

I take pleasure in welcoming shareholders to the Eighty Ninth Annual General Meeting of the Company and presenting on behalf of the Board of Directors, the Annual Report and Audited Accounts for the financial year ended 31st March 2002.

Carson Cumberbatch & Co. Ltd. and its subsidiaries and associates recorded a significant improvement in performance during the year under review. Consolidated turnover at Rs. 3.31 Billion increased 40%, and consolidated profit after tax increased 150% to Rs. 354.00 Million. Our core sectors, brewery, palm oil and investment holdings, were the main contributors to both turnover and profit.

The commencement of processed palm oil sales by our plantation in Indonesia marked the achievement of a key milestone by our Company. 40% of the plantation has now attained maturity and the total cultivated area of 12,557 hectares will come into maturity in 2004. We are of the view that our flagship investment of Rs. 4.26 Billion in Indonesia will make a significant contribution to the future stability and profitability of the Company. Though this project faced its share of challenges - having commenced at the time of the East Asian currency crisis and the subsequent political instability in Indonesia - we take pride in the fact that our management team was able to steer the project towards success amidst the upheavals. The dedication and commitment of our team in Indonesia and here in Sri Lanka contributed in no uncertain terms to the successful conclusion of this pioneering effort. As you may note, PT Agro Indomas recorded a turnover of Rs. 626.83 Million during the year under review, contributing 19% to consolidated turnover. It has recorded only a marginal operating profit for the year prior to write-off of currency losses capitalised last year, due to the high cost of debt servicing but this would reverse once the entire planted area comes into commercial production.

The recovery of global palm oil prices saw the Malaysian oil palm plantations return to profitability. Efforts are underway to improve the productivity of these plantations through a planned replanting programme. Despite price volatility, which is an inevitable feature of the commodity trade, the future projections for the palm oil industry remain positive with both India and China expected to be major players driving demand.

The brewery sector faced a difficult year due to the economic downturn, negative growth in key sectors and the power crisis in the country, which had an adverse impact on demand. These conditions, however, are expected to reverse in time to come. We are encouraged by the policy makers' decision to remove the Excise Special Provisions tax on beer, which is certainly a step in the right direction towards making soft alcohol more economical and widely available. The benefit of this tax reduction was passed on to the consumers by reducing the prices of our beers with less than 5% alcohol content, by an amount greater than the actual tax reduction. This decision was made in keeping with our view that softer alcohols should be made more affordable to an average income earner.

The investment holdings benefited from a pre-election upsurge in the stock market and this opportunity was made use of by the sector to engage in selective trading for profit gain. Investment portfolios of Group companies were realigned during the year with a view to minimise cross holdings and to enable each company to concentrate on their core activities. The two quoted companies of the Guardian Group went in for a rights issue during the year to enhance their capital bases with the intention of securing adequate liquidity to exploit future investment opportunities that are likely to arise with the process of economic recovery. The sector would, in particular, consider opportunities in infrastructure projects in order to enhance the quality of shareholder earnings and establish a relatively stable return.

The real estate sector too experienced a temporary set back due to the economic downturn. Nevertheless we expect this key sector, which provides stable returns and asset backing to the Group, to once again record adequate growth, both in rentals and market values, once the process of economic recovery begins. Diversification into related fields such as commercial housing and retail/warehousing sectors and larger scale infrastructure projects involving real estate development, are potential opportunities for consideration by this sector.

The airline sector performed well, displaying its potential for future growth. Efforts will be made to evaluate opportunities for expansion and diversification of this sector in time to come. On the other hand, the hotels did not perform well due to the drastic drop in tourist arrivals and persistently low quality of earnings. Accumulated losses of Rs. 63.91 Million from the two hotels is now a matter of concern to the Company. Due to the lack of synergies within the sector, the Group is considering the possibility of divesting its interests in the hotel business.

Overall, we continue to focus on upgrading our internal management capabilities and resources in order to equip ourselves for the challenges that lie ahead. The process of economic recovery and the opportunities we are likely to be presented with in time to come are varied and numerous. We are greatly encouraged by the progress of the peace process, which is a vital ingredient for economic prosperity. Collectively, given our business exposures in Sri Lanka and the region and our presence in some of the key growth sectors of those economies, we anticipate steady growth in shareholder value addition in the years ahead.

In conclusion, I would like to, on behalf of the Board, express my sincere thanks to Mr. Ken Sellayah, who retired on 15th April 2002 after 9 years of service to the Group. His contribution to the Group, particularly the airline and hotel sectors, and his dedication to his duty will be remembered by all those who worked with him. We wish him well in his future plans. Mr. Wijaya Unamboowe, who relinquished his duties as Chairman of this Company the previous year, has retired from his position as a Board Member of Carson Cumberbatch and Company Ltd. and its member companies with effect from 31st March 2002. He remains on the Boards of the oil palm plantation companies and the two companies in the brewery sector.

Mr. Suresh Shah, Chief Executive Officer of The Ceylon Brewery Ltd., since 1992 and of The Lion Brewery Ceylon Ltd., since 1996 joins the Board of the holding company with effect from 1st April 2002. Mr. Chandana Tissera, Director in charge of the Group finance and treasury functions and a Board Member of several Group companies, too joins the holding company's Directorate with effect from 1st April 2002. We welcome these two gentlemen, who have contributed to the success of Carsons for many years, to the Board of Carson Cumberbatch and Company Ltd. We look forward to the contribution they will make to this forum in the years ahead.

Finally, let me express my sincere appreciation of our employees here in Sri Lanka and overseas, for their efforts in managing our businesses effectively during relatively difficult times. I also thank our business associates, bankers and government agencies for the co-operation extended to us during the year. Most importantly, I wish to thank our valued shareholders for their continued confidence in the management, which has been a source of encouragement to us all.

Tilak De Zoysa
Chairman

10th May 2002