

WATAPOTA INVESTMENTS  
LIMITED

07



ANNUAL REPORT 2006/07

A CARSON CUMBERBATCH COMPANY

Our investment management activities are focussed towards building up an actively managed short-term trading portfolio to take advantage of market price movements

## Company at a Glance

(All figures in Sri Lankan Rupees thousands unless otherwise stated).

For the year ended 31st March	2007	2006	%
	Rs. '000	Rs. '000	Change
Revenue	<b>49,579</b>	118,599	(58)
Profit from operations	<b>26,718</b>	34,026	(21)
Profit before taxation	<b>25,688</b>	30,390	(15)
Profit for the year	<b>25,637</b>	30,390	(16)
Profit available for appropriation	<b>47,586</b>	40,839	63
Dividend proposed*	<b>1,007</b>	5,033	567
Shareholders' fund	<b>76,508</b>	51,878	47
Total assets	<b>77,915</b>	65,189	20
Return on ordinary shareholders' fund (%)	<b>33.51</b>	58.58	(43)
Earning per share (Rs.)	<b>38.21</b>	45.29	(16)
Net asset per share - Book value (Rs.)	<b>114.02</b>	77.31	47
Net asset per share - Market value (Rs.)	<b>230</b>	224	3
Market capitalisation (Company)	<b>335,504</b>	395,985	(15)
Market value of investment portfolio**	<b>154,618</b>	162,095	3

\* Based on share capital as at 31st March, 2007 and subject to approval at the Annual General Meeting.

\*\* Based on market value of portfolio after adjusting for cash and cash equivalents.

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## Chairman's Statement

Dear Shareholders,

I welcome you to the 87th Annual General Meeting of the Company and, on behalf of the Board of Directors, take pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March 2007.

### Performance and Markets

The Company recorded a profit after tax of Rs. 25.64 mn as against the Rs. 30.39 mn achieved in the previous year. The decline in profits is as against the exceptional profits of Rs. 22.53 mn recorded last year due to a restructuring of the long-term portfolio of the Company. The profit after tax last year, excluding this exceptional gain was Rs. 7.86 mn. Hence, the growth in profits on normal operations is 226%.

The short-term portfolio managed by our fund managers, Guardian Fund Management Limited (the fund management company of the Carson Cumberbatch Group), grew by 38.9% vis-à-vis market appreciation of 23.2% for the year. This corresponded to a value growth of Rs. 27.42 mn including a realised capital gain of Rs. 8.11 mn as well as a marked to market value adjustment for the year of Rs. 17.90 mn. The unrealised gains on selected stocks were deferred until those stocks reached their full potential.

This year, the Colombo Stock Exchange broke all records with the All Share Index surpassing the 3,000 index level for the

first time in its history in February 2007. The All Share Index appreciated 23.2% and Milanka Index appreciated 33.4% for the financial year 2006/07. Overall, the year's market activity was characterised by strategic investor interest in selected stocks, with long-term potential. In keeping with our short-term investment management approach to profit from market movements, the Company capitalised on these opportunities to book gains to its portfolio.

The market value of the Company's total portfolio inclusive of cash and cash equivalents stood at Rs. 154 mn end March 2007 as at the close of the financial year from Rs. 149.87 mn as at end March 2006, a growth of 2.2%. This performance is inclusive of one strategic investment in Selinsing Company Ltd. The actively managed trading portfolio amounted to Rs. 97.91 mn as at end March 2007.

Your Directors recommend the payment of a final dividend of Rs. 10/- per share which compares favourably with last year's dividend of Rs.1.50 per share. The dividend rate last year was maintained at 15% since the profits derived from the sale of long-term investments was of a one-off nature; and the sales proceeds were utilised to settle the borrowings in order to refocus the Company's operations towards actively managed investments. This year's increased dividends reflect the good performance of the Company's short-term trading portfolio activities.

### **Portfolio Management**

Our investment management efforts have been focussed towards building up an actively managed short-term trading portfolio to take advantage of market price movements. Investments that had reached maturity or those whose share prices reached the optimum valuations for the year were divested, while others, which are yet to reach their full potential have been retained for the gains to be realised in future.

The portfolio was redirected towards high growth sectors and acquisitions were focused on companies that were exposed to high growth industries, with strong short-term earnings forecasts and high liquidity that were favoured by investors. During the year, Distilleries, Sri Lanka Telecom, Asian Hotels Property Ltd. and Ceylinco Insurance were added to the portfolio.

Our management approach is centred on the ultimate objective of giving the shareholders consistent returns in the short- to medium-term through effective stock selections and capturing the opportunities presented by market cycles. A structured investment approach will be adopted when selecting new investments, paying attention to our main criteria of assessing industry growth potential, quality of management, strength of the financials, liquidity and investor preferences, when evaluating a potential stock.

