

CONSOLIDATED PERFORMANCE

Carson Cumberbatch and Company Ltd. and its member companies concluded the year on an encouraging note. Group turnover grew 40% to Rs. 3.31 Billion from Rs. 2.37 Billion of the previous year. The increase was mainly on account of the commencement of processed palm oil exports from our new facility in Indonesia.

Consolidated net profit before tax was Rs. 321.21 Million, a growth of 95% over the previous year's Rs. 165.22 Million. The growth came about mainly due to increased investment sector activity and the recovery of the oil palm plantation sector, which returned to profitability this year.

SECTOR HIGHLIGHTS**Sectoral Revenue Analysis**

(after eliminating intra-group transactions)

Sector	% Contribution to Revenue 2002	% Contribution to Revenue 2001	% Growth/(Drop) in revenue over Previous Year
Overseas plantations	21.81	4.21	622.25
Brewery	58.10	80.71	0.40
Investments holdings	14.80	5.63	266.29
Real estate	2.11	3.67	(19.76)
Airlines	0.72	0.79	26.34
Hotels	2.36	4.79	(31.27)
Management Services	0.10	0.20	(23.12)
	100.00	100.00	39.47

With the recovery of palm oil prices worldwide and the commencement of processed palm oil exports by the Indonesian plantation, there was a restoration of profitability in this sector. The Malaysian operation recorded a growth in profitability of 101.5% to Rs. 27.01 million. The new Indonesian plantation recorded a turnover of Rs. 626.83 million, a growth of 9,000% over the previous year, although an operating loss was recorded due to the high cost of debt servicing. This flagship project for the Group is expected to come into maturity by 2003 and earn positive cash flows once commercial production surpasses breakeven levels. The recovery in the world palm oil market and the relative stability in the operating environment in Indonesia had a beneficial effect on this sector during the year under review.

The brewery sector showed no appreciable growth in turnover due to lackluster market conditions. Profitability was eroded due to the closure costs of the Nuwara Eliya plant, which could not be kept in operation due to its non-viability and the low growth prospects of the industry. We expect this sector to show better growth in time to come given the elimination of inefficiencies, search for opportunities for both volume and business expansion and possible reforms in the regulatory framework applicable to soft alcohol.

The real estate sector showed a decline in performance, largely as a result of an economic environment which did not prove conducive for marketing of vacant space. A recovery in the business climate is expected to lead to a better performance and value appreciation of the properties. Accumulating losses in the Hotel sector proved to be a matter of concern for the

Group. Due to lack of synergies in this business and the non-availability of funds for re-investment and upgrading of the existing properties, the Group is now of the opinion that divestment of holdings in this sector may be a more suitable option. The airline business, showed encouraging results. The potential for this sector to grow is tremendous, given a better economic climate, and the opportunities for expansion of the transportation sector that would arise in future.

The investment sector showed an improved performance due to the recovery in stock market activity in the latter part of 2001 due to the onset of the electoral process. This provided opportunities for it to engage in selective trading for profit enhancement. Two of the listed companies went in for a rights issue in anticipation of the investment opportunities that are likely to arise in infrastructure development and other areas in time to come.

During this period, the investment sector was also involved in a substantial realignment of group holdings whereby cross holdings within the Group were minimized and all sectors were brought under a single parent company, Carson Cumberbatch and Company Ltd. This enables better administration of group businesses and a more streamlined holding structure which enables each sector to focus on its core business, whilst enabling the holding company to make more efficient decisions on resource allocation and reinvestment. The profits made on transactions related to the realignment exercise have been eliminated in arriving at the consolidated results.

Sectoral Profitability Analysis

(after eliminating intra-group transactions)

Sector	% Contribution to profit before tax		% Growth/(Drop) in profit before tax over Previous Year
	2002	2001	
Overseas plantations	2.24	(48.51)	108.98
Brewery	33.22	97.49	(33.75)
Investments holdings	69.87	42.51	219.53
Real estate	5.65	22.05	(50.20)
Airlines	3.27	2.67	138.11
Hotels	(10.39)	(8.74)	(131.20)
Management services	(3.86)	(7.47)	(0.25)
	100.00	100.00	94.41

COMPANY PERFORMANCE

Carson Cumberbatch and Company Ltd. recorded a turnover of Rs. 509.77 million for the year under review and a profit before tax of Rs. 405.99 million, comprising largely of turnover and capital gains resulting from the realignment of group holdings described previously.

The Directors propose a dividend of 50% or Rs. 5.00 per share, representing a payout ratio of 1.40%. Earnings per share was Rs. 354.43 and the share last traded on the Colombo Stock Exchange at Rs. 1,300.25.

MANAGEMENT FOCUS

In keeping with our long term business vision, we continue to invest in our people and the key resources of our business needed for future growth. Human resource training and development and introduction of new initiatives aimed at creating positive employee involvement have been emphasized. This will enable us to build a pool of talent within the organisation that can take our businesses forward in the medium to long term.

At the same time we also invested in upgrading our information technology capabilities through the deployment of a group-wide enterprise resource planning system which can provide up-to-date consolidated management information to key decision makers. Specific initiatives aimed at improving productivity, reducing the cost base of the business and re-engineering work process are underway in the different business units, to suit their own individual requirements and business realities.

FUTURE DIRECTION AND SHAREHOLDER VALUE ADDITION

Our future business initiatives will continue to focus on strengthening our existing core businesses by branching out to new activities that are synergistic with the current operations and which will contribute to shareholder value addition. We will also attempt to consolidate our position to generate the optimum returns on our new investment in Indonesia until the project reaches maturity. All key businesses will concentrate their efforts on improving cash flow, reducing debt and securing above average returns to shareholders.

Promising new sectors, ventures in infrastructure and other areas will be considered for investment of any surplus funds generated by the Group. These investments will be made, keeping in mind the need for the business to have adequate diversity in order to ensure a stable level of returns to shareholders in the long term.

We are greatly encouraged by the new direction that the Sri Lankan economy appears to be taking. A revival in investor confidence and the wide ranging economic reforms that are taking place should provide a better base for businesses to operate in future. The progress on the peace initiatives, which is the most critical factor for economic growth, appears encouraging.

Given these external developments and the emphasis that has been placed on improvement of internal management capabilities, we look forward to the future with confidence. The new economy offers us boundless exciting opportunities that can be explored for creation and enhancement of shareholder wealth, whilst our current businesses all represent dynamic growth sectors in the domestic, regional and global economy. The competencies we have so far built up in these industries will give us the strength to expand into related operations, either here in Sri Lanka or abroad. Our regional presence adds a further dimension to this spectrum of opportunity by giving us greater exposure to a diversity of markets. This we consider to be our unique strength - the ability to not only balance industry risk return profiles, but also to manage different country risks. The experience we have gathered through the years will serve us well in time to come as we attempt to enhance our business portfolio by venturing into new opportunities that promise business stability and shareholder value addition in the long term.