or performance of services, net of sales taxes and discounts.

4.2.2 Other Income

- * Interest
Income is recognised on an accrual basis.
- * Dividend
Income is accounted for when the shareholder's right to receive a dividend is established.
- * Gains or losses on disposal of property, plant & equipment.

Significant Accounting Policies (Contd.)

Net gains and losses of a revenue nature resulting from disposal of property, plant & equipment are accounted for in the Income Statement.

Where the gain is on immovable property, such gain is appropriated to capital accretion reserve.

4.3 Expenditure Recognition

(i) *Operating Expenses*

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year. Provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

(ii) *Finance Costs*

Interest expenses are recognised on an accrual basis.

5. RELATED PARTY TRANSACTIONS

Disclosures are made in respect of transactions in which one party has the ability to control or exercise significant influence over the financial and operating decisions/policies of the other, irrespective of whether a price is being charged or not.

6. DIRECTORS' RESPONSIBILITIES STATEMENT

The Board of Directors takes responsibility for the preparation and presentation of these Financial Statements. Please refer page 8 for the Statement of Directors' Responsibilities.

Notes to the Financial Statements

For the year ended 31st March	Company		Group	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
1. REVENUE - SEGMENTAL ANALYSIS				
(A) By Industry				
Investment Holdings	134,866,490	38,931,144	2,518,365	-
Brewery	-	161,834,924	2,177,036,429	1,915,809,291
	134,866,490	200,766,068	2,179,554,794	1,915,809,291
(B) By Geographical Segment				
Local revenue	134,866,490	200,766,068	2,156,162,722	1,894,074,140
Export revenue	-	-	23,392,072	21,735,151
	134,866,490	200,766,068	2,179,554,794	1,915,809,291
2. OTHER OPERATING INCOME				
Interest income - Related companies	-	27,029,735	-	-
Interest income - Other	-	849,632	1,596,837	3,356,839
Surplus on revaluation of foreign currency deposits	-	-	1,383,003	2,204,470
Profit on disposal of property, plant & equipment	-	586,447	85,658	586,447
Profit on disposal of investment	-	154,899	-	154,899
Sundry income	1,277,020	258,716	1,345,404	292,266
	1,277,020	28,879,429	4,410,902	6,594,921
3. NET RESTRUCTURING EXPENSES				
Write off of fixed assets	-	31,488,413	-	31,488,413
Profit on bottle disposals	-	(18,623,831)	-	-
Restructuring expenses	-	12,864,582	-	31,488,413
Compensation for loss of employment	-	130,970,356	-	130,970,356
Net restructuring expenses	-	143,834,938	-	162,458,769
4. PROFIT FROM OPERATIONS				
Profit from operations are stated after charging/(crediting) all expenses/(income) including the following:				
Auditors' remuneration	290,367	110,000	662,057	430,829
Internal audit charges	-	-	5,687,426	566,758
Audit committee charges	-	-	50,000	-
Depreciation (Note 10)	6,321,707	21,661,866	91,165,032	103,721,513
Management fees	-	4,744,100	44,902,065	42,235,105
Amortisation of goodwill on consolidation (Note 12)	-	-	1,229,600	1,229,600
Research and development	-	-	7,412,322	2,617,173
Provision for doubtful debts	-	-	1,882,079	-
Personnel costs - (Note 4.1)	-	32,848,766	109,937,462	133,764,679
Donations	-	-	-	177,017

Notes to the Financial Statements (Contd.)

6.3 Income Tax

Company

- (a) In terms of the provision of the Inland Revenue Act No. 38 of 2000 and amendments thereto, the Company is liable to income tax at the rate of 35%. In terms of budget proposals announced for 2003, from 1st April 2003 this tax rate is to be reduced to 30%. However this proposal requires that 50% of the tax saving on account of the reduction in the rate be contributed into a human resource endowment fund.
- (b) Being a quoted public company, the Company has claimed the 5% tax credit afforded under Section 42 of the Inland Revenue Act No. 38 of 2000. Budget proposals announced for 2003 seek to withdraw this credit from April 2003.

Subsidiary - The Lion Brewery Ceylon Limited (LBCL)

- (c) The operating profit and income accruing to LBCL is exempt from income tax for a period of twelve years, commencing from the 1st of June 1998, in terms of the agreement with the Board of Investment of Sri Lanka.
- (d) However, in terms of the Inland Revenue Act No. 38 of 2000, the profits and income from other sources are liable to income tax at the rate of 35%. Tax implications of budget proposals for 2003 mentioned in 6.3 (a) would apply. (No provision has been made in the accounts for interest earned as LBCL has adequate tax losses brought forward from periods prior to the commencement of the tax holiday).
- (e) No tax liability arises on interest earned on FCBU deposits as such is exempt from income tax.
- (f) LBCL has a tax loss of Rs. 20,599,078/- as at 31st March 2003. Utilisation of same in the future may be restricted, as budget proposals announced for 2003 seek to impose limitations.

6.4 Deferred Taxation

- (a) No provision has been made for deferred tax liability in the accounts of The Lion Brewery Ceylon Limited, as it is exempt from income tax as disclosed in Note 6.3 (c) to these financial statements.

7. PREFERENCE DIVIDEND

The preference shares of the Lion Brewery which were owned by the NDB/DFCC consortium was purchased by the Company in July 2002 for a total value of Rs. 350 million. A dividend of 15.5% per annum was received by the Company from July 2002 amounting to Rs. 40,687,499/-. The full value of the dividend paid by the Lion Brewery for the year amounts to Rs. 54,250,000/- (2002 - Rs. 53,812,497/-).

For the year ended 31st March	Company		Group	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
8. DIVIDEND - ORDINARY				
First interim - 20%	41,976,180	–	41,976,180	–
Second interim - 20%	41,976,180	–	41,976,180	–
	83,952,360	–	83,952,360	–

- (a) Dividends distributed out of the taxable profits of the Company are subject to a dividend tax of 10%.
- (b) Interim dividends amounting to Rs. 83,952,360/- have been paid out of the Company's current year's profit after tax, of which Rs. 64,925,000/- was paid out of tax free profits received from the Lion Brewery and the balance of Rs. 19,027,360/- was subject to a dividend tax of 10%.
- (c) Directors have recommended the payment of a final dividend of 10% on Ordinary Shares amounting to Rs. 20,988,090/- for the year ended 31st March 2003 (2002 - Nil), which will be declared at the Annual General Meeting. This dividend is to be paid out of profits of the Company, of which Rs. 13,562,500/- is to be paid out of tax free profits received from the Lion Brewery, and the balance of Rs. 7,425,590/- would be subject to a dividend tax of 10%. In accordance with Sri Lanka Accounting Standard No. 12 (Revised) Events after the Balance Sheet Date, this proposed final dividend has not been recognised as a liability as at 31st March 2003.

Notes to the Financial Statements (Contd.)

9. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share of Rs. 9.58 (Company - Rs. 4.86) is based on profit after taxation and preference dividend divided by the number of ordinary shares in issue as at the Balance Sheet date.