We will also keep open the option of exploring investment opportunities in greenfield ventures at the pre IPO stage, with a higher risk profile and return, by allocating a small pool of funds to this activity.

Having identified the future growth potential of the fund management industry a dedicated investment management operation was set up through Guardian Fund Management Ltd. (GFM) by the Carson Cumberbatch Group, of which your Company is also a subsidiary. GFM's primary task was to develop the competencies, systems and staff required to manage the portfolios of the investment companies of the Group including that of your Company. GFM has obtained registration as an investment manager with the Securities and Exchange Commission and in the future will actively pursue opportunities to manage external funds for outside clients as well, sharing the benefits of its experience with such clients.

In conclusion, I would like to thank the shareholders for the confidence placed in the management and to the regulators and our business associates for their continued support. I also like to thank the members of the staff of the management Company for their contribution to a successful year and to my colleagues on the Board for their valuable inputs.

*(Sgd.)*

**I. Paulraj**

*Chairman*

Colombo

26th April, 2007

## Manager's Review

### Financial Results

Profit after tax amounted to Rs. 25.64 mn for the year under review against Rs. 30.39 mn recorded last year. The total sales proceeds for the year amounted to Rs. 47.37 mn which resulted in capital gain of Rs. 8.12 mn. A part of the above sales proceeds were utilised to settle borrowings of the Company, thus bringing down debt from Rs. 12.22 mn to less than Rs. 0.5 mn as at year end. The balance proceeds were reinvested for portfolio growth.

### Equity Market

The equity market continued to post solid returns with the All Share Index up 23.2% and Milanka Index up 33.4% for the financial year. The market continued its upward trend for six years running, and average returns during this period amounted to 35.6% p.a.

The stock market reached a milestone with the All Share Index for the first time crossing the 3,000 index barrier in its history and reached its all time high of 3,016.4 on 13th February 2007.

The market capitalization of the Colombo Stock Exchange exceeded the Rs. 900 bn mark during the year. Valuations of the market were pushed up with most companies recording above average earnings growth of 40% - 50% and price earnings multiples re-rating to reflect the above.

Despite many upheavals on the political front and concerns raised regarding inflation, rising interest rates and a weakening currency, the market remained resilient offering local and foreign investors alike with good returns.

The dramatic surge of interest in Asian stock markets in the early part of the financial year also drew funds to the Colombo bourse on strategic interest in selected stocks. Nevertheless, the global sell off during the month of February, saw the local market correct during the last month, although this is not expected to have a lasting impact on our market which is mainly local investor driven. Net foreign inflows remained positive for 2006 at Rs. 6.3 bn.

	Mar. 06	Jun. 06	Sep. 06	Dec. 06	Mar. 07
All Share Index	2,264.3	2,112.9	2,383.4	2,772.4	2,789.8
Milanka Index	2,877.6	2,727.0	3,006.2	3,711.8	3,837.5
Average Turnover Rs. mn	516	328	365	377	442
Market Cap. Rs. bn	688.2	644.8	729.5	834.8	872.7

Manager's Review (Contd.)

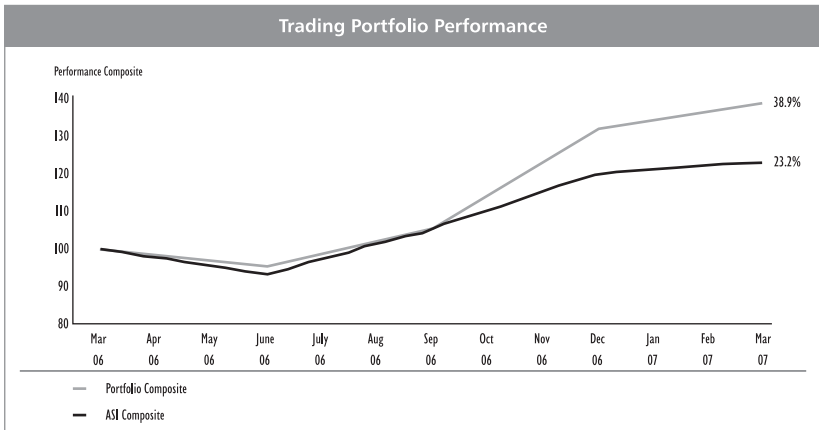
A spate of rights issues and bonuses flooded the market during the period January to March 2007, raising approximately Rs.19 bn but affecting the liquidity of the secondary market, given the outflow of funds to subscribe for the rights issues.

Investor interest has concentrated on the more liquid large market capitalised companies and is likely to remain so given the lower risk levels.

Rs. 8.12 mn and the marked to market value adjustment for the year was Rs. 17.9 mn. The short-term trading portfolio grew by 38.9 % vis-à-vis market appreciation of 23.2% for the year.

