

The Directors have pleasure in presenting their report together with the audited financial statements of the Group for the year ended 31st March 2002.

PRINCIPAL ACTIVITIES OF THE GROUP

The principal activities of the Group are highlighted in the Sector Commentaries on pages 18 to 35 of this Report.

REVIEW OF OPERATIONS FOR THE YEAR AND FUTURE DEVELOPMENTS

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

REVENUE

The Revenue of the Group was Rs. 3,305.39 Million. (2001 - Rs. 2,369.97 Million) an analysis of which is given in Note 1 to the financial statements.

FINANCIAL RESULTS

(All figures in Sri Lankan Rupees)

	Company		Group	
	2002	2001	2002	2001
The profit available for appropriation is	442,537,348	85,885,374	328,137,456	258,582,529
From which the following appropriations/transfers have been made:				
Transferred from property, plant & equipment replacement reserve	-	-	17,400,649	-
Capital reserves	(120,000,000)	-	(120,000,000)	-
Preference dividend	(44,937,328)	(44,250,000)	(44,937,328)	(44,250,000)
	277,600,020	41,635,374	180,600,777	214,332,529
Directors now recommend:				
The payment of a first and final dividend of 50% on ordinary shares (2001 - 50%)	(5,093,550)	(5,093,550)	(5,093,550)	(5,093,550)
Leaving a balance to be carried forward of	272,506,470	36,541,824	175,507,227	209,238,979

SHAREHOLDERS' FUNDS

After the above mentioned appropriations, total Group shareholders' funds as at 31st March 2002, stood at Rs. 3,884.17 Million (31st March 2001 - Rs. 3,558.64 Million). Total shareholders' funds of the Company as at 31st March 2002, after the above mentioned appropriations stood at Rs. 1,211.30 Million (31st March 2001 - Rs. 855.33 Million). The movements are shown in the Statements of Changes in Equity and Notes 20 and 21 to the financial statements.

SHARE CAPITAL

There was no change in the issued and paid up share capital of the Company during the year under review. The total issued and fully paid up capital as at 31st March 2002 was Rs. 310.19 Million consisting of 1,018,710 ordinary shares of Rs. 10/- each and 30,000,000 non-voting 15.25% redeemable cumulative preference shares of Rs. 10/- each. Redemption of redeemable cumulative preference shares was rescheduled during the year. As a part of the terms of rescheduling, the rate of dividend applicable to these shares was revised to 15.25% p.a. from 14.75% p.a., as explained in Note 19 to the financial statements.

DIVIDEND

Directors recommend a first and final dividend of 50% (2001 - 50%) entirely out of tax free dividend income received, to the ordinary shareholders of the Company. The total outflow of ordinary dividend amounts to Rs. 5.09 Million (2001 - Rs. 5.09 Million).

A preference dividend of 14.75% p.a. on non-voting redeemable cumulative preference shares was paid on 30th September 2001. Subsequent to the rescheduling of terms of redemption, a preference dividend of 15.25% was paid on 31st March 2002 in respect of the period to that date.

CAPITAL EXPENDITURE AND INVESTMENTS

The total Group expenditure on the purchase/development of property, plant & equipment and investments during the year amounted to Rs. 831.30 Million (2001 - Rs. 1,840.90 Million). The movements during the year are set out in Notes 12 and 13 to these financial statements respectively.

MARKET VALUE OF FREEHOLD PROPERTIES

Most of the freehold properties of the Group were revalued to conform to the market value of such assets and written up in the books as at 31st March 2001. This was based on valuations carried out by qualified independent valuers as further explained on Note 12 to these financial statements. P.T. Agro Indomas, a subsidiary of the Company revalued its property on 31st March 2002. These have not been incorporated into the books of account of that company.

AUDIT COMMITTEE

The following Audit and Compliance Committees were appointed for the Group Companies effective 01st April 2002.

Plantation Sector

Mr. Tilak De Zoysa (**Chairman**) (*Non-Executive Chairman* - Carson Cumberbatch & Co. Ltd.)

Mr. Roger Gillbanks - (*Agronomy Consultant* - All plantation companies in Carsons Group)

Mr. D.C.R. Gunawardena - (*Director* - Carson Cumberbatch & Co. Ltd.)

Other Sectors

Mr. Tilak De Zoysa (**Chairman**) - (*Non-Executive Chairman* - Carson Cumberbatch & Co. Ltd.)

Mr. Tennyson Rodrigo - (*Non-Executive Director* - The Good Hope Co. Ltd.) - other than for Brewery Sector.