The following reflects the income and share data used for the computation of earnings per ordinary share:

<i>For the year ended 31st March</i>	2003	2002	2003	2002
	Rs.	Rs.	Rs.	Rs.
Amount used as the Numerator				
Profit/(Loss) after taxation	102,006,343	(78,032,538)	350,713,046	110,639,596
Less: Dividends on redeemable preference shares	-	-	(13,562,500)	(53,812,497)
Minority interest	-	-	(135,990,209)	(76,737,684)
Net Profit/(Loss) attributable to ordinary shareholders	102,006,343	(78,032,538)	201,160,337	(19,910,585)
Number of ordinary shares used as denominator	20,988,090	20,988,090	20,988,090	20,988,090
Earnings/(Loss) per ordinary share	4.86	(3.72)	9.58	(0.95)

10. PROPERTY, PLANT & EQUIPMENT

(a) Company

	Freehold Land	Freehold Buildings	Plant & Machinery	Office Equipment	Computer Equipment	Motor Vehicles	Capital Work-in- Progress	31st March 2003	31st March 2002
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Cost/Valuation									
Beginning of the year	467,000	20,310,225	-	-	23,994,081	-	-	44,771,306	316,456,221
Additions	-	-	-	-	-	-	-	-	4,815,993
Transfers/Disposals	-	-	-	-	(23,994,081)	-	-	(23,994,081)	(276,500,908)
End of the year	467,000	20,310,225	-	-	-	-	-	20,777,225	44,771,306
Depreciation									
Beginning of the year	-	483,150	-	-	10,137,331	-	-	10,620,481	201,878,904
Charge for the year	-	515,906	-	-	5,805,801	-	-	6,321,707	21,661,866
Transfers/Disposals	-	-	-	-	(15,943,132)	-	-	(15,943,132)	(212,920,290)
End of the year	-	999,056	-	-	-	-	-	999,056	10,620,480
Net Book Value									
As at 31st March 2003	467,000	19,311,169	-	-	-	-	-	19,778,169	-
As at 31st March 2002	467,000	19,827,075	-	-	13,856,750	-	-	-	34,150,826

Notes to the Financial Statements (Contd.)

(b) Group

	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Capital Work- in-Progress	31st March 2003	31st March 2002
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Valuation											
Beginning of the year	185,044,560	546,147,479	1,248,389,074	10,514,398	5,266,527	42,488,529	9,674,147	20,052,847	10,390,513	2,077,968,074	2,282,974,573
Additions	-	4,079,413	11,966,843	1,251,566	838,264	2,713,650	-	883,476	102,903,567	124,636,779	47,749,030
Disposals	-	-	-	-	(7,950)	(16,098,132)	-	-	-	(16,106,082)	(252,755,529)
Transfers	4,992,779	12,425,441	60,867,540	911,393	(335,011)	-	(1,020,000)	1,019,823	(78,861,965)	-	-
End of the year	190,037,339	562,652,333	1,321,223,457	12,677,357	5,761,830	29,104,047	8,654,147	21,956,146	34,432,115	2,186,498,771	2,077,968,074
Depreciation											
Beginning of the year	-	10,483,150	184,274,781	1,935,662	1,092,109	19,003,572	3,071,580	11,162,576	-	231,023,430	340,222,206
Charge for the year	-	11,111,986	62,053,962	879,978	478,121	9,942,886	1,429,930	5,268,169	-	91,165,032	103,721,513
Disposals	-	-	-	-	(2,385)	(16,046,445)	-	-	-	(16,048,830)	(212,920,289)
End of the year	-	21,595,136	246,328,743	2,815,640	1,567,845	12,900,013	4,501,510	16,430,745	-	306,139,632	231,023,430
Net Book Value											
As at											
31st March 2003	190,037,339	541,057,197	1,074,894,714	9,861,717	4,193,985	16,204,034	4,152,637	5,525,401	34,432,115	1,880,359,139	
As at											
31st March 2002	185,044,560	535,664,329	1,064,114,293	8,578,736	4,174,418	23,484,957	6,602,567	8,890,271	10,390,513	-	1,846,944,644

(c) Freehold buildings of the Company were revalued and incorporated in the books to conform to the market values as at 31st March 2001 which were assessed on a going concern basis by a firm of independent professional valuers, and the resultant surplus arising therefrom has been transferred to the revaluation reserve and included under capital reserves. With the abolishment of capital gains tax as of April 2002, any gains on the disposal of this revalued asset will not be subject to income tax.

(d) Freehold land and buildings of the subsidiary were revalued and incorporated in the books to conform with the market values as at 31st March 2001 which were assessed on a going concern basis by a firm of independent professional valuers, and the resultant surplus arising therefrom has been transferred to the revaluation reserve included under capital reserves. As mentioned in (c), any gains on the disposal of these assets will not be subject to income tax.

(e) The carrying value of the revalued assets of the Group as at 31st March 2003, if carried at cost are given below:

	Company		Subsidiary	
	Buildings		Land	Buildings
	Rs.		Rs.	Rs.
Carrying value of revalued assets if carried at cost				
Cost	9,157,684		171,454,797	523,170,133
Additions during the year	-		4,992,779	16,504,854
Accumulated depreciation	(2,566,871)		-	(39,506,776)
Carrying value of revalued assets if carried at cost	<u>6,590,813</u>		<u>176,447,576</u>	<u>500,168,211</u>

11. INVESTMENT IN SUBSIDIARY

Company

	No. of Shares	Cost as at 31st March 2003 Rs.	Market Value as at 31st March 2003 Rs.	No. of Shares	Cost as at 31st March 2002 Rs.	Market Value as at 31st March 2002 Rs.
The Lion Brewery Ceylon Ltd.						
- Ordinary shares	25,199,933	503,999,860	1,650,595,612	25,199,933	503,999,860	1,297,796,550
- Preference shares	35,000,000	350,000,000	350,000,000	-	-	-
		<u>853,999,860</u>	<u>2,000,595,612</u>		<u>503,999,860</u>	<u>1,297,796,550</u>

Notes to the Financial Statements (Contd.)

12. GOODWILL ON CONSOLIDATION

	Group	
	2003 Rs.	2002 Rs.
Gross value	6,148,000	6,148,000
Amortisation		
As at 1st April	4,918,400	3,688,800
Amortisation during the year	1,229,600	1,229,600
As at 31st March	6,148,000	4,918,400
Unamortised balance as at 31st March	-	1,229,600

As at 31st March	Company		Group	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
13. INVENTORIES				
Raw materials	-	-	44,600,946	38,680,849
Work-in-progress	-	-	15,257,206	9,013,540
Finished goods	-	-	13,155,258	46,716,734
Bottles and crates	-	-	92,118,980	77,653,669
Maintenance spares	-	-	53,405,730	46,142,902
Others	-	-	23,026,525	10,158,792
	-	-	241,564,645	228,366,486

14. TRADE AND OTHER RECEIVABLES

Trade debtors	-	-	174,289,745	179,947,933
Provisions for doubtful debts	-	-	(1,882,079)	-
Bottles and crates with distributors	-	-	238,051,493	205,158,108
Advances, prepayments and other debtors	2,025,709	4,824,074	45,074,246	45,331,098
Loans to Company employees (14.1)	-	-	233,071	112,793
	2,025,709	4,824,074	455,766,476	430,549,932

14.1 Loans to Company Employees

Balance as at the beginning of the year	-	1,864,592	112,793	2,230,732
Advanced during the year	-	-	218,150	436,000
Recovered during the year	-	(1,864,592)	(97,872)	(2,553,939)
Balance as at the end of the year	-	-	233,071	112,793

No. of Shares	Cost as at 31st March 2003 Rs.	Cost as at 31st March 2002 Rs.	No. of Shares	Cost as at 31st March 2003 Rs.	Cost as at 31st March 2002 Rs.
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15. SHORT TERM INVESTMENTS

Unquoted

Beverage Dispensing Co. Ltd.	20,000	200,000	200,000	60,000	700,000	700,000
Provision for loss of value of investments		(200,000)	-		(700,000)	-
		-	200,000		-	700,000

Notes to the Financial Statements (Contd.)