**Top 5 - Largest Equity Holdings - Short-Term Portfolio**

1. Distilleries Co. of S.L	33.8%
2. Sri Lanka Telecom	10.7%
3. John Keells Holdings	10.3%
4. Dialog Telekom	8.8%
5. Asian Hotels Properties	8.6%

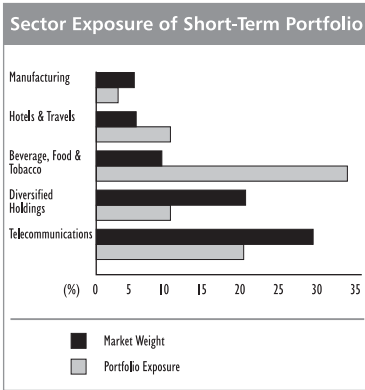


**Portfolio Review**

The short-term trading portfolio was established in the last financial year to enhance profits to the bottom line by exploiting market cycles and through active management. Total appreciation of the short-term portfolio was Rs. 27.42 mn comprising realised capital gains of

On a sectoral basis, the portfolio is well exposed to all the key growth sectors driving the economy and we feel these will offer the best prospects in the future.

Manager’s Review (Contd.)



**Future Strategy**

The inherent fundamentals of the Sri Lankan economy remain strong despite some set backs on the security front. The economy is forecasted to grow at 7% for the year 2007 in line with 7.4% growth recorded during the previous year 2006. However, key economic indicators such as inflation and interest rates have been inching up to double digit levels in the last twelve months. This is likely to dampen corporate earnings in the short term and also divert investor interest away from the market to fixed income investments.

Nevertheless, we believe that most of the good companies listed on the Colombo Stock Exchange have considerable potential to provide above average returns to investors in the medium term. We also expect the local market to be very much event driven with the pursuit of strategic holdings in identified

companies by interested parties, implementation of new regulations governing the banking and insurance sectors, anticipated new listings in the market and the entry into new business segments by the top companies. Such events will drive investor interest in selected stocks.

With a forecast earning potential of some of the listed companies expected to be 20% - 25%, we expect the market to retain its resilience despite possible concerns arising from the country and external situations.

Given the Company’s outlook we will look to exploit such opportunities for short-term value gain to shareholders through a sound stock selection process and capitalising on trading opportunities.

We conclude our review by adding that we have confidence in the market and the Company’s ability to select those investments which will optimise returns to shareholders and achieve a good balance between short-term profitability and long-term sustainable growth.

**Carsons Management Services (Pvt) Ltd.**  
*Managers*  
Colombo  
26th April, 2007

## Report of the Directors

The Directors are pleased to submit their Report for the financial year ended 31st March, 2007, together with the audited financial statements of the Company.

### Review for the year

The Review of Operations describes in detail the performance during the year, with comments on the financial results.

### Principal Activity of the Company

The core business of the Company remains in managing and holding of an investment portfolio.

### Financial Results

*For the year ended 31st March*

	2007 Rs. '000	2006 Rs. '000
Profit for the year	25,637	30,390
Add: Retained profit brought forward	40,859	15,502
Profit available for appropriation	66,496	45,892
Transfer - market value adjustment reserve	(17,903)	-
Dividend paid	(1,007)	(5,033)
Retained profit carried forward	47,586	40,859

### Market Value Adjustment Reserve

Amount of Rs. 17.9 mn resulting from the 'Mark to Market Value Adjustment' of short-term investment portfolio has been transferred from retained earnings to 'Market Value Adjustment Reserve' as at 31st March 2007 as shown in the Statement of Changes in Equity. (Page No. 17)

Any gains arising from the above adjustment will be transferred from retained earnings to 'Market Value Adjustment Reserve' at Balance Sheet Date, and any losses arising will be transferred to 'Market Value Adjustment Reserve' to the extent that loss does not exceed the balance held in the said reserve as at the date.

### Dividend

Your Directors have recommended a first and final dividend of 100% (2006 - 15%) on the ordinary shares for the year ended 31st March 2007, which will be declared at the Annual General Meeting subject to shareholder' approval. However, in accordance with the Sri Lanka Accounting Standard No. 9, Events after Balance Sheet date, proposed dividend has not been recognised as a liability as at 31st March, 2007. The proposed dividend would result in a total outflow of Rs. 6,710,080/- (2006 - Rs. 1,006,512/-).

Report of the Directors (*Contd.*)

### **Share Capital**

There was no change in the issued and paid up ordinary share capital of the Company during the year under review. The total issued and fully paid up capital as at 31st March, 2007 was Rs. 6.71 mn consisting of 671,008 ordinary shares of Rs. 10/- each.

### **Shareholders' Funds**

The total shareholders' funds of the Company stood at Rs. 76.51 mn as at 31st March, 2007 (2006 - Rs. 51.88 mn).

