

C O N T E N T S

Chairman's Statement	1
Review of Operations	2
Report of the Directors	6
Statement of Directors' Responsibilities	8
Audit Committee Report	9
Financial Statements	
Report of the Auditors	13
Income Statement	14
Balance Sheet	15
Statement of Changes in Equity	16
Cash Flow Statement	17
Significant Accounting Policies	18
Notes to the Financial Statements	23
Financial Review	32
Value Added Statement	35
Financial Highlights	36
US \$ Financials	37
Information to Shareholders & Investors	42
Glossary of Financial Terms	45
Notice of Meeting	46
Corporate Information	<i>Inner back cover</i>
Form of Proxy	<i>Enclosed</i>

F I N A N C I A L C A L E N D A R

Financial Year - 31st March 2003

Announcement of Results

First Quarter - 8th August 2002
Second Quarter - 28th October 2002
Third Quarter - 6th February 2003
7th Annual General Meeting - 19th May 2003

Chairman's Statement

I am pleased to welcome the members to the 7th Annual General Meeting of the Company and present on behalf of the Board of Directors, the audited Financial Statements for the year ended 31st March 2003.

A detailed account of the Company'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 Company earned a pre-tax profit of Rs. 328 million on a turnover of Rs. 2.177 billion improving on the previous years results of Rs. 209 million and Rs. 1.754 billion respectively. Your Company's share price responded well to these results closing the year on Rs. 65.50 per share, a gain of 27% on the value as at the start of the year. Shareholders will be pleased to note that your Board is recommending a first and final dividend of 30% for the financial year under review. Being a tax holiday company these dividends will be declared tax free. However, the recently announced budgetary changes would mean that future dividends will attract a 10% Dividend Tax although we continue to be a tax holiday company under the aegis of the BOI.

Keeping in line with an initiative of the ultimate parent Carson Cumberbatch & Co. Ltd., the internal auditing function of your Company 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 the 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 Company 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. Wijaya Unamboowe and the former Chairman of The Ceylon Brewery, Mr. R. Poulter.

Mr. Poulter was appointed to the Board of the parent, 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 parent, The Ceylon Brewery, on 27th November 1981 and to the Board of your Company 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 Brewery 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 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 Company's performance during the year under review can be considered as satisfactory as profits for the year reached Rs. 328 million on a turnover of Rs. 2.177 billion. The corresponding figures for the previous year were Rs. 209 million and Rs. 1.754 billion respectively. Earnings per share during the current year increased to Rs. 5.48 from Rs. 3.09 in the previous year. Net Assets per share also increased from Rs. 26.02 as at year ended 2002 to Rs. 31.51 at the end of the year under review. The Company's performance was reflected in a significant gain in its share price which as at 31st March 2003 closed on Rs. 65.50 per share, a gain of 27% on the previous year. Shareholders will be pleased to note that arising from these results your Board is recommending a first & final dividend of 30% for the year under review. Being a tax holiday Company, these dividends will be free of tax in the hands of shareholders.

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%. Thus the price of Lion Lager and Carlsberg were reduced by Rs. 10/- (per 625 ml bottle) although the benefit of the tax reduction was approx Rs. 5/-. We cushioned ourselves somewhat against a drastic drop in overall margins by maintaining the price of beers above 5% in alcohol at the previous levels.

Nevertheless, the Company did suffer a loss on a per litre basis as a result of this decision as our 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

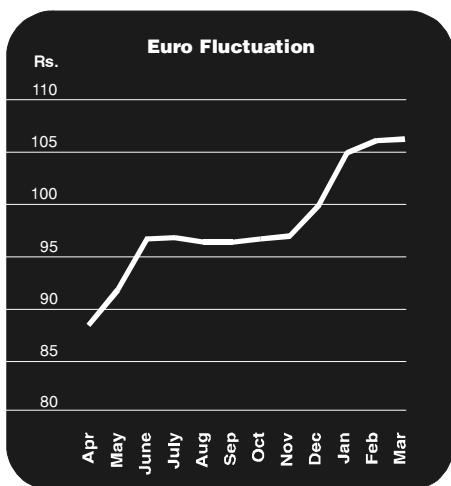
The economy gradually came out of its tailspin of the previous year much to the relief of all concerned. Overall expectations are that GDP growth for 2002 will exceed 3%. The major contributor to growth was from the services sector and is clearly reflected in our sales in the main urban centres. The improvement in the agriculture sector has helped us increase volumes significantly in areas such as Anuradapura, 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 we transact extensively. The result was higher operating costs during the year. It also means that capacity expansions will be impacted as most of our plant & machinery purchases are of German origin. Fortunately the reduction in interest rates helped cushion forex based cost increases to a degree.



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 Company experienced reasonable volume 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 Company 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 Company's distribution system is unparalleled 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 island-wide but difficulties in logistics meant that their distribution in the North-East was inadequate. The cease-fire and the ongoing peace process however, has given us the opportunity to expand distribution in these areas and volumes have increased significantly.

Review of Operations (Contd.)

Export volumes declined marginally during the year as a result of difficulties we 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. Imports 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 our current resources are inadequate to meet the needs of a wide spread of markets and thus our focus remains a few countries where we believe potential to be the highest.

We anticipate a substantial increase in volumes once the soft liquor licensing reforms are fully implemented. Thus, gearing our 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. 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. These investments are made from internally generated funds. The next step in the expansion programme - which too has commenced - is to re-validate our existing capacity master plan 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 we are shifting our 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 Company and all employees at all levels communicate extensively on e-mail and have access to information on the Company's 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. The Company 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 within the organization. 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 Company. This was achieved to a great extent during the latter part of the previous financial year when we shifted our administration and marketing offices 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 Company will complement its world class manufacturing infrastructure.

During the year under review we obtained ISO 9001: 2000 certification and to date remain the only brewery in the country with this international quality accreditation. The ISO certification - which we have enjoyed since the commencement of the brewery in 1998 - together with

Review of Operations (Contd.)

the internationally acclaimed quality assurance systems of Carlsberg and our world class manufacturing systems places us 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 Company and held by the two development banks were taken over by the parent, The Ceylon Brewery Ltd. 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 14 to 36.

COMMUNITY SERVICE

During the year under review we 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 re-defining 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 Company 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, we have 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 Company; 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.

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 Company.

PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of the Company remained brewing and bottling of high quality beers under license, for local and export markets.

REVENUE

The Revenue of the Company was Rs. 2.177 million (2002 - Rs.1.754 million), an analysis of which is given in Note 1 to the Financial Statements.

FINANCIAL RESULTS

<i>For the year ended 31st March</i>	2003	2002
	Rs.	Rs.

The profit available for appropriation is	536,968,481	337,357,170
---	--------------------	-------------

From which the following appropriations have been made:

Dividends

Ordinary - (2002-15%)	—	75,000,000
Preference 15.5% (up to 30th June 2001 - 15%)	54,250,000	53,812,497
Leaving a balance to be carried forward of	482,718,481	208,544,673

RESERVES

After the above mentioned appropriations, the total reserves of the Company stand at Rs. 1,075.33 million (2002 - Rs. 801.15 million) comprising of Capital Reserves of Rs. 592.61 million (2002 - Rs. 592.61 million) and Revenue Reserve of Rs. 482.72 million (2002 - Rs. 208.54 million). Details are shown in the Statement of Changes in Equity.

DIVIDEND

A 15.5% dividend on Redeemable Cumulative Preference Shares was paid during the year and your Directors have recommended the payment of a first and final dividend of 30% on the Issued and Fully paid Ordinary Shares for the year ended 31st March 2003 (2002-15%), which will be declared at the Annual General Meeting. The details are shown in Note 6 to the Financial Statements.

CAPITAL EXPENDITURE

The total expenditure on the purchase of property, plant & equipment by the Company during the year amounted to Rs.132.69 million (2002 - Rs. 66.68 million). The movements in property, plant & equipment during the year are set out in Note 9 to the Financial Statements.

VALUE OF PROPERTIES (LAND & BUILDINGS)

The land & bulidings owned by the Company were last valued in March 2001 by a qualified independent valuer. The market value arrived at was Rs. 684.58 million. The carrying value shown as at 31st March 2003 is net of subsequent additions, disposals and depreciation.

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 for the year ended 31st March 2003 (2002 - Rs. 0.18 million).

DIRECTORATE

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

In terms of Article 88 of the Articles of Association of the Company, Mr. W. Unamboowe retired from the Board with effect from 31st May 2002.

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

Mr. M. Lightbown was appointed to the Board with effect from 30th September 2002.

In terms of Article 87 of the Articles of Association of the Company, Mr. M. Lightbown retires from the Board and being eligible offers himself for re-election.

Report of the Directors (Contd.)