As at 31st March	Company		Group	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
16. SHARE CAPITAL				
Authorised				
50,000,000 Ordinary Shares of Rs. 10/- each	500,000,000	500,000,000	500,000,000	500,000,000
10,000,000 Cumulative Redeemable Preference Shares of Rs. 10/- each	100,000,000	100,000,000	100,000,000	100,000,000
	600,000,000	600,000,000	600,000,000	600,000,000
Issued and Fully Paid				
Ordinary Shares				
20,988,090 Ordinary Shares of Rs. 10/- each	209,880,900	209,880,900	209,880,900	209,880,900
17. CAPITAL RESERVES				
Balance as at beginning of the year	343,427,098	377,084,059	396,249,963	429,906,924
Transfers	-	(33,656,961)	-	(33,656,961)
Balance as at end of the year	343,427,098	343,427,098	396,249,963	396,249,963
Represented by:				
Share premium	323,503,388	323,503,388	323,503,388	323,503,388
Revaluation reserve	14,147,901	14,147,901	31,690,763	31,690,763
General capital reserve	5,775,809	5,775,809	5,775,809	5,775,809
Capital redemption reserve	-	-	35,280,003	35,280,003
	343,427,098	343,427,098	396,249,963	396,249,963
18. REVENUE RESERVES				
Total Revenue Reserves				
Balance as at beginning of the year	187,108,363	224,017,680	187,108,363	224,017,680
Transfers	-	(36,909,317)	-	(36,909,317)
Balance as at end of the year	187,108,363	187,108,363	187,108,363	187,108,363
Retained profits				
Balance as at the end of the year	18,053,983	-	236,572,257	119,364,280
Total revenue reserves	205,162,346	187,108,363	423,680,620	306,472,643
Represented by:				
General reserve	187,108,363	187,108,363	187,108,363	187,108,363
Retained profits - Company	18,053,983	-	18,053,983	-
- Subsidiary	-	-	237,142,105	137,988,111
Inter company unrealised profits	-	-	(18,623,831)	(18,623,831)
	205,162,346	187,108,363	423,680,620	306,472,643

Notes to the Financial Statements (Contd.)

19. PREFERENCE SHARE CAPITAL

	2003 Rs.	Group 2002 Rs.
Authorised		
50,000,000 Redeemable Cumulative Preference Shares of Rs. 10/- each	500,000,000	500,000,000
Issued and Fully Paid		
35,000,000 Redeemable Cumulative Preference Shares of Rs. 10/- each	350,000,000	350,000,000

35,000,000, 15.5% Redeemable Cumulative Preference Shares were issued by the subsidiary on 1st April 1998. These shares previously held by NDB/DFCC consortium was purchased by the Company at par for Rs. 350 million. The dividend thereon is paid/received quarterly, while the redemption plan is to be decided. With effect from 1st April 2003, the preference dividend rate will be reduced to 14.5%.

As at 31st March	Company		Group	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
20. CREDITORS DUE AFTER ONE YEAR				
Long term loans repayable after one year (Note 20.1)	37,500,000	-	227,500,000	25,000,000
Customer deposits (Note 20.4)	-	-	220,227,862	185,273,128
	37,500,000	-	447,727,862	210,273,128

20.1 Long term loans repayable after one year				
Balance as at the beginning of the year	-	-	60,554,000	157,211,324
Loans obtained during the year	150,000,000	-	400,000,000	-
Repayments during the year	(42,500,000)	-	(163,054,000)	(96,657,324)
Balance as at the end of the year	107,500,000	-	297,500,000	60,554,000
Less: Long term loans repayable within one year	(70,000,000)	-	(70,000,000)	(35,554,000)
Long term loans repayable after one year	37,500,000	-	227,500,000	25,000,000

20.2 A loan of Rs. 150 million at an interest rate of 13% per annum was obtained from the Commercial Bank in August 2002.

20.3 The subsidiary's loan balance of Rs. 60,554,000/- owing to NDB/DFCC was settled in full and a fresh loan of Rs. 250,000,000/- was obtained from the DFCC at an interest rate of 15.5%.

Details of long term borrowings - Group

Name of the Lender	Interest Rate p.a.	31st March 2003 Rs.	31st March 2002 Rs.	Repayment Terms	Security Offered
Long term loan - Rs. 150 mn					
DFCC Bank	18%	-	25,000,000	24 months grace and payable in 60 monthly instalments commencing from January 1999	Mortgage over freehold land, buildings, plant and machinery of the Subsidiary
NDB	18%	-	35,554,000	24 months grace and payable in 60 monthly instalments commencing from April 1999	Mortgage over freehold land, buildings, plant and machinery of the Subsidiary

Notes to the Financial Statements (Contd.)

Name of the Lender	Interest Rate p.a.	31st March 2003 Rs.	31st March 2002 Rs.	Repayment Terms	Security Offered
Long term loan - Rs. 250 mn					
DFCC	15.5%	190,000,000	-	The repayment of the term loan of Rs. 250 million is to be effected as a bullet repayment after a grace period of 48 months. Prior settlement of the loan on a periodic basis is at the discretion of the Company. Any such settlements would be free of prepayment damages.	Corporate guarantee by The Ceylon Brewery Limited
Long term loan - Rs. 150 mn					
Commercial Bank	13%	107,500,000	-	Bi-annually in four equal instalments	-
		<u>297,500,000</u>	<u>60,554,000</u>		

The asset mortgages held against the long term loan of Rs. 150 million from NDB/DFCC were released subsequent to its settlements.

As at 31st March	Company		Group	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
20.4 Customer Deposits				
Balance as at the beginning of the year	-	92,831,659	185,273,128	160,365,035
Deposits received during the year	-	2,197,194	61,431,921	29,138,375
Deposits refunded during the year	-	-	(26,477,187)	(4,230,282)
Deposits transferred to				
The Lion Brewery Ceylon Limited	-	(95,028,853)	-	-
Balance as at the end of the year	<u>-</u>	<u>-</u>	<u>220,227,862</u>	<u>185,273,128</u>

Refundable deposits are taken from customers as security against the containers with the distributors.

21. DEFERRED TAXATION

Balance as at the beginning of the year	-	23,809,226	-	23,809,226
Provision released during the year	-	(23,809,226)	-	(23,809,226)
Balance as at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

No provision has been made for deferred tax liability in the Financial Statements of the subsidiary as it is exempt from income tax as disclosed in Note 6.3 (c) to these financial statements.

22. RETIREMENT BENEFIT OBLIGATIONS

Gratuity

Balance as at the beginning of the year	-	10,235,541	7,303,168	14,040,058
Provision for the year	-	5,834,286	2,920,953	7,294,582
Payments/transfers during the year	-	(16,069,827)	(660,525)	(14,031,472)
Balance as at the end of the year	<u>-</u>	<u>-</u>	<u>9,563,596</u>	<u>7,303,168</u>

Notes to the Financial Statements (Contd.)

22.1 The requirement for the Company to provide for gratuity payments does not arise as it had no employees on its payroll as at the Balance Sheet date.

22.2 The gratuity provision of the subsidiary as at 31st March 2003 amounting to Rs. 9,563,596/- is based on an actuarial valuation carried out by Messrs. Actuarial Management Consultants (Pvt) Limited. If the subsidiary had provided for gratuity for employees on the basis of a half month salary for each completed year of service, the liability would have been Rs. 11,009,521/-. However, no contingent liability would arise in the event of the subsidiary ceasing to be a going concern as the amount payable as per the Payment of Gratuity Act is only Rs. 8,964,927/-.

22.3 The above provisions are not externally funded.

As at 31st March	Company		Group	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
23. TAXES PAYABLE				
Excise Duty (Special Provision)	-	-	-	45,860,092
Excise Duty	-	-	50,133,643	62,006,263
National Security Levy	-	-	-	9,404,977
Goods and Services Tax	-	393,840	-	13,469,321
Value Added Tax	2,371,379	-	22,582,048	-
	2,371,379	393,840	72,715,691	130,740,653
24. TRADE AND OTHER LIABILITIES				
Trade Creditors	-	-	13,541,774	28,493,887
Others, including accrued expenses	700,702	506,634	49,988,072	45,293,094
Unclaimed dividend	1,767,426	1,417,227	1,861,671	1,417,227
	2,468,128	1,923,861	65,391,517	75,204,208
25. AMOUNTS DUE TO RELATED COMPANIES				
Carlsberg International A/S	-	-	-	10,777,524
Carsons Management Services (Pvt) Ltd.	-	-	-	124,176
	-	-	-	10,901,700
26. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE				
Subsequent to the Balance Sheet date, no circumstances have arisen which required adjustments to or disclosure in these financial statements.				
27. COMPARATIVE FIGURES				
Previous year's figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.				
28. CONTINGENT LIABILITIES				
(a) The Company has given an undertaking to make payments to the DFCC Bank in the event The Lion Brewery Ceylon Limited is unable to repay the loan of Rs. 250 million.				
(b) There were no contingent liabilities which require adjustments to or disclosure in the Financial Statements other than the above.				
29. CONTRACTS FOR CAPITAL EXPENDITURE				
As at the Balance Sheet date, the subsidiary had established an irrevocable Letter of Credit for Euro 866,300/- to import four fermenting tanks which is estimated to cost Rs. 130 million including installation and commissioning. Out of this, Euro 259,890/- had been paid as an advance as at the Balance Sheet date, which is reflected under capital work-in-progress.				
There were no material contracts for capital expenditure as at the Balance Sheet date other than the above.				