### **Investments**

The Company also engaged in active trading of the short-term portfolio to realise the benefits of the movements in the stock market. The carrying value of the short-term portfolio as at

31st March, 2007 was Rs. 75.6 mn (2006 - Rs. 61.9 mn) which includes a market value appreciation of Rs. 17.9 mn (2006 - Rs. 2.8 mn).

The market value of long-term investment portfolio of the Company is Rs. 79.1 mn (2006 - Rs. 100.2 mn).

The movements of the investments during the year are set out in Note 5 to the financial statements.

### **Statutory Payments**

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

### **Directorate**

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

In terms of Articles 89, 90 and 91 of the Articles of Association of the Company, Mr. P.C.P. Tissera retires from the Board, and being eligible offers himself for re-election.

In accordance with a notice received from a shareholder of the Company, Mr. I. Paulraj who is over seventy years of age is to be re-elected as a Director of the Company.

Report of the Directors (*Contd.*)

**Directors' Interests in Contracts of the Company**

Directors' interests in contracts of the Company, both direct and indirect are disclosed in Note 13 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>	2007	2006
I. Paulraj ( <i>Chairman</i> )	2 00	200
S. Mahendrarajah	2 5	25
D. C. R. Gunawardena	2 5	25
P. C. P. Tissera	-	-

The Board convened 2 meetings during the financial year and the attendance of members was as follows:

**Meetings attended (out of 2)**

I. Paulraj	2
S. Mahendrarajh	1
D. C. R. Gunawardena	2
P. C. P. Tissera	2

**Shareholdings**

There were 248 registered shareholders holding ordinary shares as at 31st March, 2007. (2006 - 234). The distribution of shareholdings is given on page 31 of this Report.

**Audit and Compliance Committee**

The Audit Committee comprise the following members:

Tilak de Zoysa (*Chairman*)

Tennyson Rodrigo

D. C. R. Gunawardena

**Events occurring after the Balance Sheet date**

Subsequent to the date of the Balance Sheet, no circumstances have arisen, which would require adjustments to or disclosure in the financial statements other than as disclosed in Note 9 to the financial statements.

Report of the Directors (*Contd.*)

## The Twenty Major Shareholders - Ordinary Shares

<i>As at 31st March</i> Name of Shareholder	2007		2006	
	No. of Shares	%	No. of Shares	%
Carson Cumberbatch & Company Ltd.	<b>581,950</b>	<b>86.73</b>	581,950	86.73
Lake View Investments Ltd.	<b>22,948</b>	<b>3.42</b>	22,948	3.42
Minerva Nominees Ltd.	<b>9,075</b>	<b>1.35</b>	9,075	1.35
Tata Investment Corporation Ltd.	<b>2,720</b>	<b>0.41</b>	2,720	0.41
Mrs. R. V. Jesudason	<b>2,480</b>	<b>0.37</b>	2,480	0.37
Mr. S. Weerasekera	<b>2,240</b>	<b>0.33</b>	2,240	0.33
Mr. E. A. G. De Silva	<b>2,160</b>	<b>0.32</b>	2,160	0.32
Mr. C. E. G. Abayasekera	<b>1,600</b>	<b>0.24</b>	1,600	0.24
The Investment & Finance Company Ltd.	<b>1,600</b>	<b>0.24</b>	1,600	0.24
Mrs. G. H. O. Ancombe	<b>1,480</b>	<b>0.22</b>	1,480	0.22
The Incorporated Trustee of Church of England in Ceylon	<b>1,368</b>	<b>0.20</b>	1,368	0.20
Executrix of the Estate of Mr. J. Amirthanayagam	<b>1,360</b>	<b>0.20</b>	1,360	0.20
Walwin Arnold De Silva & Manik Walwin De Silva	<b>1,280</b>	<b>0.19</b>	1,280	0.19
Mr. P. Udalagama	<b>1,241</b>	<b>0.18</b>	1,241	0.18
Vanden Driesen	<b>1,034</b>	<b>0.15</b>	1,034	0.15
Mrs. A. J. Martenstyn	<b>1,030</b>	<b>0.15</b>	1,030	0.15
Homi Mehta & Sons (Private) Ltd.	<b>960</b>	<b>0.14</b>	960	0.14
Mrs. E. M. D. De Silva	<b>960</b>	<b>0.14</b>	960	0.14
Mr. N. H. Omar	<b>880</b>	<b>0.13</b>	880	0.13
Mr. N. M. Todywalla	<b>800</b>	<b>0.12</b>	800	0.12
Mr. K. P. Kaliappa Pillai	<b>800</b>	<b>0.12</b>	800	0.12

### Share Information

Information relating to earnings, dividend, net assets and market price per share are given on page 1 of the Annual Report. Information on share trading is given on pages 31 & 32 of the Annual Report.