In terms of Articles 88 and 90 of the Articles of Association of the Company, Messrs. H. Selvanathan, M. Selvanathan, S.K. Shah and D.C.R. Gunawardena retire from the Board and being eligible offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS AND DIRECTORS' SHAREHOLDINGS

Directors' interests in contracts of the Company are disclosed in Note 24 to the Financial Statements and have been declared at meetings of the Directors. The Directors have no direct or indirect interest 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:

<i>As at 31st March</i>	No. of Shares 2003	No. of Shares 2002
L.C.R. de C. Wijetunge (Chairman)	-	-
W. Unamboowe (Retired w.e.f. 31st May 2002)	-	-
H. Selvanathan	987	987
M. Selvanathan	987	987
S.K. Shah	3,761	3,761
D.C.R. Gunawardena	22	22
Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (Kehormat)	-	-
Chin Voon Loong	-	-
Mark Lightbown (Appointed w.e.f. 30th Sept. 2002)	1,700	1,700

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. 6th January 2003

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the Balance Sheet date, no circumstances have arisen, which would require adjustments to or disclosure in the Financial Statements, other than those disclosed in Note 20 to the Financial Statements.

CAPITAL COMMITMENTS

As at the Balance Sheet date, the Company has established an irrevocable letter of credit for Euro 866,300/- to import four additional fermenting tanks which is estimated to cost Rs. 130 million inclusive 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 holdings in the issued share capital of the Company have been disclosed in Note 5 of the Information to Shareholders & Investors. As at 31st March 2003 the Company had 931 shareholders (2002 - 1,008 shareholders), whose distribution of holdings is disclosed in Note 3 of the Information to Shareholders & Investors.

SHARE INFORMATION

Information relating to dividend and market price per share and information on share trading are given on pages 42, 43 and 44 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, the 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 as at the end of the financial year and of the results 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 in order to ensure that the Financial Statements of the Company 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 in this regard to give proper consideration to the establishment of appropriate systems of internal control with a view to prevent, detect and rectify frauds 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

Audit Committee Report

The Audit Committee of the Company comprises of three members, one Executive Member and two being Non-Executive Members as follows:

Mr. Tilak de Zoysa

Mr. D.C.R. Gunawardena

Mr. R. de Lanerolle

Mr. Tilak de Zoysa is the Non-Executive Chairman of Carson Cumberbatch & Co. Limited, and is the Deputy Chairman/Managing Director of Associated Motorways Group of Companies. Mr. Chandima Gunawardena is a Director of Carson Cumberbatch & Co. Limited, The Lion Brewery Ceylon Limited, and The Ceylon Brewery Limited. Mr. Ralph de Lanerolle is the Chief Executive Officer of Property Development Limited.

During the financial year under review the Audit Committee engaged the services of KPMG, Malaysia to carry out an Enterprise Risk Management Audit (ERM) and Value Added Internal Audit Services. The ERM was carried out for The Lion Brewery Ceylon Limited.

Based on the ERM-Risk Assessment results, KPMG Malaysia formulated a 3 year Strategic Internal Audit Plan for the Company. The First Audit Cycle of The Lion Brewery Ceylon Limited, was concluded in January 2003 and the reports have been submitted to the Audit Committee. The management is now in the process of implementing the recommendations that arose out of both the ERM assessment and the Audit Cycle.

The creation of a risk aware culture within the Company will lead to business units having ownership of the processes. The units do already have individual informal risks awareness practices, hence the ERM process will provide a framework to assist the Company to identify measures, controls and monitor risk and to develop prioritised action plans to address identified risks.

Following the ERM Audit the Company formed a Risk Management Committee for the Brewery Sector and implemented the Risk Management process through which the Risk Register and Risk Profiles based on pre-defined criteria were generated. To facilitate the

Risk Management process, a software package branded RIMS (Risk information Management System) was installed.

The Audit Committee confirms its concurrence to the Board of Directors' recommendation to re-appoint Messrs. KPMG Ford, Rhodes, Thornton & Company as Auditors for the financial year ending 31st March 2004, subject to the approval of the shareholders at the Annual General Meeting.

The Audit Committee of The Ceylon Brewery Limited, consisted of the same members as in The Lion Brewery Ceylon Limited, and all audit aspects of The Ceylon Brewery Limited, were within the purview of The Lion Brewery Ceylon Limited, Audit Committee.

The Board of Directors have approved and established the Audit Committee charter as follows:

Purpose

To assist the Board of Directors in fulfilling its responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct.

Authority

The Audit Committee has authority to conduct or authorize investigations into any matters within the scope of responsibility. It is empowered to:

- Retain outside counsel, accountants or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees - all of whom are directed to cooperate with the Committee's request - or external parties.
- Meet with Company officers, external auditors or outside counsel, as necessary.

Audit Committee Report (Contd.)

Composition

The Audit Committee will consist of at least three and no more than six members. The Board of Directors will appoint Committee members and the Chair.

Meetings

The Committee will meet at least four times a year, and may convene further meetings as circumstances require. Two members will constitute the quorum for the time being and such members may meet in person or via tele or video conference.

Ethical Conduct

The members of the Committee are deemed to be citizens of high ethical conduct, and they are expected to conduct affairs of the Committee adopting highest ethical standards. The members are also expected not to divulge either directly or indirectly to any person at any time, information acquired during the conduct of Audit Committee affairs.

Responsibilities

The Committee will carry out the following responsibilities:

Financial Statements

- Review annual financial statements, significant issues, management letter contents, financial information development process and coordinate with management and external auditors on all matters required to be communicated to the Committee under the generally accepted Auditing/Accounting Standards.

Internal Control

- Review the effectiveness of the Company's internal control including information technology security and control and review internal control over financial reporting, and significant findings.

Internal Audit

- Review with management the charter of the internal audit assignment/s, plans, activities, independency and effectiveness.

External Audit

- Review the performance of the external auditors, and recommend appointment, re-appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors, on relationships between the auditors and the Company, including non-audit services proposed and carried out by the external auditors.

Compliance

- Review the effectiveness of the system for monitoring compliance.
- Review regular compliance declarations submitted by management and making independent observations.

Reporting Responsibilities

- Regularly report to the Board of Directors and annually to shareholders.

Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

Financial Statements

Report of the Auditors	13
Income Statement	14
Balance Sheet	15
Statement of Changes in Equity	16
Cash Flow Statement	17
Significant Accounting Policies	18
Notes to the Financial Statements	23
Financial Review	32

Financial Highlights

	2003	2002	% Change
	Rs.	Rs.	
Revenue	2,177,036,429	1,753,974,367	24.12
Profit from operations	375,828,719	268,061,396	40.20
Profit after taxation	328,423,808	208,525,569	57.50
Dividend, including preference dividend	54,250,000	128,812,497	(57.88)
Shareholders' funds	1,575,327,056	1,301,153,248	21.07
Total assets	2,615,279,418	2,568,066,278	1.84
Earnings per ordinary share	5.48	3.09	77.35
Net assets per ordinary share	31.51	26.02	21.07
Market capitalisation	3,275,000,000	2,575,000,000	27.18

Report of the Auditors



KPMG Ford, Rhodes, Thornton & Co.

(CHARTERED ACCOUNTANTS)

32 A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186,
Colombo 3,
Sri Lanka.

Telephone : (94-1) 445871,
451201 (17 Autolines)
Telefax : (94-1) 445872,
446058, 541249
E-mail : frt@kpmg.lk

TO THE MEMBERS OF THE LION BREWERY CEYLON LIMITED

We have audited the Balance Sheet of The Lion Brewery Ceylon Limited as at 31st March 2003 and the related Statements of Income, Changes in Equity and Cash Flow for the year then ended, together with the Accounting Policies and Notes as set out on pages 14 to 31 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 Flow 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 flow for the year then ended.

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 24 to these Financial Statements.

(Sgd.)