Notes to the Financial Statements (Contd.)

30. DIRECTORS' INTERESTS IN CONTRACTS

30.1 Messrs. L.C.R. de C. Wijetunge, W. Unamboowe (resigned w.e.f. 31st May 2002), H. Selvanathan, M. Selvanathan, S.K. Shah, D.C.R. Gunawardena and Y. Bhg. Dato J. Bornhoft D.P.T.J. (Kehormat), Directors of the Company are also Directors of The Lion Brewery Ceylon Limited, with which the following contracts/transactions have been entered into during the year by the Company in the normal course of business.

The Lion Brewery Ceylon Limited (LBCL):

- (a) Was promoted by the Company. The Company had advanced a sum of Rs. 166,097,671/- as at 1st April 2002, which was settled in full during the year. The Company received interest of Rs. 5,700,358/- (2002 - Rs. 27,029,735/-) due up to the time of the repayment.
- (b) Was charged Rs. 48,160,266/- (2002- Rs.38,931,144/-) as royalty in accordance with the licensed brewing agreement with the Company.
- (c) Transferred the preference shares in its entirety to the Company from the NDB/DFCC consortium. During the year the Company received Rs. 40,687,500/- as dividend on preference shares.
- (d) Purchased Computer equipment/Software from the Company for Rs. 8,050,949/- being its written down value.

30.2 Messrs. H. Selvanathan, M.Selvanathan, S.K.Shah, D.C.R.Gunawardena and P.C.P. Tissera, Directors of the Company are also Directors of Carsons Management Services (Pvt) Ltd., which provides management and secretarial services to the Company and to its subsidiary. During the year management fees amounting to Rs. 44,902,065/- (2002 - Rs. 42,235,105/-). was paid by the Group to Carsons Management Services (Pvt) Limited.

30.3 Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (Kehormat) a Director of the Company is a nominee of Carlsberg International A/S, with which the Group has a licensed brewing agreement for which a sum of Rs. 29,268,645/- (2002 - Rs. 25,240,670/-) was paid as royalty during the year. Carlsberg International A/S has a 50% interest in the issued share capital of Carlsberg Brewery Malaysia Berhad - of which Y. Bhg. Dato J. Bornhoft D.P.T.J. (Kehormat) is the Chairman, which has invested in 24.6% of the total issued share capital of The Lion Brewery Ceylon Limited.

30.4 Messrs. H. Selvanathan and D.C.R.Gunawardena, Directors of the Group are also Directors of Union Assurance Ltd., from which the Company obtained insurance policies at a total premium of Rs. 338,036/- (2002 - Rs. 3,800,602/-) during the year while the subsidiary has obtained insurance policies at a total premium of Rs. 47,684,576/- (2002- Rs. 26,640,569/-) during the year.

The Directors have no direct or indirect interest in any other contracts or proposed contracts of the Company and its subsidiary other than the above.

31. RELATED PARTY TRANSACTIONS

There were no related party transactions, other than those disclosed in Note 30 to the Financial Statements.

32. FOREIGN CURRENCY TRANSACTIONS

The principle exchange rates used for conversion of foreign currency transactions/balances are as follows:

	Closing Rate		Average Rate	
	31st March 2003 Rs.	31st March 2002 Rs.	31st March 2003 Rs.	31st March 2002 Rs.
US Dollar	96.35	94.63	96.34	90.63
Euro	105.40	84.45	97.34	81.85

Financial Review

OVERVIEW

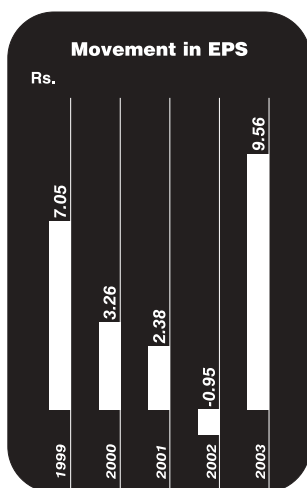
Consequent to the closure of the plant in Nuwara Eliya during the previous financial year, the turnover for the Company is derived solely from dividend, royalty - both of which in its entirety are from its subsidiary, The Lion Brewery - and interest income. Thus, being the first year in which sales of beer are not recorded to the credit of the Company, turnover declined by 33%.

Since the Company no longer brews and markets beers the review from hereon is based on the consolidated performance of the Group.

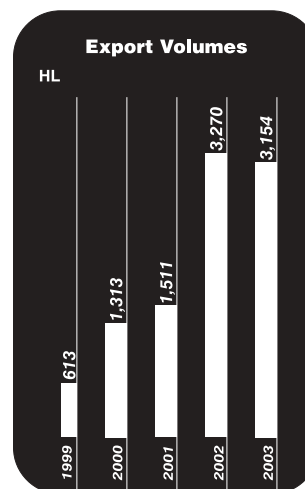
The Turnover for the year was Rs. 2, 179,554,794/- an increase of 14% over last year whilst the profit after taxation was Rs. 350,713,046/- an improvement of 217% over the same period.

The Net Profit margin was 16% this year compared to 14% last year, whilst Return on Shareholders' Funds increased from 6.23% to 32.74% over the same period.

Earnings per share increased from Rs. (0.95) to Rs. 9.58 this year whilst the Price Earnings Ratio was 7.41 times.



Turnover from exports increased very marginally by 7% when compared with the previous year; although volumes declined marginally. The contribution to gross profits during the year is Rs. 13.5 million.



RESULTS OF OPERATIONS

Turnover

Consolidated turnover increased by 14% over last year, as a result of volume increases during the year. The volume increase was mainly due to the reduction in the price of Lion Lager and Carlsberg in March 2002 supported by the improvement in the economy. In the budget of March 2002 the Excise Special Provision Tax of 10% on beer was removed. Although the benefit of the tax reduction was approximately only Rs. 5/- per bottle the prices of Lion Lager and Carlsberg were reduced by Rs. 10/- in order to boost volumes of beers with an alcohol content below 5%. The prices of Strong and Lion Stout - which has an alcohol content of 8% - were kept the same. The Company is mindful of the growing sales of high alcohol beers, and in order to reverse this trend, it consciously kept the price of mild beers such as Lion Lager, affordable.

The improvements in the services and agriculture sector resulted in volume increases across most brands and were derived from the main urban centres and areas such as Anuradhapura, Polonnaruwa, Kurunegala and Galle. Sales in the Southern & Western coastal belts also improved as a result of higher tourist arrivals during the year under review.

Costs

Total costs other than finance costs and net restructuring expenses were Rs. 1,773,209,110/- in the year under review compared to Rs. 1,638,751,218/- last year reflecting an 8% increase, the main contributor being cost of production. The prices of our main raw material malt increased during the year as did freight charges, energy and labour. Whilst all

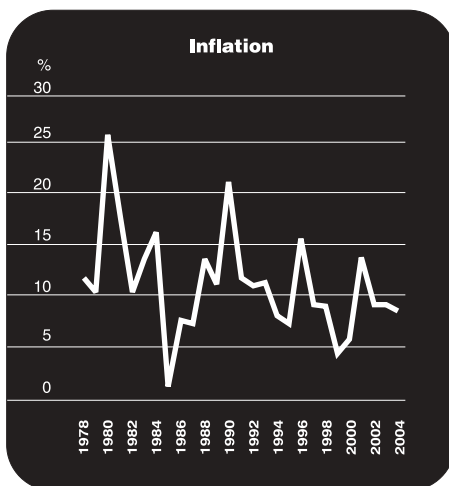


Financial Review (Contd.)