### Auditors

Messrs. Ernst & Young are eligible for reappointment.

By Order of the Board,

(*Sgd.*)

D. C. R. Gunawardena

*Director*

**Carsons Management Services (Pvt) Ltd.**

*Managers & Secretaries*

Colombo

26th April, 2007

## Statement of Directors' Responsibilities

The responsibilities of the Directors, in relation to the financial statements are detailed in the following paragraphs while the responsibilities of the Auditors are set out in the Report of the Auditors.

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

In preparing these financial statements the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied consistently while material departures, if any, have been disclosed and explained,
- all applicable Accounting Standards have been complied with, and
- reasonable and prudent judgements and estimates have been made.

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and provide the information required by the Companies Act, No. 17 of 1982. 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 and effective operation of appropriate systems of internal control with a view to prevent, detect and rectify fraud and other irregularities.

These financial statements have been prepared on a going concern basis, since the Directors are of the view that the Company has adequate resources to continue in operation, at least for a period of twelve months 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,

*(Sgd.)*

**D. C. R. Gunawardena**

*Director*

**Carsons Management Services (Pvt) Ltd.**

*Managers & Secretaries*

Colombo

26th April, 2007



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## Financial Calendar

Financial Year End - 31st March, 2007

### Announcement of Results

Six months ended

30th September, 2006 - 14th November, 2006

Annual Report 2006/07 - 3rd May, 2007

87th Annual General Meeting - 25th May, 2007

Dividend Declaration

\*First & Final - 25th May, 2007

*\*Subject to approval by Shareholders*

## Report of the Auditors

### **TO THE MEMBERS OF WATAPOTA INVESTMENTS LTD.**

We have audited the balance sheet of Watapota Investments Ltd. as at 31st March, 2007 and the related statements of income, cash flows and changes in equity for the year then ended, together with the accounting policies and notes as set out on pages 15 to 29 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, 2007, and to the best of our information and according to the explanations given to us, the said balance sheet and related statements of income, cash flows and changes in equity and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, 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, 2007 and of its profit and cash flows 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, 2007, except as stated in Note 13 to these financial statements.

*(Sgd.)*

**ERNST & YOUNG**

*Chartered Accountants*

Colombo,

26th April, 2007

## Income Statement

<i>For the year ended 31st March</i>		<b>2007</b>	2006
	Note	Rs. '000	Rs. '000
<b>Revenue</b>	1	<b>49,579</b>	118,599
Cost of investments disposed		<b>(39,255)</b>	(86,011)
		<b>10,324</b>	32,588
Mark to market value adjustment for short-term investments		<b>17,903</b>	2,852
Administrative expenses		<b>(1,509)</b>	(1,414)
<b>Profit from operations</b>	2	<b>26,718</b>	34,026
Finance cost		<b>(1,030)</b>	(3,636)
<b>Profit before taxation</b>		<b>25,688</b>	30,390
Taxation	3	<b>(51)</b>	–
<b>Profit for the year</b>		<b>25,637</b>	30,390
<b>Earnings per share</b>	4	<b>38.21</b>	45.29
<b>Dividend per share</b>		<b>10.00</b>	1.50

The Accounting Policies and Notes on pages 19 to 29 form an integral part of these financial statements.

*Figures in brackets indicate deductions.*

## Balance Sheet

<i>As at 31st March</i>	Note	<b>2007</b> Rs. '000	2006 Rs. '000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Long-term investments	5.1	<b>1,475</b>	1,475
		<b>1,475</b>	1,475
<b>Current Assets</b>			
Trade and other receivables		<b>245</b>	1,000
Income tax recoverable		<b>312</b>	282
Short-term investments	5.2	<b>75,566</b>	61,907
Cash at bank		<b>317</b>	525
		<b>76,440</b>	63,714
<b>Total assets</b>		<b>77,915</b>	65,189
<b>EQUITY AND LIABILITIES</b>			
<b>Capital &amp; Reserves</b>			
Share capital	6	<b>6,710</b>	6,710
Capital reserve		<b>3,690</b>	3,690
General reserve	7	<b>18,522</b>	619
Retained profit		<b>47,586</b>	40,859
<b>Shareholders' funds</b>		<b>76,508</b>	51,878
<b>Current Liabilities</b>			
Trade and other payables	8	<b>592</b>	565
Bank overdraft		<b>815</b>	12,746
		<b>1,407</b>	13,311
<b>Total equity &amp; liabilities</b>		<b>77,915</b>	65,189
<b>Net assets per share (Rs.)</b>		<b>114.02</b>	77.31

The Accounting Policies and Notes on pages 19 to 29 form an integral part 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

**Carsons Management Services (Pvt) Ltd.**

Colombo

26th April 2007

(Sgd.)

**I. Paulraj**

Chairman

(Sgd.)