KPMG Ford, Rhodes, Thornton & Company
Chartered Accountants

Colombo
17th April 2003



KPMG Ford Rhodes, Thornton & Co.
is a member of KPMG International,
a Swiss Association

R. N. Asirwatham, F. C. A.
M. R. Mihular, F. C. A.

A. N. Fernando, F. C. A.
Ms. M. P. Perera, F. C. A.
T. J. S. Rajakarier, F. C. A.

R. Seevaratnam, F. C. A.
P. Y. S. Perera, F. C. A.
W. W. J. C. Perera, A. C. A.

S. Sirikananathan, F. C. A.
C. P. Jayatilake, F. C. A.

Income Statement

For the year ended 31st March

	Note	2003 Rs.	2002 Rs.
Revenue	1	2,177,036,429	1,753,974,367
Cost of sales		(1,350,119,928)	(1,092,050,478)
Gross profit		826,916,501	661,923,889
Other operating income	2	3,133,882	4,745,227
		830,050,383	666,669,116
Distribution costs		(199,325,758)	(218,257,709)
Administrative expenses		(160,855,200)	(123,085,171)
Other operating expenses		(94,040,706)	(57,264,840)
Profit from operations	3	375,828,719	268,061,396
Finance costs	4	(47,404,911)	(59,535,827)
Profit before taxation		328,423,808	208,525,569
Taxation	5	–	–
Profit for the year after taxation		328,423,808	208,525,569
Retained profit brought forward		208,544,673	128,831,601
Profit available for appropriation		536,968,481	337,357,170
Appropriations			
Dividend	6	54,250,000	128,812,497
Retained profit carried forward		482,718,481	208,544,673
		536,968,481	337,357,170
Earnings per ordinary share	7	5.48	3.09
Dividends per ordinary share		–	1.50

The Accounting Policies and Notes on pages 18 to 31 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Balance Sheet

<i>As at 31st March</i>	Note	2003 Rs.	2002 Rs.
ASSETS			
Non-Current Assets			
Property, plant & equipment	9	1,860,580,970	1,812,793,819
		1,860,580,970	1,812,793,819
Current Assets			
Inventories	10	260,188,476	246,990,317
Trade and other receivables	11	453,740,767	425,725,869
Short term investments	12	–	500,000
Short term deposits		3,545,017	17,207,257
Cash at bank and in hand		37,224,188	64,849,016
		754,698,448	755,272,459
Total Assets		2,615,279,418	2,568,066,278
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	850,000,000	850,000,000
Capital reserves	14	592,608,575	592,608,575
Retained profits		482,718,481	208,544,673
		1,925,327,056	1,651,153,248
Non-Current Liabilities			
Creditors due after one year	15	410,227,862	210,273,128
Retirement benefit obligations	16	9,563,596	7,303,168
		419,791,458	217,576,296
Current Liabilities			
Taxes payable	17	70,344,312	130,346,813
Trade and other payables	18	62,923,382	73,280,347
Amounts due to related companies	19	–	176,999,371
Ordinary dividend payable		–	75,000,000
Long term loans repayable within one year	15	–	35,554,000
Short term loans		–	82,200,000
Bank overdrafts		136,893,210	125,956,203
		270,160,904	699,336,734
Total Equity and Liabilities		2,615,279,418	2,568,066,278
Net assets per ordinary share		31.51	26.02

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 18 to 31 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Share Capital	Share Premium	Capital Redemption Reserve	Revaluation Reserve	Retained Profits	Total Equity
Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2001	500,000,000	487,801,310	70,000,000	34,807,265	128,831,601	1,221,440,176
Profit attributable for the year 2002	–	–	–	–	208,525,569	208,525,569
Dividend	6	–	–	–	(128,812,497)	(128,812,497)
Balance as at 31st March 2002	500,000,000	487,801,310	70,000,000	34,807,265	208,544,673	1,301,153,248
Profit attributable for the year 2003	–	–	–	–	328,423,808	328,423,808
Dividend	6	–	–	–	(54,250,000)	(54,250,000)
Balance as at 31st March 2003	500,000,000	487,801,310	70,000,000	34,807,265	482,718,481	1,575,327,056

Note:

The Preference Share Capital of Rs. 350 million has not been included under the Statement of Changes in Equity.

The Accounting Policies and Notes from pages 18 to 31 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statement

For the year ended 31st March

	Note	2003 Rs.	2002 Rs.
Cash Flows from Operating Activities			
Profit before taxation		328,423,808	208,525,569
Adjustments for:			
Finance costs	4	47,404,911	59,535,827
Depreciation on property, plant & equipment	9	84,843,333	82,059,647
Provision for gratuity	16	2,920,953	1,460,296
Provision for loss of value of investment	12	500,000	–
Profit on disposal of property, plant & equipment	2	(85,658)	–
Other operating income	2	(3,048,224)	(4,745,227)
Operating cash flow before working capital changes		460,959,123	346,836,112
Increase in inventories		(13,198,158)	(87,371,746)
Increase in trade and other receivables		(28,014,898)	(168,711,278)
Decrease in amounts due to related companies		(176,999,371)	(52,647,616)
Gratuity transferred from The Ceylon Brewery		–	2,512,922
Increase/(Decrease) in trade and other payables		(70,453,710)	50,982,575
Cash generated from operations		172,292,986	91,600,969
Finance costs paid		(47,404,911)	(59,535,827)
Gratuity paid	16	(660,525)	(474,567)
Net cash inflows from operating activities		124,227,550	31,590,575
Cash Flows from Investing Activities			
Purchase and construction of property, plant & equipment	9	(132,687,728)	(66,678,416)
Proceeds from sale of property, plant & equipment		142,900	–
Purchase of investments	12	–	(500,000)
Customer deposits received	15	61,431,921	121,970,031
Customer deposits refunded	15	(26,477,187)	(4,230,282)
Interest and other income received	2	1,665,221	2,540,757
Revaluation of deposits	2	1,383,003	2,204,470
Net cash used in investing activities		(94,541,870)	55,306,560
Cash Flows from Financing Activities			
Long term loan received	15	250,000,000	–
Repayments of loan term borrowings	15	(120,554,000)	(96,657,324)
Dividend paid	6	(129,155,755)	(53,812,497)
Net cash used in financing activities		290,245	(150,469,821)
Net increase/(decrease) in cash & cash equivalents		29,975,925	(63,572,686)
Cash & cash equivalents at the beginning of the year		(126,099,930)	(62,527,244)
Cash & cash equivalents at the end of the year		(96,124,005)	(126,099,930)
Cash & cash equivalents			
Cash at bank and in hand		37,224,188	64,849,016
Short term deposits		3,545,017	17,207,257
		40,769,205	82,056,273
Short term loans		–	(82,200,000)
Bank overdraft		(136,893,210)	(125,956,203)
		(96,124,005)	(126,099,930)

The Accounting Policies and Notes on pages 18 to 31 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Significant Accounting Policies

1. GENERAL ACCOUNTING POLICIES

1.1 Accounting Convention

The Financial Statements of The Lion Brewery Ceylon Limited 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 consistent with the previous year, and the previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

The Financial Statements of the Company have been prepared on a historical cost convention except for revaluation of freehold land and buildings as stated in the respective notes to these Financial Statements.

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

1.2 Conversion of Foreign Currencies

All foreign currency transactions are converted at the rate of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities have been translated into local 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.

The exchange differences arising therefrom have been dealt with in the Income Statement.

1.3 Taxes on income

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 38 of 2000 and amendments thereto at the rates specified in the respective notes to these Financial Statements.

However, in terms of the Agreement entered into with the Board of Investment of Sri Lanka, the operating profits and income accruing to the Company shall be exempt from income tax for a period of twelve years.

1.4 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 purposes 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.

1.5 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 acquisition/construction of property, plant & equipment which are capitalised as a part of the cost of the asset during the period of construction/development.

1.6 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 the Sri Lanka Accounting Standard 11, and is charged to the Income Statement equally over a period of five years.

Significant Accounting Policies (Contd.)

1.7 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

Valuation of property, plant & equipment is 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 has been treated as capital expenditure.

(iii) Depreciation

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

	Per annum %
Freehold buildings	2
Plant & machinery	5 - 10
Furniture & fittings	8
Office equipment	10
Computer equipment	33 1/3
Motor vehicles	20 - 25
Laboratory equipment	25

No depreciation is provided on freehold land.

No depreciation is provided in the year of acquisition or construction whilst 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 would remain at 25%.

(iv) Revaluation of Land and Buildings

The freehold land and buildings of the Company have been revalued and revaluation of these 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 through the revaluation reserve.

Significant Accounting Policies (Contd.)

(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.

(vi) **Project Expenditure**

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

2.2 Inventories

Inventories are recognised at cost and 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 materials and containers (bottles and crates) - 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.

Maintenance stock - cost of purchase together with any incidental expenses.

- (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 saleable condition.

2.3 Debtors and other Receivables

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

2.4 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 net of bank overdrafts and short term loans.

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 have been accounted for in preparing these Financial Statements. Provisions and 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. The 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.

Significant Accounting Policies (Contd.)

As recommended by the related Sri Lanka Accounting Standard, the 'Projected Unit Credit' (PUC) method has been used in this valuation. The principal assumptions made 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.

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.

3.3 Company contributions to the defined contribution plans are recognised as an expense in the Income Statement 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 these Financial Statements.

4 INCOME STATEMENT

4.1 Revenue

The 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. Goods and Services Tax, National Security Levy (discontinued from 1st August 2002) and Value Added Tax (effective from 1st August 2002) are excluded in arriving at the turnover.

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 is recognised upon delivery/collection 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

Interest income is identified on an accrual basis.

Gains or Losses on disposal of Property, Plant & Equipment

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

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

Significant Accounting Policies (Contd.)

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 the 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. SEGMENT REPORTING

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment) which is subject to risks and rewards that are different from those of the other segment.