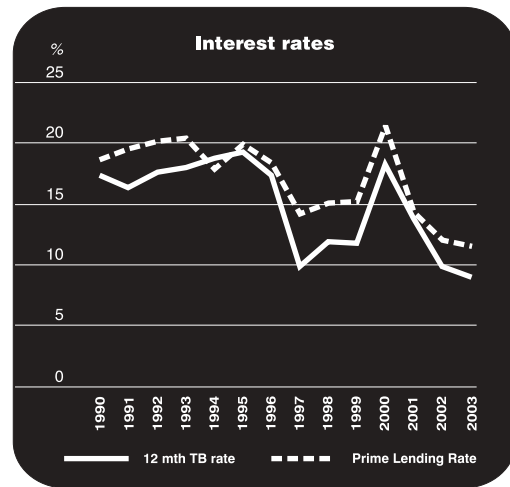
these factors resulted in higher costs, the amalgamation of production facilities in one location and the resultant improvement in efficiencies kept the total cost increase in line with improvements in volumes.

The overhead costs have increased by 9%, a result of higher insurance premium, salaries and other people related expenditure, the depreciation of the Euro and other inflation related factors. The depreciation of the Rupee against Euro contributes significantly to the increase in maintenance cost as most of the spare parts are imported from Germany. This also results in the increase in insurance premium as the plant - which is of German origin - is insured at the replacement value which continues to rise with the appreciation of the Euro against the Rupee. Nevertheless, the closure of the plant in Nuwara Eliya and the shifting of the marketing, distribution and export division offices from Colombo to Biyagama helped mitigate increases in costs to a great extent. If these measures were not taken in the previous year overhead costs would have risen further.

INFLATION



Finance costs increased by Rs. 23, 281,364/- when compared with the previous year. The Group obtained long term loans of Rs. 400, 000,000/- for The Lion Brewery financial restructuring and the purchase of preference shares from the DFCC/NDB consortium.



BALANCE SHEET

Total borrowings reduced from Rs. 554 million last year to Rs. 404 million this year due to the Company purchasing preference shares of The Lion Brewery from the DFCC/NDB consortium. The long term loan obtained during the year was used to purchase the preference shares. The net assets of the Company improved by Rs. 117 million. This resulted in the net assets per ordinary share improving by Rs. 5.59.

Capital Assets

In October 2002, The Lion Brewery commissioned a high gravity brewing plant, thus enhancing production capacity significantly. The subsidiary has also established a letter of credit and paid an advance for the purchase of four new fermenting vessels, which will further enhance capacity. These fermenting vessels together with the high gravity brewing plant will almost double the existing capacity. This is to be funded out of internally generated sources.

Working Capital

Net current assets increased by Rs. 73 million when compared with the previous year with the resultant current ratio increasing from 1.68 times to 2.10. Reductions in the net cash balance due to the purchase of preference shares contributed to the decline in net current assets.

On average the debtors' turnaround period is 30 days. Trade debtors are secured on bank guarantees. Stringent monitoring ensures debtors' balances are maintained within the bank guarantee limits.

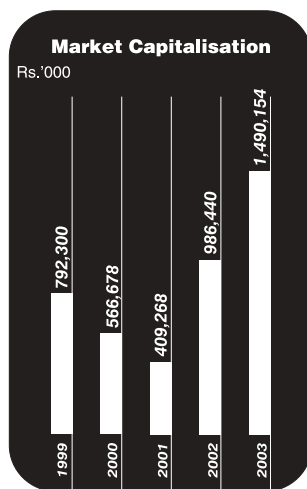
Financial Review (Contd.)

Long-Term Liabilities

Total long-term loans have increased by Rs. 237 million during the year as a result of converting the short-term borrowings into long-term loans. This was done to strengthen the capital structure of the Group. The term loan of Rs. 150 million obtained from the DFCC/NDB consortium was settled in its entirety this year. However, fresh loans of Rs. 400 million were obtained from DFCC and Commercial Bank during the period under review. These loans are at interest rates of 15.5% and 13% per annum respectively, whilst the interest on the previous loan was 18% per annum.

Capital Structure

As a result of the financial restructuring the gearing reduced from 41.09% last year to 22.09% this year. As a result the reduction in total borrowings the ratio of net borrowings to total assets has also reduced from 19.5% to 15.26% this year.



Carsons Management Services (Pvt) Limited

Managers

Colombo

17th April 2003

Statement of Value Added - Group

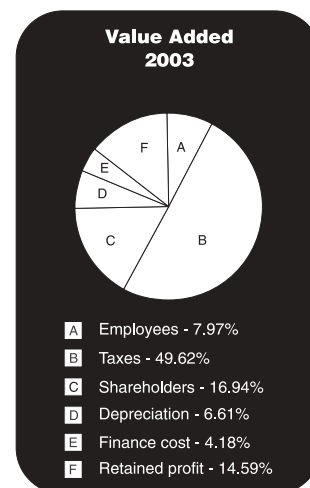
For the year ended 31st March

	2003 Rs.		2002 Rs.	
VALUE ADDED				
Revenue	2,179,554,794		1,915,809,291	
Other income	4,410,902		6,594,921	
	<u>2,183,965,696</u>		<u>1,922,404,212</u>	
Cost of materials and services bought from outside	(805,194,612)		(801,420,676)	
	<u>1,378,771,084</u>		<u>1,120,983,536</u>	
DISTRIBUTED AS FOLLOWS:				
		%		%
To Employees				
as remuneration	109,937,462	7.97	264,735,034	23.62
To Government				
as excise duty	681,730,044	49.44	630,103,164	56.21
as income tax	2,398,321	0.17	(23,809,226)	(2.12)
To Providers' of Capital				
as dividends to shareholders	97,514,860	7.07	53,812,497	4.80
as minority dividends	135,990,209	9.86	76,737,684	6.85
as finance costs	57,645,219	4.18	34,363,855	3.07
Amortisation of Goodwill	1,229,600	0.09	1,229,600	0.11
Retained in the Business				
as depreciation	91,165,032	6.61	103,721,513	9.25
as (loss)/profit for the year	201,160,337	14.59	(19,910,585)	(1.78)
	<u>1,378,771,084</u>	<u>100.00</u>	<u>1,120,983,536</u>	<u>100.00</u>

Notes:

- The Statement of Value Added shows the quantum of wealth generated by the activities of the Group and its applications.
- Goods and Services Tax, National Security Levy (discontinued from 1st August 2002), Excise Duty (Special Provision) (discontinued from 23rd March 2002) and Value Added Tax (effective from 1st August 2002) are excluded in arriving at the above Turnover. Therefore, tax liability/payment made to the Government during the year include the following:

	2003 Rs.	2002 Rs.
Goods and Services Tax	79,977,506	198,870,651
National Security Levy	58,158,624	143,460,995
Value Added Tax	155,113,638	-
Excise Duty (Special Provision)	45,860,092	234,398,807
Tax paid but not included under Net Sales	339,109,860	576,730,453
Excise Duty (included under Net Sales)	681,730,044	630,103,164
Income tax	2,398,321	(23,809,226)
Total taxes paid to the Government	<u>1,023,238,225</u>	<u>1,183,024,391</u>