**P. C. P. Tissera**

Director

## Statement of Changes in Equity

	Non-Distributable Capital & Reserves		Distributable Reserves			Total Equity
	Share Capital	Share Premium	Market Value Adjustment Reserve	General Reserve	Retained Profit	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April, 2005	6,710	3,690	-	619	15,502	26,521
Net profit for the year	-	-	-	-	30,390	30,390
Dividend paid - 75% (for the year 2005)	-	-	-	-	(5,033)	(5,033)
Balance as at 31st March, 2006	6,710	3,690	-	619	40,859	51,878
<b>Balance as at 1st April, 2006</b>	<b>6,710</b>	<b>3,690</b>	-	<b>619</b>	<b>40,859</b>	<b>51,878</b>
Net profit for the year	-	-	-	-	25,637	25,637
Transfers	-	-	17,903	-	(17,903)	-
Dividend paid - 15% (for the year 2006)	-	-	-	-	(1,007)	(1,007)
<b>Balance as at 31st March, 2007</b>	<b>6,710</b>	<b>3,690</b>	<b>17,903</b>	<b>619</b>	<b>47,566</b>	<b>76,508</b>

## Cash Flow Statement

<i>For the year ended 31st March</i>	<b>2007</b>	2006
	<b>Rs. '000</b>	Rs. '000
<b>Cash Flows from Operating Activities</b>		
Profit from operations before taxation	<b>25,688</b>	30,390
<b>Adjustments for</b>		
Mark to market value adjustment of short-term investments	<b>(17,903)</b>	(2,852)
<b>Operating cash flows before working capital changes</b>	<b>7,785</b>	27,538
(Increase)/Decrease in investments	<b>4,244</b>	8,774
(Increase)/Decrease in receivables	<b>755</b>	(989)
Increase/(Decrease) in amounts due to related companies	–	(49,183)
Increase/(Decrease) in creditors and other payables	<b>27</b>	11
<b>Cash generated from/(used in) operating activities</b>	<b>12,811</b>	(13,849)
Taxes paid	<b>(82)</b>	(1,837)
<b>Net cash generated from/(used in) operating activities</b>	<b>12,729</b>	(15,686)
<b>Cash Flows from Financing Activities</b>		
Dividend paid	<b>(1,007)</b>	(4,862)
<b>Net cash used in financing activities</b>	<b>(1,007)</b>	(4,862)
<b>Net increase/(decrease) in cash &amp; cash equivalents during the year</b>	<b>11,723</b>	(20,548)
Cash & cash equivalents as at the beginning of the year	<b>(12,221)</b>	8,327
<b>Cash &amp; cash equivalents as at the end of the year</b>	<b>(498)</b>	(12,221)
<b>Cash &amp; Cash Equivalents</b>		
Cash at bank	<b>317</b>	525
	<b>317</b>	525
Bank overdraft	<b>(815)</b>	(12,746)
	<b>(498)</b>	(12,221)

The Accounting Policies and Notes on pages 19 to 29 form an integral part of these financial statements.

*Figures in brackets indicate deductions.*

# Significant Accounting Policies

## 1. GENERAL ACCOUNTING POLICIES

### 1.1 Basis of Preparation

The financial statements of the Company are prepared under the historical cost convention in conformity with Generally Accepted Accounting Principles and the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka, applied consistently with that of the previous year. No adjustments have been made for inflationary factors affecting the financial statements.

All values presented in the financial statements are in Sri Lankan Rupees thousand (Rs. '000) unless otherwise indicated. Figures in brackets indicate deduction/negative changes.

### 1.2 Statement of Compliance

The Balance Sheet, Statement of Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes ('Financial Statements') of the Company as at 31st March, 2007 and for the year then ended, comply with the Sri Lanka Accounting Standards.

### 1.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

### 1.4 Changes in Accounting Policies

The accounting policies adopted are consistent with those used in the previous financial year except for any changes arising from adoption of following revised/new SLAS:

- SLAS 3 (Revised) - Presentation of Financial Statements
- SLAS 10 (Revised) - Accounting Policies, Changes in Accounting Estimates
- SLAS 14 (Revised) - Income Taxes
- SLAS 30 (Revised) - Related Party Disclosure
- SLAS 41 (Revised) - Impairment of assets

**Summary of impact on adoption of new SLAS's are as follows:**

#### *SLAS 3*

SLAS 3 requires disclosures of the most significant judgments made by management and the basis of estimates made in the Financial Statements.

#### *SLAS 14*

The deferred tax method of computing and disclosures have been revised in accordance with the requirement of the new standard.

#### *SLAS 30*

As per the revised standard, the definition of related parties has been expanded. Disclosure requirements have also been enhanced to cover compensation of key management personnel, transactions and outstanding balance with related parties, etc. The relevant disclosures are included in Note 12 to the Financial Statements.