Mr. D.C.R. Gunawardena - (*Director* - Carson Cumberbatch & Co. Ltd.)

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments of the Company, which are due up to the Balance Sheet date, have been paid on due dates or have been adequately provided for.

STOCK EXCHANGE LISTING

During the year, another company within the Group became a Quoted Public Company with the listing of Watapota Investments Ltd's shares on the second Board of the Colombo Stock Exchange on 21st November 2001. With this, the Group has 14 Quoted Public Companies under its umbrella.

RIGHTS AND BONUS ISSUE OF SHARES

Several companies within the Group carried out/announced rights and bonus issues of shares during the year and after the Balance Sheet date. Watapota Investments Ltd. carried out a rights issue of 3 ordinary shares for every one ordinary share held in the issued share capital, during the year while all other issues were carried out after the Balance Sheet date as detailed in Note 35 to the financial statements.

DISCONTINUANCE OF OPERATIONS BY A SUBSIDIARY

During the year a subsidiary company - The Ceylon Brewery Ltd. (CBL) closed down the operations of its brewery in Nuwara Eliya. As a result, from July 2001 the production and sales of the entire portfolio of CBL's brands are now handled by CBL's Subsidiary, The Lion Brewery Ceylon Ltd's (LBCL) brewery at Biyagama. As per the licensed brewing agreement LBCL has to make a payment of Rs. 160/- per hectolitre on its sale of CBL's brands. CBL offered a compensation package to all the employees due to the closure, and 117 employees opted for the scheme. The balance employees who did not opt for this scheme who were attached to the Head Office, in finance, administration and marketing were transferred to LBCL. The total cost of the restructuring expenses including the compensation payments under this scheme was Rs. 162.46 Million (2001 - Rs. 48.64 Million).

DISPOSAL OF ASSOCIATE COMPANY

During the year companies within the Group went through an exercise of realigning the investment portfolios of various companies within the Group, with a view to eliminate the cross holdings. As a result, the companies within the Group disposed of their entire holdings in Federal Securities (Pvt) Ltd., to Bukit Darah Co. Ltd., an Associate Company.

DONATIONS

The Group made donations amounting to Rs. 1.55 Million during the year under review, out of which Rs. 0.1 Million had been made to approved charities (2001 - Rs. 5.63 Million).

DIRECTORATES

The names of the Directors who served during the year are disclosed on page 2.

Mr. W. Unamboowe retired from the Board on 31st March 2002, while Mr. Suresh K. Shah and Mr. Chandana Tissera were appointed to the Board with effect from 1st April 2002.

All other changes in directorates of all companies within the Group are detailed on page 8 and 9 of the Annual Report.

In terms of Articles 91 and 92 of the Articles of Association of the Company, Mr. Tilak De Zoysa retires from the Board and being eligible offers himself for re-election.

In terms of Article 98 of the Articles of Association of the Company, Messrs. Suresh K. Shah and Chandana Tissera retire from the Board and being eligible offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS AND SHARES

Directors' interests in contracts of the Company are disclosed in Note 37 to these 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, Subsidiaries or its Associates, while they had the following interests in the shares of the Company:

<i>As at 31st March</i>	2002	2001
	No. of Shares	No. of Shares
Tilak De Zoysa	-	-
H. Selvanathan	206	206
W. Unamboowe (<i>resigned w.e.f. 31st March 2002</i>)	-	500
M. Selvanathan	150	150
I. Paulraj	-	1,700
D.C.R. Gunawardena	-	-
Suresh K. Shah (<i>appointed w.e.f. 1st April 2002</i>)	-	-
Chandana Tissera (<i>appointed w.e.f. 1st April 2002</i>)	-	-

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the Balance Sheet date, no circumstances have arisen, which required adjustments to or disclosure in these financial statements, other than those disclosed in Note 35 to these financial statements.

CAPITAL COMMITMENTS

Contracts of material nature entered into by all companies within the Group, for capital expenditure, if any, are disclosed in Note 33 to these financial statements.

SHAREHOLDINGS

The substantial holdings in the issued ordinary share capital of the Company have been disclosed in Note 4 of the Information to Shareholders & Investors. As at 31st March 2002, the Company had 295 registered shareholders holding voting ordinary shares (2001 - 295 shareholders), whose distribution of holdings is disclosed in Note 3(a) of the Information to Shareholders & Investors.

SHARE INFORMATION

Information relating to earnings, dividends, net assets and market price per share and information on share trading is given on pages 87 and 98 of the Annual Report.

AUDITORS

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

By Order of the Board,
Leechman & Company Ltd.
Secretaries

Colombo, 10th May 2002