Five Year Summary - Group

<i>Year ended 31st March</i>	2003	2002	2001	2000	1999
	Rs.	Rs.	Rs.	Rs.	Rs.
OPERATING RESULTS					
Net revenue	2,179,555	1,915,809	1,906,414	1,780,119	1,607,870
Other income	4,411	6,595	9,517	10,759	7,869
	2,183,966	1,922,404	1,915,931	1,790,878	1,615,739
Total expenditure	(1,773,210)	(1,801,210)	(1,695,098)	(1,581,106)	(1,295,125)
Profit from operating activities before finance cost	410,756	121,194	220,833	209,772	320,614
Finance costs	(57,645)	(34,364)	(60,979)	(64,962)	(53,054)
Profit from ordinary activities before tax	353,111	86,830	159,854	144,810	267,560
Taxation	(2,398)	23,809	(6,918)	(13,079)	(11,089)
Profit after tax	350,713	110,640	152,936	131,731	256,471
Dividends - Ordinary	83,952	-	-	41,976	31,482
- Preference	13,563	53,812	52,500	52,500	52,500
 <i>As at 31st March</i>	 2003	 2002	 2001	 2000	 1999
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance Sheet					
Share capital	209,881	209,881	209,881	209,881	209,881
Capital reserves	396,250	396,250	429,907	404,545	369,265
Revenue reserve	423,681	306,473	292,726	242,809	251,564
	1,029,812	912,604	932,514	857,235	830,710
Minority interest	781,362	682,572	605,834	538,051	545,918
Preference share capital	-	350,000	350,000	350,000	350,000
Long term loans repayable after one year	227,500	25,000	60,554	157,211	257,587
Capital employed	2,038,674	1,970,176	1,948,892	1,902,497	1,984,215
Represented by:					
Property, plant & equipment	1,880,359	1,846,945	1,942,752	1,961,841	1,997,784
Investments	-	-	148	148	148
Goodwill on consolidation	-	1,230	2,459	3,689	4,918
Current assets	740,628	775,134	702,560	734,831	606,709
Current liabilities	(352,522)	(460,557)	(500,813)	(624,249)	(423,115)
Customer deposits	(220,227)	(185,273)	(160,365)	(134,513)	(157,296)
Deferred liabilities	(9,564)	(7,303)	(37,849)	(39,250)	(44,933)
	2,038,674	1,970,176	1,948,892	1,902,497	1,984,215
Cash Flow Statistics					
Net cash inflows					
from operating activities	331,613	122,664	213,291	206,959	144,828
Net cash inflows					
from investing activities	(435,214)	(10,420)	(7,523)	(74,113)	(303,336)
Net cash inflows/(outflows)					
from financing activities	102,723	(150,470)	(193,202)	(194,541)	266,394
Net cash movement for the year	(879)	(38,226)	12,566	(61,695)	107,886



Five Year Summary - Group

<i>Year ended 31st March</i>	2003	2002	2001	2000	1999
	Rs.	Rs.	Rs.	Rs.	Rs.
RATIOS & STATISTICS					
Operational Ratios					
Return on shareholders' funds (%)	32.74	6.23	10.77	9.24	24.55
Assets turnover (times)	0.83	0.73	0.72	0.66	0.62
Equity to total assets (%)	254.51	287.45	283.69	314.60	313.54
Debt equity (%)	42.91	67.80	66.71	95.84	96.38
Gearing ratio (%)	22.09	41.09	44.03	59.42	73.58
Interest cover (times)	5.77	1.37	1.95	1.79	3.04
Borrowings to total assets (%)	16.86	23.59	23.51	30.33	30.56
Current ratio (times)	2.10	1.68	1.40	1.18	1.43
Quick ratio (times)	1.42	1.19	0.56	0.51	0.53
Earnings per share (Rs.)	9.58	(0.95)	2.38	3.26	7.05
Price earnings ratio (times)	7.41	–	8.19	8.28	5.35
Earnings yield (%)	13.5	(2.02)	12.21	12.07	18.68
Market price per share (Rs.)	71.00	47.00	19.50	27.00	37.75
Dividends per share (Rs.)	4.00	–	–	2.00	1.50
Dividend cover (times)	4.02	–	–	1.89	6.48
Net assets per share (Rs.)	49.07	43.48	44.43	40.84	39.35
Market capitalisation (Rs.'000)	1,490,154	986,440	409,268	566,678	792,300

US\$ Financials

PREPARATION OF US DOLLAR FINANCIALS

The translation of the Sri Lankan Rupee amounts into US Dollar amounts is included solely for the convenience of Shareholders, Investors, Bankers and other users of Financial Statements.

Income Statements

For the year ended 31st March	Note	Company		Group	
		2003 US\$	2002 US\$	2003 US\$	2002 US\$
Revenue	2	1,399,901	2,215,227	22,623,571	21,138,798
Cost of sales		-	(1,684,334)	(13,514,217)	(13,304,320)
Gross profit		1,399,901	530,893	9,109,354	7,834,478
Other operating income		13,255	318,652	45,785	72,768
		1,413,156	849,545	9,155,139	7,907,246
Distribution costs		-	(192,599)	(2,068,982)	(2,600,827)
Administrative expenses		(163,984)	(173,101)	(1,833,645)	(1,531,207)
Other operating expenses		-	-	(988,897)	(645,420)
Profit from ordinary activities		1,249,172	483,846	4,263,615	3,129,791
Net restructuring expenses		-	(1,587,057)	-	(1,792,550)
Profit/(loss) from operations		1,249,172	(1,103,211)	4,263,615	1,337,242
Finance cost		(165,463)	(20,498)	(598,352)	(379,166)
Profit/(loss) before taxation		1,083,709	(1,123,709)	3,665,263	958,075
Taxation		(24,894)	262,708	(24,894)	262,708
Profit/(loss) for the year after taxation		1,058,815	(861,001)	3,640,369	1,220,783
Preference dividend		-	-	(140,777)	(593,760)
Minority interest		-	-	(1,411,565)	(846,714)
Profit/(loss) attributable to ordinary shareholders		1,058,815	(861,001)	2,088,027	(219,691)
Retained profit brought forward		-	101,467	1,421,688	881,845
Profit/(loss) available for appropriation		1,058,815	(759,534)	3,509,715	662,154
Appropriations:					
Transferred to property, plant & equipment replacement reserve		-	(355,669)	-	(355,669)
Transferred to revenue reserve		-	(403,865)	-	(403,865)
Dividend		871,417	-	871,417	-
Retained profit carried forward		187,398	-	2,638,298	1,421,688
		1,058,815	(759,534)	3,509,715	662,154

Balance Sheets

As at 31st March	Note	Company		Group	
		2003 US\$	2002 US\$	2003 US\$	2002 US\$
ASSETS					
Non-Current Assets					
Property, plant & equipment		205,274	360,888	19,515,922	19,517,538
Investment in subsidiary		12,323,741	8,691,151	-	-
Goodwill on consolidation		-	-	-	12,994
		<u>12,529,015</u>	<u>9,052,039</u>	<u>19,515,922</u>	<u>19,530,532</u>
Current Assets					
Inventories		-	-	2,507,158	2,413,257
Trade & other receivables		21,024	50,978	4,730,322	4,549,825
Amounts due from related companies		-	1,755,233	-	-
Short term investments		-	2,113	-	7,397
Income tax recoverable		11,742	92,278	11,742	92,278
Short term deposits		-	126,810	36,793	308,647
Cash at bank and in hand		14,492	134,517	400,835	819,807
		<u>47,258</u>	<u>2,161,929</u>	<u>7,686,850</u>	<u>8,191,211</u>
Total Assets		<u>12,576,273</u>	<u>11,213,969</u>	<u>27,202,772</u>	<u>27,721,743</u>
EQUITY AND LIABILITIES					
Capital & Reserves					
Share capital		3,619,260	3,619,260	3,619,260	3,619,260
Capital reserves		3,564,371	3,629,157	4,112,610	4,187,361
Currency fluctuations		2,019,280	1,963,797	(1,440,943)	(1,401,349)
Revenue reserve		2,129,345	1,977,263	4,397,308	3,238,641
Shareholders' funds		<u>11,332,256</u>	<u>11,189,476</u>	<u>10,688,235</u>	<u>9,643,913</u>
Minority interest		-	-	8,109,624	7,213,062
Preference share capital		-	-	-	3,698,616
		<u>11,332,256</u>	<u>11,189,476</u>	<u>18,797,859</u>	<u>20,555,590</u>
Non-Current Liabilities					
Creditors due after one year		389,206	-	4,646,890	2,222,056
Retirement benefit obligations		-	-	99,259	77,176
		<u>389,206</u>	<u>-</u>	<u>4,746,149</u>	<u>2,299,232</u>
Current Liabilities					
Taxes payable		24,612	4,162	754,704	1,381,598
Trade and other liabilities		25,616	20,330	678,686	794,718
Amounts due to related companies		-	-	-	115,203
Long term loans repayable within one year		726,518	-	726,518	375,716
Short term loans		-	-	-	868,646
Bank overdrafts		78,065	-	1,498,856	1,331,039
		<u>854,811</u>	<u>24,492</u>	<u>3,658,764</u>	<u>4,866,921</u>
Total equity and liabilities		<u>12,576,273</u>	<u>11,213,969</u>	<u>27,202,772</u>	<u>27,721,743</u>