## Significant Accounting Policies (*Contd.*)

### **SLAS 41**

Assets of the Company are reviewed at each Balance Sheet date to determine whether there is any indication of impairment.

### **1.3 Taxation**

#### **(a) Current Tax**

The liability for taxation has been computed in accordance with the provisions of the Inland Revenue Act, No. 38 of 2000 and amendments made thereto as specified in Note 3 to the financial statements.

#### **(b) Deferred Tax**

Deferred Tax is not provided since the Company does not have any temporary timing differences.

### **1.4 Events occurring after the Balance Sheet date**

The materiality of events occurring after the Balance Sheet date is considered and appropriate adjustments to or disclosure are made in the 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 Balance Sheet date. 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 Investments**

#### **2.1.1 Classification**

Investments held for yield or capital appreciation are classified as long-term investments, and investments that are intended to be held for trading purposes are classified as short-term investments.

#### **2.1.2 Valuation**

##### ***Quoted Investments***

Quoted investments that are held for long term are carried in the Balance Sheet at the lower of cost and market value determined on an aggregate portfolio basis subject to provision for permanent diminution in value, if any. Quoted investments that are held for short term are carried in the Balance Sheet at market value.

##### ***Market Value of the Investment Portfolio***

The market values of the investment portfolio is based on the following:

- (a)** Marketable equity securities are stated at the values published in the Official Valuation list of the Colombo Stock Exchange as at the Balance Sheet date. Where the Official Valuation is not available the market value is stated at the last transacted price.
- (b)** Units purchased from Unit Trusts are valued at the manager's bid price as at the Balance Sheet date.

Significant Accounting Policies (Contd.)

***Mark to Market Value Adjustment***

This represents the appreciation/(depreciation) in the market value of short-term investments, determined monthly on an aggregate portfolio basis.

***Unquoted Investments***

All unquoted investments are carried at lower of cost and Directors' valuation, if any. Provision is made for any permanent diminution in value.

**2.1.3 Cost**

Cost of investment is the cost of acquisition including brokerage, commission and all other fees.

**2.1.4 Diminution in Value**

Diminution in value of investments are deemed to be permanent where the investee company:

- auditors have qualified their opinion on the going concern status, and/or
- operations have resulted in net losses and these losses are expected to continue, and/or
- of which the core business has become non-viable due to environmental concerns, and/or
- of which the industry/sector has an uncertain outlook due to environmental concerns.

**2.2 Debtors and Other Receivables**

Debtors and other receivables are stated at the amounts they are estimated to realise. Where necessary, provisions are made for bad and doubtful debts.

**2.3 Cash & Cash Equivalents**

For the purpose of the Cash Flow Statement, cash & cash equivalents comprise cash at bank, deposits held in banks and investments in money market instruments.

Interest paid and dividend received are classified as operating cash flows while dividend paid are classified as financing cash flows for the purpose of presentation of cash flows reported based on indirect method.

**2.4 Impairment of Assets**

The identifiable assets of the Company are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists the recoverable amount of the asset is estimated and shown in the Balance Sheet. The impairment loss is taken to the Balance Sheet.

**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 long-term liabilities are those obligations which expire beyond a period of one year from the Balance Sheet date.

## Significant Accounting Policies (*Contd.*)

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 Capital Commitments and Contingencies

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

## 4. INCOME STATEMENT

### 4.1 Revenue

Revenue consists of:

- Dividend and interest income from investments.
- Proceeds on disposal of investments.
- Interest income from deposits/advances

### 4.2 Revenue Recognition

Revenue is matched with the related expenditure and is recognised in accordance with the Sri Lanka Accounting Standard No. 29 in the following manner:

- Dividend income - when the shareholders' right to receive payment is established.
- Interest income - accrued on a time proportion basis.
- Proceeds on disposal of investments - on receipt of trade confirmation.

### 4.3 Expenditure Recognition

- (a) Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.
- (b) For the purpose of presentation of Income Statement the Directors are of the opinion that nature of expenses method present fairly the elements of the Company's performance, and hence such presentation method is adopted.

### 4.4 The Company's Profit/(Loss) from Operations before Taxation is arrived at after:

- Providing for bad and doubtful debts and all known liabilities.
- Charging all expenses incurred in the day-to-day operations of the business.
- Charging all expenses incurred in respect of business development.

## 5. RELATED PARTY TRANSACTIONS

Disclosure has been 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.