7. DIRECTORS' RESPONSIBILITIES STATEMENT

The Board of Directors takes the 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

<i>For the year ended 31st March</i>	2003	2002
	Rs.	Rs.
1. Revenue		
(A) Geographical Segment Revenue		
Local revenue	2,153,644,357	1,732,239,216
Exports revenue	23,392,072	21,735,151
	<u>2,177,036,429</u>	<u>1,753,974,367</u>
2. Other Operating Income		
Surplus on revaluation of foreign currency deposits	1,383,003	2,204,470
Interest income from FCBU deposits	108,932	367,030
Interest income from call deposits	1,487,905	2,140,177
Profit on disposal of property, plant & equipment	85,658	-
Other income	68,384	33,550
	<u>3,133,882</u>	<u>4,745,227</u>
3. Profit from Operations		
Operating profit is stated after charging all expenses including the following:		
Auditors' remuneration	371,690	320,829
Internal audit charges	5,687,426	566,758
Audit committee charges	50,000	-
Depreciation on property, plant & equipment (Note 9)	84,843,333	82,059,647
Royalty	77,428,911	64,171,814
Management fees	44,902,065	37,491,005
Research and development	7,412,322	2,617,173
Provision for doubtful debts	1,882,079	-
Personnel costs (Note 3.1)	109,937,462	100,915,912
Donations	-	177,017
	<u>-</u>	<u>177,017</u>
3.1 Personnel Costs		
Salaries, wages and other related expenses	99,874,813	93,446,073
Defined benefit plan costs - Gratuity	2,920,953	1,460,296
Defined contribution plan cost - EPF & ETF	7,141,696	6,009,543
	<u>109,937,462</u>	<u>100,915,912</u>
The above includes:		
Directors' fees	110,000	130,000
	<u>110,000</u>	<u>130,000</u>
4. FINANCE COSTS		
Interest expenses - related companies	5,700,358	27,029,735
Interest expenses - financial institutions	40,991,639	29,343,504
Exchange loss on revaluation of foreign currency deposits	712,914	3,162,588
	<u>47,404,911</u>	<u>59,535,827</u>

Notes to the Financial Statements (Contd.)

5. Taxation

5.1 Income Tax

5.1.1 The operating profit and income accruing to the Company is exempt from income tax for a period of twelve years, commencing from 1st of June 1998, in terms of the agreement with the Board of Investment of Sri Lanka.

5.1.2 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%. 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. (No provision has been made in the accounts for interest earned as the Company has adequate tax losses brought forward from periods prior to the commencement of the tax holiday.)

No tax liability arises on interest earned on FCBU deposits as such is exempt from income tax.

5.1.3 The Company 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.

5.1.4 Reconciliation of the accounting profit and tax expenses:

<i>For the year ended 31st March</i>	2003	2002
	Rs.	Rs.
Accounting profits	328,423,808	208,525,569
Aggregate of disallowable expenses	100,396,381	119,219,589
Aggregate of allowable claims	(94,345,139)	(49,715,359)
Tax adjusted profit	334,475,050	278,029,799
Less: Exempt operational profit	(332,878,215)	(275,489,042)
Exempt interest income	(108,932)	(367,030)
Assessable income	1,487,903	2,173,727
Tax loss brought forward	(22,086,981)	(24,260,708)
Tax loss carried forward	(20,599,078)	(22,086,981)
Analysis of Tax Loss	Tax Loss	Period available
	Rs.	for c/f
Loss incurred in 1997/98	(14,321,138)	1 year
Loss incurred in 1998/99	(6,277,940)	2 years
	(20,599,078)	

5.2 Deferred Taxation

No provision has been made for deferred tax liability in the Financial Statements since the Company is exempt from income tax as disclosed in Note 5.1.1 to these Financial Statements.

Notes to the Financial Statements (Contd.)

For the year ended 31st March

2003 2002
Rs. Rs.

6. Dividends

On ordinary shares - (2002 - 15%)	-	75,000,000
On preference shares - 15.5% (up to 30th June 2001 - 15%)	54,250,000	53,812,497
	<u>54,250,000</u>	<u>128,812,497</u>

- (a) A preference dividend on redeemable cumulative preference shares of 15.5% per annum was paid on 30th June 2002, 30th September 2002, 31st December 2002 and 31st March 2003.
- (b) Directors have recommended the payment of a first and final dividend of 30% on ordinary shares for the year ended 31st March 2003 (2002 - 15%), which will be declared at the Annual General Meeting to be held on 19th May 2003. This dividend will be declared entirely out of tax free profits of the current year. In accordance with Sri Lanka Accounting Standard No. 12 (Revised) events after the Balance Sheet date, this proposed first and final dividend has not been recognised as a liability as at 31st March 2003.
- (c) Currently dividends declared by the Company out of exempt profits during the period of the tax holiday and one year thereafter, are exempt from income tax. Budget proposals for 2003 indicate that this exemption would be withdrawn from 1st April 2004.

7. Earnings per Ordinary Share

The calculation of earnings per ordinary share of Rs. 5.48 (2002 - Rs. 3.09) is based on profits 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:

Amount used as the Numerator

Profit after taxation	328,423,808	208,525,569
Less: Dividends on redeemable preference shares	(54,250,000)	(53,812,497)
Net profit attributable to ordinary shareholders	<u>274,173,808</u>	<u>154,713,072</u>
No. of ordinary shares used as denominator	<u>50,000,000</u>	<u>50,000,000</u>
Earnings per ordinary share	5.48	3.09

8. Foreign Currency Transactions

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

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

Notes to the Financial Statements (Contd.)

9. Property, Plant & Equipment

	Freehold Land Rs.	Freehold Buildings Rs.	Plant & Machinery Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Computer Equipment Rs.	Motor Vehicles Rs.	Laboratory Equipment Rs.	Capital Work-in-Progress Rs.	31st March 2003 Rs.	31st March 2002 Rs.
Cost / Valuation											
Beginning of the year	184,577,560	525,837,253	1,226,149,006	10,999,709	4,781,216	18,494,448	8,654,148	21,072,671	32,630,758	2,033,196,769	1,966,518,354
Additions	–	4,079,413	11,966,843	1,251,566	838,264	10,764,599	–	883,476	102,903,567	132,687,728	66,678,416
Transfers	4,992,779	12,425,441	83,107,608	426,082	150,300	–	–	–	(101,102,210)	–	–
Disposals	–	–	–	–	(7,950)	(155,000)	–	–	–	(162,950)	–
End of the year	189,570,339	542,342,107	1,321,223,457	12,677,357	5,761,830	29,104,047	8,654,148	21,956,147	34,432,115	2,165,721,547	2,033,196,770
Depreciation											
Beginning of the year	–	10,000,000	184,274,777	1,935,663	1,092,109	8,866,251	3,071,574	11,162,578	–	220,402,952	138,343,304
Charge for the year	–	10,596,079	62,053,966	879,977	478,121	4,137,085	1,429,937	5,268,168	–	84,843,333	82,059,647
Disposals	–	–	–	–	(2,385)	(103,323)	–	–	–	(105,708)	–
End of the year	–	20,596,079	246,328,743	2,815,640	1,567,845	12,900,013	4,501,511	16,430,746	–	305,140,577	220,402,951
Net Book Value											
As at 31st March 2003	189,570,339	521,746,028	1,074,894,714	9,861,717	4,193,985	16,204,034	4,152,637	5,525,401	34,432,115	1,860,580,970	–
As at 31st March 2002	184,577,560	515,837,253	1,041,874,229	9,064,046	3,689,107	9,628,197	5,582,574	9,910,093	32,630,758	–	1,812,793,819

9.1 Reconciliation of the carrying amount of the revalued assets, if they were carried at cost

	Land Rs.	Buildings Rs.
Carrying value of revalued assets if carried at cost		
Cost	171,454,797	523,170,133
Additions during the year	4,992,779	16,504,854
	<u>176,447,576</u>	<u>539,674,987</u>
Accumulated depreciation	–	(39,506,776)
	<u>176,447,576</u>	<u>500,168,211</u>
Appreciation due to revaluation		
Revaluation amount	13,122,763	2,667,120
Accumulated depreciation on cost as at revaluation	–	19,017,382
Revaluation surplus	13,122,763	21,684,502
Accumulated depreciation on revaluation amount	–	(106,685)
Net appreciation	<u>13,122,763</u>	<u>21,577,818</u>
Carrying amount	<u>189,570,339</u>	<u>521,746,028</u>

9.2 Freehold land and buildings of the Company were revalued in the books to conform with the market values as at 31st March 2001, which were assessed on a going concern basis by Messrs. A.Y.Daniel & Son, Professional Valuers and the resultant surplus arising therefrom has been transferred to the revaluation reserve and included under capital reserves.

9.3 Any gains on the disposal of this revalued freehold land and buildings will not be subject to capital gains tax with the abolishment of income tax on capital gains as of April 2002.

Notes to the Financial Statements (Contd.)