Five Year Summary - Group

(All figures in 000's)

Year ended 31st March	2003 US\$	2002 US\$	2001 US\$	2000 US\$	1999 US\$
Operating Results					
Net revenue	22,624	21,139	23,944	24,918	24,240
Other income	46	73	120	151	119
	22,669	21,212	24,063	25,068	24,359
Total expenditure	(18,406)	(19,875)	(21,290)	(22,132)	(19,525)
Profit from operating activities before finance cost	4,263	1,337	2,774	2,936	4,834
Finance costs	(598)	(379)	(766)	(909)	(800)
Profit from ordinary activities before tax	3,665	958	2,008	2,027	4,034
Taxation	(25)	263	(87)	(183)	(167)
Profit after tax	3,640	1,221	1,921	1,844	3,867
Dividends - Ordinary	871	-	-	588	455
- Preference	141	594	659	735	791
Balance Sheet					
Share capital	3,619	3,619	3,619	3,619	3,619
Capital reserve	4,113	4,187	4,960	5,488	5,336
Currency fluctuations	(1,441)	(1,401)	(1,198)	(772)	(586)
Revenue reserve	4,397	3,226	3,349	3,244	3,564
	10,688	9,631	10,731	11,578	11,933
Minority interest	8,110	7,213	6,990	7,299	7,889
Preference share capital	-	3,699	4,038	4,748	5,058
Long term loans repayable after one year	2,361	264	699	2,133	3,722
Capital employed	21,159	20,807	22,458	25,757	28,603
Represented by:					
Property, plant & equipment	19,516	19,518	22,416	26,612	28,870
Investments	-	-	2	2	2
Current assets	7,687	8,191	8,106	9,968	8,767
Current liabilities	(3,659)	(4,867)	(5,778)	(8,468)	(6,114)
Customer deposits	(2,286)	(1,958)	(1,850)	(1,825)	(2,273)
Deferred liabilities	(99)	(77)	(437)	(532)	(649)
	21,159	20,807	22,458	25,757	28,603

Notes to the Financial Statements

1. BASIS OF CONVERSION

The translation of Sri Lankan Rupee amounts into US Dollar amounts is solely for the convenience of the shareholders, investors, bankers and other users of financial statements.

The translation of the financial statements into US Dollars were effected based on the following exchange rates:

		2003	2002
Income statement	Average rate	96.34	90.63
Monetary assets and liabilities	Closing rate	96.35	94.63
Non-current assets and liabilities	Closing rate	96.35	94.63
Preference share capital	Closing rate	96.35	94.63
Ordinary share capital	Historical rate	57.99	57.99

Gains or losses on conversion are accounted for in the capital and reserves.

<i>For the year ended</i>	Company		Group	
	31st March	31st March	31st March	31st March
	2003	2002	2003	2002
	US\$	US\$	US\$	US\$

2. REVENUE

(A) By Industry

Investment holdings	1,399,901	429,561	26,140	-
Brewery	-	1,785,666	22,597,431	21,138,798
	1,399,901	2,215,227	22,623,571	21,138,798

(B) By Geographical Segment

Local revenue	1,399,901	2,215,227	22,380,763	20,898,975
Export revenue	-	-	242,808	239,823
	1,399,901	2,215,227	22,623,571	21,138,798



Information to Shareholders & Investors

1. STOCK EXCHANGE LISTING

The Ceylon Brewery Limited, is a Public Quoted Company, the issued ordinary shares of which are listed with the Colombo Stock Exchange of Sri Lanka.

2. SHARE VALUATION

The market value of the Company's shares as 31st March 2003 was Rs. 71.00 per share. (2002 - Rs. 47.00).

3. ORDINARY SHAREHOLDERS

	As at 31st March 2003	As at 31st March 2002
Number of shareholders	916	993

The number of shares held by non-residents as at 31st March 2003 was 4,310,321 which amounts to 20.54% of the issued share capital.

Frequency Distribution of Shareholdings as at 31st March 2003

Distribution of Shares	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	661	153,910	0.73	64	17,038	0.08	725	170,948	0.81
1,001 - 5,000	119	266,212	1.27	33	79,919	0.38	152	346,131	1.65
5,001 - 10,000	19	130,264	0.62	2	14,186	0.07	21	144,450	0.69
10,001 - 50,000	5	81,307	0.39	3	68,918	0.33	8	150,225	0.72
50,001 - 100,000	2	128,200	0.61	-	-	-	2	128,200	0.61
100,001 - 500,000	1	209,000	1.00	1	135,000	0.64	2	344,000	1.64
500,001 - 1,000,000	2	1,742,900	8.30	-	-	-	2	1,742,900	8.30
Above 1,000,000	1	13,965,976	66.54	3	3,995,260	19.04	4	17,961,236	85.58
Total	810	16,677,769	79.46	106	4,310,321	20.54	916	20,988,090	100.00

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individuals	835	650,485	3.10
Institutions	81	20,337,605	96.90
Total	916	20,988,090	100.00

The percentage of shares held by the public as at 31st March 2003 was 17.04%.

Information to Shareholders & Investors (Contd.)

4. SUBSTANTIAL SHAREHOLDINGS

<i>As at 31st March</i>		2003		2002	
Name of Shareholder	No. of Shares	% Holding	No. of Shares	% Holding	
Carson Cumberbatch Group Shareholders					
Carson Cumberbatch & Co. Limited	13,965,976	66.54	10,629,931	50.65	
The Ceylon Guardian Investment Trust Limited	934,900	4.45	275,700	1.31	
The Ceylon Investment Co. Limited A/C No. 01	808,000	3.85	203,000	0.97	
	15,708,876	74.84	11,108,631	52.93	
Other Shareholders					
Carlsberg A/S	1,676,440	7.99	1,676,440	7.99	
The Gilpin Fund Limited	1,296,920	6.18	1,133,520	5.40	
HSBC Intl. Nom. Limited - SNFE - Arisaig India Fund	1,021,900	4.87	-	-	
Hongkong & Shanghai Banking Corporation Limited - National Equity Fund	209,000	1.00	200,000	0.95	
DB Nominees (Singapore) PTE Ltd. No. 1 A/C	135,000	0.64	135,000	0.64	
National Asset Management Limited/Sri Lanka Insurance Corporation Limited	75,000	0.36	-	-	
Employees Provident Fund	53,200	0.25	203,200	0.97	
Mrs. E.E.M. Woodward and Mr. H.M.W. Woodward	32,965	0.15	32,965	0.15	
Mr. M. Radhakrishnan	24,350	0.12	24,350	0.12	
Guinness Morison International Limited	20,953	0.10	20,953	0.10	
Ceylon Finance and Securities Limited	17,457	0.08	17,457	0.08	
Freudenburg Shipping Agencies Limited	15,600	0.07	33,600	0.16	
CLSA Limited	15,000	0.07	-	-	
Secretarial Services Limited	12,100	0.06	12,100	0.06	
National Asset Management Limited/ Ceylon Chamber of Commerce	11,800	0.06	-	-	
Mrs. N.S. Senewiratne	10,000	0.05	10,000	0.05	
Mrs. L.A.S. Moldrich	9,900	0.05	9,900	0.05	

The Carson Cumberbatch Group holds 74.84% of the issued ordinary share capital of The Ceylon Brewery Limited.

5. MARKET PERFORMANCE - ORDINARY SHARES

<i>For the year ended 31st March</i>	2003	2002
Highest (Rs.)	75.25	49.00
Lowest (Rs.)	44.00	16.25
Value of shares traded (Rs.)	238,304,775	268,529,550

6. MARKET CAPITALISATION

The market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of a share was Rs. 1,490,154,390/- as at 31st March 2003 (31st March 2002 - Rs. 986,440,000/-).