<i>As at 31st March</i>	2003	2002
	Rs.	Rs.
10. 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	110,742,811	96,277,500
Maintenance spares	53,405,730	46,142,902
Others	23,026,525	10,158,792
	<u>260,188,476</u>	<u>246,990,317</u>

11. Trade and other Receivables

Trade debtors	174,289,745	179,947,933
Provision for doubtful debts	(1,882,079)	-
Containers with distributors	238,051,493	205,158,108
Advances, prepayments and other debtors	43,048,537	40,507,035
Loans to Company employees (Note 11.1)	233,071	112,793
	<u>453,740,767</u>	<u>425,725,869</u>

11.1 Loans to Company Employees

Balance as at beginning of the year	112,793	366,140
Loans granted during the year	218,150	436,000
Recovered during the year	(97,872)	(689,347)
Balance as at end of the year	<u>233,071</u>	<u>112,793</u>

12. Short Term Investments - Unquoted

	No. of Shares	Cost as at 31st March 2003 (Rs.)	Cost as at 31st March 2002 (Rs.)
Beverage Dispensing Co. Limited	40,000	500,000	500,000
Provision for loss of value of investment		(500,000)	-
		<u>-</u>	<u>500,000</u>

13. Share Capital

<i>As at 31st March</i>	2003	2002
	Rs.	Rs.
Authorised		
50,000,000 Redeemable Cumulative Preference Shares of Rs. 10/- each	500,000,000	500,000,000
500,000,000 Ordinary Shares of Rs. 10/- each	5,000,000,000	5,000,000,000
	<u>5,500,000,000</u>	<u>5,500,000,000</u>

Notes to the Financial Statements (Contd.)

13. Share Capital (Contd.)

<i>As at 31st March</i>	2003	2002
	Rs.	Rs.
Issued and Fully Paid		
Preference Shares		
35,000,000, 15.5% Redeemable Cumulative Preference Shares of Rs. 10/- each	350,000,000	350,000,000
Ordinary Shares		
50,000,000 Ordinary Shares of Rs. 10/- each	500,000,000	500,000,000
Total Share Capital	850,000,000	850,000,000

The 15.5% redeemable cumulative preference shares (non-voting) were issued on 1st April 1998. These preference shares which were previously held by the DFCC/NDB consortium, were purchased in their entirety by the parent company, The Ceylon Brewery Limited. The dividend thereon is paid 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%.

14. Capital Reserves

Balance as at beginning of the year	592,608,575	592,608,575
Balance as at end of the year	592,608,575	592,608,575
Represented by		
Revaluation reserve	34,807,265	34,807,265
Capital redemption reserve *	70,000,000	70,000,000
Share Premium	487,801,310	487,801,310
	592,608,575	592,608,575

* The capital redemption reserve is for the purpose of redeeming the non-voting redeemable cumulative preference shares.

15. Creditors due after one year

Long term loans repayable after one year (Note 15.1)	190,000,000	25,000,000
Customer deposits (Note 15.3)	220,227,862	185,273,128
	410,227,862	210,273,128

15.1 Long Term Loans repayable after one year

Balance as at the beginning of the year	60,554,000	157,211,324
Loan obtained during the year	250,000,000	-
Repayments during the year	(120,554,000)	(96,657,324)
Balance as at the end of the year	190,000,000	60,554,000
Less:		
Repayable within one year	-	(35,554,000)
Repayable after one year	190,000,000	25,000,000

Notes to the Financial Statements (Contd.)

15. Creditors due after one year (Contd.)

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

15.2 Details of Long Term Borrowings

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.
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.
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
		<u>190,000,000</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 settlement.

15.3 Customer Deposits

<i>As at 31st March</i>	2003 Rs.	2002 Rs.
Balance as at beginning of the year	185,273,128	67,533,379
Deposits received during the year *	61,431,921	26,941,178
Deposits transferred from The Ceylon Brewery Limited during the year	–	95,028,853
Deposits refunded during the year	(26,477,187)	(4,230,282)
Balance as at end of the year	<u>220,227,862</u>	<u>185,273,128</u>

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

Notes to the Financial Statements (Contd.)

16. Retirement Benefit Obligations

<i>As at 31st March</i>	2003	2002
	Rs.	Rs.
Balance as at the beginning of the year	7,303,168	3,804,517
Provision for the year	2,920,953	1,460,296
Transferred from The Ceylon Brewery Limited during the year	-	2,512,922
Payments during the year	(660,525)	(474,567)
Balance as at the end of the year	9,563,596	7,303,168

16.1 The gratuity provision 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 Company 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 Company ceasing to be a going concern as the amount payable as per the Payment of Gratuity Act is only Rs. 8,964,927/-.

The above provision has not been externally funded.

17. 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	-	13,075,481
Value Added Tax	20,210,669	-
	70,344,312	130,346,813

18. Trade and other Payables

Trade creditors	13,541,774	28,493,887
Others, including accrued expenses	49,287,363	44,786,460
Unclaimed dividends	94,245	-
	62,923,382	73,280,347

19. Amounts due to Related Companies

The Ceylon Brewery Limited	-	166,097,671
Carsons Management Services (Pvt) Limited	-	124,176
Carlsberg International A/S	-	10,777,524
	-	176,999,371

20. Events occurring after the Balance Sheet date

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

21. Comparative Figures

Certain comparative figures have been restated to conform to the classifications and presentations as at 31st March 2003.

22. Contingent Liabilities

There were no contingent liabilities which would require adjustments to or disclosure in the Financial Statements.

Notes to the Financial Statements (Contd.)

23. Contracts for Capital Expenditure

As at the Balance Sheet date, the Company has established a letter of credit for Euro 866,300/- to import four additional fermenting tanks which are estimated to cost Rs.130 million inclusive 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.

24. Directors' Interest in Contracts

(A) Messrs. L. C. R. de C. Wijetunge, W. Unamboowe (retired 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 Ceylon Brewery Limited, with which the following contracts/transactions have been entered into during the year by the Company in the normal course of business.

The Ceylon Brewery Limited (CBL)

- (a) was the promoter of the Company and had advanced a sum of Rs. 166,097,671/- to the Company as at 1st April 2002, which was settled in full during the year. The Company paid interest of Rs. 5,700,358/- (2002 - Rs. 27,029,735/-) due up to the time of the repayment.
 - (b) has charged Rs. 48,160,266/- (2002 - Rs.38,931,144/-) as royalty in accordance with the licensed brewing agreement with the Company.
 - (c) purchased during the year 35,000,000 Redeemable Cumulative Preference Shares of Rs.10/- each of the Company, amounting to Rs. 350 million which was previously held by DFCC/NDB consortium. The Company paid Rs. 40,687,500/- as preference dividend to CBL at the rate of 15.5% per annum.
 - (d) has provided an undertaking to make payments to DFCC Bank in the event the Company is not able to pay the loan of Rs. 250 million, details of which are as per Note 15.2 to the Financial Statements.
 - (e) sold computer equipment/software to the Company for Rs. 8,050,949/- being its written down value.
- (B) Messrs. H. Selvanathan, M. Selvanathan, S.K. Shah and D.C.R. Gunawardena, Directors of the Company are also Directors of Carsons Management Services (Pvt) Limited, which provides management and secretarial services to the Company. During the year management fees amounting to Rs. 44,902,065/- (2002 - Rs. 37,491,005/-) was paid by the Company to Carsons Management Services (Pvt) Limited.
- (C) Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (Kehormat) and Mr. Chin Voon Loong, Directors of the Company also represent Carlsberg Brewery Malaysia Berhad which has invested in 24.6% of the total issued ordinary share capital of the Company. The Company has a licensed brewing agreement for which a sum of Rs. 29,268,645/- (2002 - Rs. 25,240,670/-) was paid during the year to Carlsberg International A/S, which has a 50% interest in the issued share capital of Carlsberg Brewery Malaysia Berhad, of which Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (Kehormat) is the Chairman and Mr. Chin Voon Loong is a Director.
- (D) Messrs. H. Selvanathan and D.C.R. Gunawardena, Directors of the Company are also Directors of Union Assurance Limited, from which the Company obtained insurance policies paying a total premium of Rs. 47,684,576/- (2002 - Rs. 26,640,569/-) for the year.

The Directors have no direct or indirect interest in any other contracts or proposed contracts of the Company other than those disclosed above.

25. Related Party Transactions

There were no related party transactions, other than those disclosed in Note 24 to these Financial Statements.

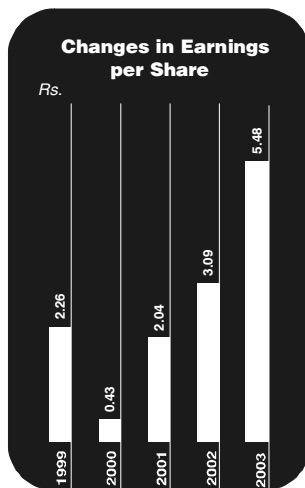
Financial Review

Overview

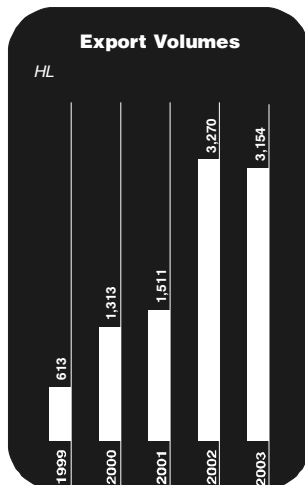
Turnover for the year was Rs. 2,177,036,429/- an increase of 24% over last year whilst Profit after Taxation was Rs. 328,423,808/- an improvement of 58% over the same period.

The Company's Net Profit margin was 15% this year compared to 12% last year, whilst Return on Shareholders' Funds increased from 11.89% to 17.40% over the same period.

Earnings per share increased from Rs. 3.09 to Rs. 5.48 this year whilst the Price Earnings Ratio changed from 16.67 to 11.94.



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



Results of Operations

Turnover

Turnover increased by 24% over last year, as a result of satisfactory 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, a result of the withdrawal of the Excise Special Provision Tax of 10% on beer. Although the benefit of the tax reduction was approximately 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%. Prices of Strong Beer and Lion Stout - both of which have an alcohol content above 5% - 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.

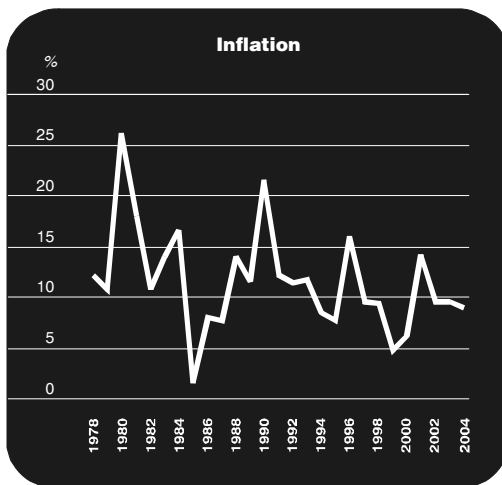
The improvement in the economy also contributed significantly to volume growth. The growth in the services and agriculture sector resulted in volume increases across most brands and were derived from the main urban centres of Colombo and Kandy and areas such as Anuradhapura, Polonnaruwa, Kurunegala and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

Costs

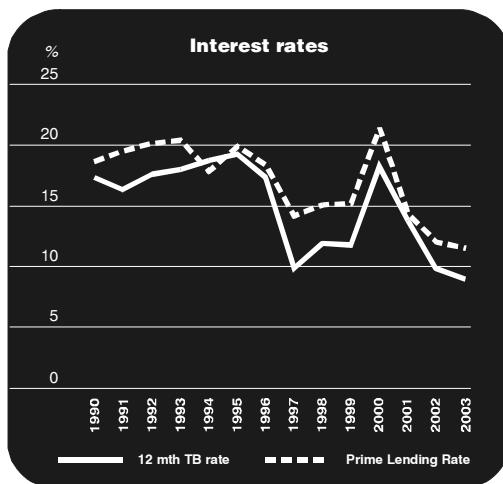
Total expenditure excluding finance costs were Rs.1,804,341,592/- in the year under review compared to Rs.1,490,658,198/- last year reflecting a 21% increase, the main contributor being cost of production. The price of our main raw material malt increased during the year as did freight charges, energy and labour. Whilst all these factors resulted in higher costs, the amalgamation of production in one location and the resultant improvement in efficiencies meant that production cost increases were kept to a manageable level.

Overhead costs have increased by 14%, a result of higher insurance premiums, salaries and people related expenditure, the depreciation of the Euro and other inflation related factors. The depreciation of the Rupee against the Euro contributes significantly to increases in the cost of machinery maintenance as most of our

spare parts are imported from Germany. This also results in an increase in insurance premiums as the plant - which is of German origin - is insured at replacement value and thus, 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, export and administration 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.



Finance costs reduced by Rs.12,130,916/- when compared with the previous year as overall interest rates declined during the year. A long-term loan of Rs. 250,000,000/- was obtained during the year at an interest rate of 15.5% and was used to pay off short-term borrowings and the remaining balance of the previous long-term loan, all of which were at higher rates.



Balance Sheet

Total borrowings - including Preference Shares - reduced from Rs. 720 million last year to Rs. 640 million this year. The Preference Shares issued by the Company were purchased by the parent, The Ceylon Brewery from the DFCC/NDB consortium and thus the need for redemption did not arise. The net assets of the Company improved by Rs. 274 million. This resulted in the net assets per ordinary share improving by Rs. 5.49.

Capital Assets

In October 2002, the Company commissioned a high gravity brewing plant, thus enhancing production capacity significantly. The Company has also established a letter of credit and paid an advance for the purchase of four new fermenting vessels, which together with the high gravity brewing plant will almost double the originally installed capacity.

Working Capital

Net Current Assets improved by Rs. 429 million when compared with the previous year as a result of which the Current Ratio improved from 1.08 times to 2.79. Reductions in the amounts due to related companies and short term loans have resulted in the improvement of the Net Current Assets. Inventories and other receivables have also contributed marginally to this increase.

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 and Capital Structure

Total long-term loans have increased by Rs. 165 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 Company. Share Capital and Reserves together with the long-term loans now fund the Non-Current Assets and a major portion of the Current Assets. Further, as a result of this restructuring the Company's cost of borrowing has also reduced significantly as is reflected in its financing costs incurred during the year.

As a result of the increase in long term borrowings the Company's gearing changed from 28.82% to 34.28%. This computation is based on the conservative methodology, which treats Preference Shares as a borrowing. Management is committed to improving the gearing as it would give the Company flexibility to operate in a volatile and sensitive market. As a result of the reduction in total borrowings the ratio of net borrowings to total assets has also reduced from 27.4% to 24.3%.



Carsons Management Services (Pvt) Limited

Managers

Colombo

17th April 2003

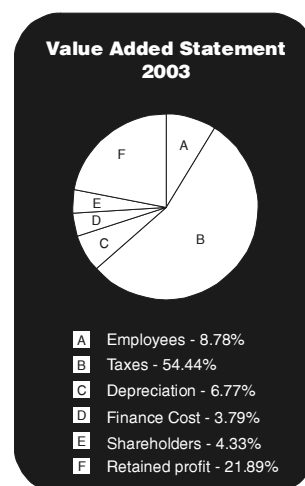
Value Added Statement

For the year ended 31st March		2003		2002
		Rs.		Rs.
Revenue		2,177,036,429		1,753,974,367
Other income		3,133,882		4,745,227
		<u>2,180,170,311</u>		<u>1,758,719,594</u>
Cost of materials and services				
bought from outside		(927,830,753)		(755,024,151)
Value Added		<u>1,252,339,558</u>		<u>1,003,695,443</u>
Distributed as follows:				
			%	%
To Employees				
as remuneration		109,937,462	8.78	100,915,912
To Government				
as taxes		681,730,044	54.44	552,658,488
To Providers of Capital				
as dividends to shareholders		54,250,000	4.33	128,812,497
as finance costs		47,404,911	3.79	59,535,827
Retained in the Business				
as depreciation		84,843,333	6.77	82,059,647
as profit for the year		274,173,808	21.89	79,713,072
		<u>1,252,339,558</u>	<u>100.00</u>	<u>1,003,695,443</u>

Notes:

- The Statement of Value Added shows the quantum of wealth generated by the activities of the Company and its applications.
- Goods and Services Tax and 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	2002
	Rs.	Rs.
Goods and Services Tax	74,536,531	155,651,164
National Security Levy	58,158,624	127,042,198
Value Added Tax	149,524,464	—
Excise Duty (Special Provision)	45,860,092	196,098,907
Tax paid but not included under Net Sales	328,079,711	478,792,269
Excise Duty (included under Net Sales)	681,730,044	552,658,488
Total Taxes paid to the Government	<u>1,009,809,755</u>	<u>1,031,450,757</u>