7. DIVIDENDS

The first interim dividend of 20% was paid in June 2002 and the second interim dividend of 20% was paid in February 2003, on ordinary shares for the year ended 31st March 2003 (2002 - Nil). These dividends were paid from the Company's current years profit after tax. Directors have recommended the payment of a final dividend of 10% on ordinary shares for the year ended 31st March 2003, which will be declared at the Annual General Meeting.

8. NUMBER OF EMPLOYEES

There were no employees as at the Balance Sheet date.



Glossary of Financial Terms

APPROPRIATIONS

Apportioning of earning as dividends, capital and revenue reserves.

CAPITAL RESERVES

Reserves identified for specified purposes and considered not available for distribution.

CASH EQUIVALENTS

Liquid investments with original maturities of six months or less.

CONTINGENT LIABILITIES

Conditions or situations at the Balance Sheet date, the financial effects of which are to be determined by future events which may or may not occur.

CURRENT RATIO

Current assets divided by current liabilities.

DEBT

Total borrowings.

DIVIDEND COVER

Post tax profit after preference dividend, divided by gross dividend. It measures the number of times dividends are covered by distributable profits.

DIVIDEND PER ORDINARY SHARE

Dividends paid and proposed, divided by the number of ordinary shares in issue which ranked for those dividends.

EARNINGS PER ORDINARY SHARE

Profits attributable to ordinary shareholders divided by the number of ordinary shares in issue and ranking for dividend.

EQUITY

Ordinary share capital plus reserves.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Significant events that occur between the Balance Sheet date and the date on which financial statements are authorized for issue.

GEARING

Ratio of Borrowings to capital employed. Borrowings include all interest bearing long term liabilities.

INTEREST COVER

Profits before tax and interest charges divided by interest charges and preference dividend.

MARKET CAPITALISATION

The market value of a company at a given date obtained by multiplying the market price of a share by the number of issued ordinary shares.

NET ASSETS PER ORDINARY SHARE

Total assets less liabilities excluding preference share capital divided by the number of ordinary shares in issue. This represents the theoretical value per share if the Company is broken up.

PRICE EARNINGS RATIO - (P/E)

Market price of a share divided by earnings per share.

RELATED PARTIES

Parties who could control or significantly influence the financial and operating decisions/policies of the business.

REVENUE RESERVES

Reserves considered as being available for future distribution and appropriations.

VALUE ADDITION

The quantum of wealth generated by the activities of the Company.

WORKING CAPITAL

Capital required to finance the day-to-day operations (current assets less current liabilities).

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Ninety Second Annual General Meeting of the Company will be held on Monday, the 19th day of May 2003 at 10.45 a.m. at the "Sapphire Ballroom" of Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 1, for the following purposes:

- * To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31st March 2003 together with the Report of the Auditors thereon.
- * To declare a Final Dividend of 10% as recommended by the Board of Directors.
- * To re-elect Mr. H. Selvanathan who retires in terms of the Articles 105 and 106 of the Articles of Association of the Company.
- * To appoint Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board,

Carsons Management Services (Pvt) Limited

Secretaries

Colombo

17th April 2003

Notes:

1. A member is entitled to appoint a Proxy to attend and vote instead of him/herself. A Proxy need not be a member of the Company. A Form of Proxy accompanies this notice.
2. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1, not later than 10.45 a.m. on Saturday the 17th May 2003.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
4. The transfer books of the Company will not be closed.

Security Check

We shall be obliged if the shareholders attending the Annual General Meeting produce their National Identity Card to the security personnel stationed at the entrance lobby.



Form of Proxy

*I/We

of

being *a Member/Members of The Ceylon Brewery Limited hereby appoint:

- | | |
|--------------------------------------------------|-----------------|
| Lionel Cuthbert Read de Cabraal Wijetunge | or failing him, |
| Hariharan Selvanathan | or failing him, |
| Manoharan Selvanathan | or failing him, |
| Suresh Kumar Shah | or failing him, |
| Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (Kehormat) | or failing him, |
| Ranjith Sanath Goonewardhane | or failing him, |
| Chitta Prasanna Amerasinghe | or failing him, |
| Don Chandima Rajakaruna Gunawardane | or failing him, |
| Palehenalage Chandana Priyankara Tissera | or failing him, |

.....

of

as *my/our proxy to **..... vote as indicated hereunder for *me/us on my/our behalf at the Annual General Meeting of the Company to be held on Monday, the 19th day of May 2003 at 10.45 a.m.at "Sapphire Ballroom", Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 1, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To adopt the Report of the Directors and the Statements of Accounts for the year ended 31st March 2003, together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of 10% for the financial year ended 31st March 2003 as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. H. Selvanathan who retires in terms of Articles 105 and 106 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint as Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co., and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Three.

.....

Signature of Shareholder/s

- Note:**
- (a) *Please delete the inappropriate words
 - (b) If you wish your Proxy to speak at the meeting you should interpolate the words "Speak and" in the place indicated with ** and initial such interpolation.
 - (c) Instructions as to completion are noted on the reverse hereof.



Form of Proxy (Contd.)

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. A Proxy need not be a member of the Company.
3. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy if it has not already been registered with the Company.
4. In the case of a Company/Corporation, the Proxy must be under its common seal, which should be affixed and attested in the manner prescribed by its Articles of Association/Constitution.
5. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, not later than 10.45 a.m. on Saturday the 17th May 2003.

NAME OF COMPANY

The Ceylon Brewery Limited
(A Carson Cumberbatch Company)

LEGAL FORM

A Public Quoted Company with Limited Liability,
Incorporated in Sri Lanka in 1910

SUBSIDIARY COMPANY

The Lion Brewery Ceylon Limited (Holding of 50.4%)

PARENT COMPANY

Carson Cumberbatch & Company Limited

DIRECTORS

Reginald F. Poulier (*Resigned w.e.f. 3rd February 2003*)

L.C.R. de C. Wijetunge (*Appointed as Chairman
w.e.f. 25th February 2003*)

Hari Selvanathan (*Deputy Chairman*)

Mano Selvanathan

W. Unamboowe (*Resigned w.e.f. 31st May 2002*)

Suresh K. Shah (*Chief Executive Officer*)

Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (Kehormat)

Ranjith S. Goonewardhane

Prasanna Amerasinghe

D.C.R. Gunawardena

P.C.P. Tissera

ALTERNATE DIRECTORS

N. Ramaiah for Hari Selvanathan

M.C.S. Luul for Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (Kehormat)
(Resigned w.e.f. 25th November 2002)

COMMITTEE OF MANAGEMENT

Suresh K. Shah

Ranjith S. Goonewardhane

C. Prasanna Amerasinghe

C.T. Liyanage

Yohan de Silva

Lalith Chandrasiri

E. Vinayakarajah

Ranil Goonetilleke

Nishan Joseph

Herman J.C. Pereira

Sharlene Adams

BANKERS

Citibank

Commercial Bank

Hatton National Bank

HSBC

NDB Bank

Nations Trust Bank

Standard Chartered Bank

LEGAL ADVISERS

Messrs. F. J. & G. De Saram

216, De Saram Place

Colombo 10

Tel: + 94 74 718200

Fax: + 94 74 718220

AUDITORS

Messrs. KPMG Ford, Rhodes, Thornton & Co.

Chartered Accountants

No. 32A, Sir Mohamed Macan Markar Mawatha

Colombo 3

Tel: + 94 1 445871

Fax: + 94 1 445872

MANAGERS & SECRETARIES

Carsons Management Services (Pvt) Limited

No. 61, Janadhipathi Mawatha

Colombo 1

Tel: + 94 1 337665 (6 Lines)

Fax: + 94 1 337685

REGISTERED OFFICE

No. 61, Janadhipathi Mawatha

Colombo 1

Tel: + 94 1 337665 (6 Lines)

Fax: + 94 1 337685

BREWERY

No. 254, Colombo Road, Biyagama

Tel: + 94 1 465900 (10 Lines)

Fax: + 94 1 465901

COMPANY WEBSITE

www.lionbeer.com

CORPORATE WEBSITE

www.carsoncumberbatch.com