Financial Highlights

Year ended 31st March	2003	2002	2001	2000	1999
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	2,177,036,429	1,753,974,367	1,348,953,420	1,132,770,905	815,173,977
Other income	3,133,882	4,745,227	3,407,028	1,331,188	3,032,426
	2,180,170,311	1,758,719,594	1,352,360,448	1,134,102,093	818,206,403
Total expenditure	(1,804,341,592)	(1,490,658,198)	(1,113,915,678)	(977,903,146)	(588,964,857)
Profit from operating activities					
before finance cost	375,828,719	268,061,396	238,444,770	156,198,947	229,241,546
Finance costs	(47,404,911)	(59,535,827)	(84,091,700)	(82,062,146)	(63,899,816)
Profit from ordinary					
activities before tax	328,423,808	208,525,569	154,353,070	74,136,801	165,341,730
Income tax	-	-	-	-	-
Profit after tax	328,423,808	208,525,569	154,353,070	74,136,801	165,341,730
Dividends - Ordinary	-	75,000,000	-	-	37,500,000
Dividends - Preference 15.5% (up to 30th June 2001 - 15%)	54,250,000	53,812,497	52,500,000	52,500,000	52,500,000
As at 31st March	2003	2002	2001	2000	1999
	Rs.	Rs.	Rs.	Rs.	Rs.
BALANCE SHEET					
Share capital	850,000,000	850,000,000	850,000,000	850,000,000	850,000,000
Capital reserves	592,608,575	592,608,575	592,608,575	557,801,310	557,801,310
Retained profits	482,718,481	208,544,673	128,831,601	26,978,531	5,341,730
	1,925,327,056	1,651,153,248	1,571,440,176	1,434,779,841	1,413,143,040
Long term borrowings repayable after one year	190,000,000	25,000,000	60,554,000	157,211,324	255,138,904
CAPITAL EMPLOYED	2,115,327,056	1,676,153,248	1,631,994,176	1,591,991,165	1,668,281,944
REPRESENTED BY					
Property, plant & equipment	1,860,580,970	1,812,793,819	1,828,175,050	1,844,200,138	1,876,738,433
Current assets	754,698,448	755,272,459	437,252,189	399,851,388	262,939,044
Current liabilities	(270,160,904)	(699,336,734)	(562,095,167)	(608,495,742)	(446,227,231)
Customer deposits	(220,227,862)	(185,273,128)	(67,533,379)	(40,748,614)	(23,378,080)
Retirement benefit obligations	(9,563,596)	(7,303,168)	(3,804,517)	(2,816,005)	(1,790,222)
	2,115,327,056	1,676,153,248	1,631,994,176	1,591,991,165	1,668,281,944
CASH FLOW STATISTICS					
Net cash inflows/(outflows) from operating activities	124,227,551	31,590,575	241,718,901	105,166,140	(146,879,390)
Net cash inflows/(outflows) from investing activities	(94,541,870)	55,306,560	(190,525)	(24,974,006)	(110,870,654)
Net cash inflows/(outflows) from financing activities	290,245	(150,469,821)	(149,157,324)	(182,381,352)	293,750,000
Net cash movement for the year	29,975,926	(63,572,686)	92,371,052	(102,189,218)	35,999,956
RATIOS & STATISTICS					
Return on shareholders' funds (%)	17.40	11.89	8.34	1.99	10.61
Assets turnover (times)	0.83	0.68	0.60	0.50	0.38
Equity to total assets (times)	1.66	1.97	1.85	2.07	2.01
Interest cover (times)	3.70	2.36	1.75	1.16	1.97
Gearing ratio (%)	34.28	28.82	33.61	46.76	56.92
Current ratio (times)	2.79	1.08	0.78	0.66	0.59
Earnings per share (Rs.)	5.48	3.09	2.04	0.43	2.26
Price earnings ratio (times)	11.94	16.67	4.91	41.86	11.73
Market price per share (Rs.)	65.50	51.50	10.00	18.00	26.5
Net assets per share (Rs.)	31.51	26.02	24.43	21.70	21.26
Market capitalisation (Rs. '000)	3,275,000	2,575,000	500,000	900,000	1,325,000
Dividends - Preference (%)	15.50	15.50	15.00	15.00	15.00
- Ordinary (%)	-	15.00	-	-	7.50

Figures in brackets indicate deductions.

US \$ Financials

PREPARATION OF US DOLLAR FINANCIALS

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

Income Statement

For the year ended 31st March

	Note	2003 US \$	2002 US \$
Revenue	2	22,597,430	19,353,132
Cost of sales		(14,014,116)	(12,049,547)
Gross profit		8,583,314	7,303,585
Other operating income		32,529	52,358
		8,615,843	7,355,943
Distribution costs		(2,068,982)	(2,408,228)
Administrative expenses		(1,669,662)	(1,358,106)
Other operating expenses		(976,134)	(631,853)
Profit from operations		3,901,065	2,957,756
Finance costs		(492,058)	(656,911)
Profit before taxation		3,409,007	2,300,845
Taxation		–	–
Profit for the year after taxation		3,409,007	2,300,845
Retained profit brought forward		2,484,223	1,569,699
Profit available for appropriation		5,893,230	3,870,544
Appropriations:			
Dividends			
On ordinary shares		–	792,560
On preference shares		563,110	593,761
Retained profit carried forward		5,330,120	2,484,223
		5,893,230	3,870,544

Figures in brackets indicate deductions.

Balance Sheet

<i>As at 31st March</i>	Note	2003 US \$	2002 US \$
ASSETS			
Non-Current Assets			
Property, plant & equipment		19,310,648	19,156,650
		<u>19,310,648</u>	<u>19,156,650</u>
Current Assets			
Inventories		2,700,452	2,610,064
Trade and other receivables		4,709,297	4,498,847
Short term investments		–	5,284
Short term deposits		36,793	181,837
Cash at bank and in hand		386,343	685,290
		<u>7,832,885</u>	<u>7,981,322</u>
Total Assets		<u>27,143,533</u>	<u>27,137,972</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital:			
Ordinary shares		8,622,176	8,622,176
Preference shares		3,632,590	3,698,616
Capital reserves		6,150,582	6,262,375
Currency fluctuations		(3,752,832)	(3,618,872)
Retained profits		5,330,121	2,484,223
		<u>19,982,637</u>	<u>17,448,518</u>
Non-Current Liabilities			
Creditors due after one year		4,257,684	2,222,056
Retirement benefit obligations		99,259	77,176
		<u>4,356,943</u>	<u>2,299,232</u>
Current Liabilities			
Taxes payable		730,091	1,377,436
Trade and other payables		653,071	774,389
Amounts due to related companies		–	1,870,436
Ordinary dividend payable		–	792,560
Long term loans repayable within one year		–	375,716
Short term loans		–	868,646
Bank overdrafts		1,420,791	1,331,039
		<u>2,803,953</u>	<u>7,390,222</u>
Total Equity and Liabilities		<u>27,143,533</u>	<u>27,137,972</u>

* Gains or losses on conversion are accounted for under capital & reserves.

Financial Highlights

<i>Year ended 31st March</i>	2003	2002	2001	2000	1999
	US\$	US\$	US\$	US\$	US\$
Revenue	22,597,430	19,353,132	16,942,394	15,856,256	12,289,673
Other income	32,529	52,358	42,791	18,634	45,717
	22,629,959	19,405,490	16,985,185	15,874,890	12,335,390
Total expenditure	(18,728,893)	(16,447,735)	(13,990,400)	(13,688,454)	(8,879,313)
Profit from operating activities					
before finance cost	3,901,066	2,957,755	2,994,785	2,186,436	3,456,077
Finance costs	(492,058)	(656,911)	(1,056,163)	(1,148,686)	(963,362)
Profit from ordinary					
activities before tax	3,409,008	2,300,844	1,938,622	1,037,750	2,492,715
Income tax	-	-	-	-	-
Profit after tax	3,409,008	2,300,844	1,938,622	1,037,750	2,492,715
Dividend - Ordinary	-	792,560	-	-	541,908
Dividend - Preference 15.5% (Up to 30th June 2001 - 15%)	563,110	593,760	659,382	734,882	791,497
BALANCE SHEET					
Share capital:					
Ordinary shares	8,622,176	8,622,176	8,622,176	8,622,176	8,622,176
Preference shares	3,632,590	3,698,616	4,038,306	4,747,694	5,057,803
Capital reserves	6,150,582	6,262,375	6,837,528	7,566,485	8,060,713
Currency fluctuations	(3,752,832)	(3,618,872)	(2,936,405)	(1,839,756)	(1,396,743)
Retained profits	5,330,121	2,484,223	1,569,699	365,959	77,193
	19,982,637	17,448,518	18,131,304	19,462,558	20,421,142
Long term borrowings repayable after one year	1,971,977	264,187	698,673	2,132,546	3,686,978
CAPITAL EMPLOYED	21,954,614	17,712,705	18,829,977	21,595,104	24,108,120
REPRESENTED BY					
Property, plant & equipment	19,310,648	19,156,650	21,093,516	25,016,280	27,120,498
Current assets	7,832,885	7,981,322	5,045,024	5,423,920	3,799,697
Current liabilities	(2,803,953)	(7,390,222)	(6,485,464)	(8,254,147)	(6,448,370)
Customer deposits	(2,285,707)	(1,957,869)	(779,201)	(552,748)	(337,834)
Retirement benefit obligations	(99,259)	(77,176)	(43,898)	(38,201)	(25,871)
	21,954,614	17,712,705	18,829,977	21,595,104	24,108,120

Figures in brackets indicate deductions.

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

2. Revenue

Geographical Segment Revenue

Local revenue	22,354,623	19,113,309
Exports revenue	242,807	239,823
	<u>22,597,430</u>	<u>19,353,132</u>

Information to Shareholders & Investors

1. Stock Exchange Listing

The Lion Brewery Ceylon 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. 65.50 per share (2002 - Rs. 51.50). As at 17th April 2003 the market value of the Company's shares is Rs. 65.00 per share.

3. Ordinary Shareholders

	As at 31st March 2003	As at 31st March 2002
Number of shareholders	<u>931</u>	<u>1,008</u>

The number of shares held by non-residents as at 31st March 2003 was 21,119,248 which amounts to 42.24% of the issued share capital.

Frequency distribution of shareholdings as at 31st March 2003:

Distribution of Shares	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 – 1,000	721	225,893	0.45	5	3,100	0.01	726	228,993	0.46
1,001 – 5,000	156	357,030	0.71	3	6,900	0.01	159	363,930	0.73
5,001 – 10,000	17	116,597	0.23	2	15,400	0.03	19	131,997	0.26
10,001 – 50,000	11	183,896	0.37	1	15,000	0.03	12	198,896	0.40
50,001 – 100,000	3	292,686	0.59	1	52,000	0.10	4	344,686	0.69
100,001 – 500,000	2	591,200	1.18	2	221,900	0.44	4	813,100	1.63
500,001 – 1,000,000	1	572,000	1.14	1	785,900	1.57	2	1,357,900	2.72
Above 1,000,000	2	26,541,450	53.08	3	20,019,048	40.04	5	46,560,498	93.12
Total	913	28,880,752	57.76	18	21,119,248	42.24	931	50,000,000	100

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individuals	862	966,884	1.93
Institutions	69	49,033,116	98.07
Total	931	50,000,000	100

4. Preference Shares

In July 2003 The Ceylon Brewery Limited purchased 35,000,000, 15.5% redeemable cumulative preference shares of The Lion Brewery Ceylon Limited previously held by the NDB/DFCC consortium. The redemption plan of these shares is to be agreed between the two companies. With effect from 1st April 2003, the preference dividend rate will be reduced to 14.5%.

Information to Shareholders & Investors (Contd.)

5. Substantial Shareholdings

Name of Shareholder	As at 31st March 2003 No. of Shares	%	As at 31st March 2002 No. of Shares	%
	Holding			Holding
Carson Cumberbatch Group Shareholders				
The Ceylon Brewery Limited	25,199,993	50.40	25,199,993	50.40
The Ceylon Guardian Investment Trust Limited	1,341,457	2.68	1,322,757	2.65
The Ceylon Investment Co. Limited	572,000	1.14	572,000	1.14
Carson Cumberbatch & Co. Limited	234,600	0.47	234,600	0.47
	27,348,050	54.69	27,329,350	54.66
Other Shareholders				
Carlsberg Brewery Malaysia Berhad	12,300,000	24.60	12,300,000	24.60
HSBC Intl. Nominees Limited JPMLU Genesis Smaller Company	4,927,848	9.86	-	-
HSBC Intl. Nominees Limited SNFE A/C AASC	2,791,200	5.58	-	-
The Gilpin Fund Limited	785,900	1.57	785,900	1.57
Employees' Provident Fund	356,600	0.71	388,100	0.78
Mrs. R.S. Martenstyn	120,700	0.24	120,300	0.24
Portelet Limited	101,200	0.20	-	-
Hongkong and Shanghai Banking Corporation - COM Trust Equity Fund	100,000	0.20	200,000	0.40
Commercial Fund Management (Pvt) Limited/ Sri Lanka Insurance	100,000	0.20	-	-
Mrs. N.S. Senewiratne	92,686	0.19	92,686	0.19
Newgreens Limited	52,000	0.10	-	-
Ceylon Finance & Securities Limited	24,939	0.05	24,939	0.05
Eagle Insurance Co. Limited	23,700	0.05	-	-
Mr. D.P.M. Goonewardena	22,500	0.05	16,000	0.03
Mr. M.K. Chandrasiri	20,000	0.04	20,000	0.04
The Ceylon Chamber of Commerce Account No. MSPS	18,800	0.04	-	-

The Carson Cumberbatch Group holds 54.69% of the ordinary shares of The Lion Brewery Ceylon Limited.

6. Market Performance - Ordinary Shares

<i>For the year ended 31st March</i>	2003	2002
Highest (Rs.)	75.25	63.00
Lowest (Rs.)	44.00	9.50
Value of shares traded (Rs.)	414,787,550	76,414,350
No. of shares traded	6,385,600	2,127,300

Information to Shareholders & Investors (Contd.)

7. 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. 3,275,000,000/- as at 31st March 2003 (31st March 2002 - Rs. 2,575,000,000/-).

8. Dividends

Preference

A preference dividend of 15.5% per annum on redeemable cumulative preference shares was paid on 30th June 2002, 30th September 2002, 31st December 2002 and 31st March 2003.

Ordinary

Directors have recommended the payment of a first and final dividend of 30% on Ordinary Shares for the year ended 31st March 2003 (2002 - 15%), which will be declared at the Annual General Meeting to be held on 19th May 2003.

9. Percentage of Public Holding

Percentage of public holding as at 31st March 2003 was 20.63%.

10. Number of Employees

There were 169 (2002 - 166) employees as at the Balance Sheet date.

Glossary of Financial Terms

Appropriations

Apportioning of earnings 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 fixed interest bearing capital.

Dividend cover (Ordinary)

Post tax profit after preference dividend, divided by gross ordinary dividend. It measures the number of times ordinary 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 Balance Sheet date

Significant events that occur between the Balance Sheet date and the date on which financial statements are authorised 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 earning 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 Company.

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 Seventh Annual General Meeting of the Company will be held on Monday the 19th day of May 2003, at 10.00 a.m. at the "Sapphire Ballroom", Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 1.

- 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 First and Final dividend of 30% as recommended by the Board of Directors.
- To re-elect Mr. M. Lightbown who retires in terms of Article 87 of the Articles of Association of the Company.
- To re-elect Mr. H. Selvanathan who retires in terms of Articles 88 and 90 of the Articles of Association of the Company.
- To re-elect Mr. M. Selvanathan who retires in terms of Articles 88 and 90 of the Articles of Association of the Company.
- To re-elect Mr. S.K. Shah who retires in terms of Articles 88 and 90 of the Articles of Association of the Company.
- To re-elect Mr. D.C.R. Gunawardena who retires in terms of Articles 88 and 90 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 is enclosed with this Annual Report.
2. To be valid, this form of proxy must be deposited at the Registered Office No. 61, Janadhipathi Mawatha, Colombo 1, not later than 10.00 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 at the entrance lobby.

Form of Proxy

*I/We

of

being *a Member/Members of The Lion Brewery Ceylon 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,
Don Chandima Rajakaruna Gunawardena	or failing him,
Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (Kehormat)	or failing him,
Chin Voon Loong	or failing him,
Mark Lightbown	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 10.00 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 first and final dividend of 30% 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. M. Lightbown who retires in terms of Article 87 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. H. Selvanathan who retires in terms of Articles 88 and 90 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. M. Selvanathan who retires in terms of Articles 88 and 90 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. S.K. Shah who retires in terms of Articles 88 and 90 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Mr. D.C.R. Gunawardena who retires in terms of Articles 88 and 90 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8. 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

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. If the shareholder is a Company or a Body Corporate, the Form of Proxy should be executed under its common seal in accordance with its Articles of Association or Constitution.
5. To be valid, this Form of Proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1, not later than 10.00 a.m. on Saturday the 17th May 2003.

Name of Company

The Lion Brewery Ceylon Limited
(A Carson Cumberbatch Company)

Legal Form

A Public Quoted Company with Limited Liability
Incorporated in Sri Lanka in 1996
Official listing of the Colombo Stock Exchange
obtained in 1997

Parent Company

The Ceylon Brewery Limited

Ultimate Parent Company

Carson Cumberbatch & Co. Limited

Directors

L.C.R. de C. Wijetunge (*Appointed as Chairman w.e.f. 25th Feb 2003*)
W. Unamboowe (*Retired w.e.f. 31st May 2002*)
Hari Selvanathan (*Deputy Chairman*)
Mano Selvanathan
Suresh K. Shah (*Chief Executive Officer*)
D.C.R. Gunawardena
Y. Bhg. Dato Jorgen Bornhoft D.P.T.J. (*Kehormat*)
Chin Voon Loong
Nirosh M. De Silva (*Resigned w.e.f. 30th April 2002*)
Mark Lightbown (*Appointed w.e.f. 30th September 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 & Company
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

254, Colombo Road, Biyagama
Tel: + 94 1 465900 (10 Lines)
Fax: + 94 1 465901

Company Website

www.lionbeer.com

Corporate Website

www.carsoncumberbatch.com