## Notes to the Financial Statements

<i>For the year ended</i>	<b>31st March 2007 Rs. '000</b>	31st March 2006 Rs. '000
<b>1. REVENUE</b>		
Dividend income	<b>2,109</b>	2,266
External	<b>100</b>	244
Proceeds from disposal of investments	<b>47,370</b>	116,089
	<b>49,579</b>	118,599
<b>2. PROFIT FROM OPERATIONS</b>		
<b>2.1</b> Profit from operations is stated after charging all expenses including the following:		
Auditors' remuneration & expenses	<b>35</b>	33
Directors' fees	-	-
Directors' emoluments	-	-
Management & Secretarial fees	<b>1,045</b>	727
<b>2.2</b> The Company did not have any employees of its own during the financial year under review.		
<b>3. TAXATION</b>		
Provision for the year on ordinary activities (Note 3.1)	<b>51</b>	-
Total tax expense for the year	<b>51</b>	-
<b>3.1</b> Reconciliation between Tax Expense and Accounting Profit		
	<b>2007 Rs. '000</b>	2006 Rs. '000
Accounting profit before taxation	<b>25,688</b>	30,390
Less: Exempt profits on share trading	<b>(7,620)</b>	(31,871)
Dividend income	<b>(2,109)</b>	(2,266)
	<b>15,959</b>	(3,747)
Disallowed expenses	<b>2,392</b>	4,693
Mark to market value adjustment of short-term investments	<b>(17,903)</b>	(2,852)
Taxable profit for the year	<b>448</b>	(1,906)
Loss brought forward	<b>(111)</b>	-
Taxable income	<b>337</b>	(1,906)
Taxation thereon @ 15% (Note 3.2)	<b>51</b>	-
	<b>51</b>	-

Notes to the Financial Statements (Contd.)

**3.2** In accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 the Company is liable to income tax at 35% (2006 - 32.5%). Where taxable income is in less than Rs. 5 mn, the Company is entitled to a lower rate of 15%.

**3.3** During the year profits on the sale of listed shares in respect of which the share transaction levy has been paid was exempt from income tax.

From 1st January, 2005, share transactions are liable to a 0.2% transaction levy which is payable by both buyer and seller.

**3.4** During the year the Company paid Economic Service Charge (ESC) amounting to Rs. 128,619/- (2006 - Rs. 272,015) payment made hereunder is available as income tax credit.

**4. EARNINGS PER SHARE**

Earnings per Share of Rs. 38.21 (2006 - Rs. 45.29) is calculated on the profit after taxation divided by the weighted average number of ordinary shares outstanding the year. The following reflects the profit after taxation and share data used for the computation of Earnings per Share.

	<b>31st March 2007</b>	31st March 2006
<b>Amount used as the Numerator</b>		
Profit for the year after taxation - Rs.'000	<b>25,637</b>	30,390
<b>Amount used as the Denominator</b>		
Number of ordinary shares in issue	<b>671,000</b>	671,000

Notes to the Financial Statements (Contd.)

5. INVESTMENTS - LONG-TERM AND SHORT-TERM

	Carrying Value of Investments at the beginning of the year Rs. '000	Additions/ Transfers Rs. '000	Disposals/ Transfers Rs. '000	Mark to Market Value Adjustment Rs. '000	Carrying Value of Investments at the end of the year Rs. '000
<b>Year 2006/07</b>					
Short-term investments	61,907	35,011	(39,255)	17,903	75,566
Long-term investments	1,475	-	-	-	1,475
<b>Year 2005/06</b>					
Short-term investments	59,602	82,256	(82,803)	2,852	61,907
Long-term investments	9,702	40,094	(48,321)	-	1,475

5.1 Long-Term Investments

	No. of Shares	Cost as at 31st March 2007 Rs. '000	Market Value/ Valuation as at 31st March 2007 Rs. '000	No. of Shares	Cost as at 31st March 2006 Rs. '000	Market Value/ Valuation as at 31st March 2006 Rs. '000
<b>Related Companies - Quoted</b>						
The Selinsing Company Ltd.	472,324	475	78,052	472,324	475	99,188
		475	78,052	-	475	99,188
<b>Related Companies - Unquoted</b>						
Equity Hotels Ltd.	10	0.1	0.1	10	0.1	0.1
		0.1	0.1		0.1	0.1
<b>Other Investments - Unquoted</b>						
Capital Reach Holdings	100,000	1,000	1,000	100,000	1,000	1,000
<b>Total long-term investments</b>		1,475	79,052		1,475	100,188

## Notes to the Financial Statements (Contd.)

5. INVESTMENTS - LONG-TERM AND SHORT-TERM (CONTD.)  
5.2 Short-Term Investments

	No. of Shares	Market Value/ Valuation as at 31st March 2007 Rs. '000	No. of Shares	Market Value/ Valuation as at 31st March 2006 Rs. '000
<b>Quoted</b>				
<b>Beverage, Food &amp; Tobacco</b>				
Distilleries Company of Sri Lanka Ltd.	315,200	33,096	431,300	19,408
		33,096	431,300	19,408
<b>Diversified</b>				
Hemas Holdings Ltd.	75	8	75	8
John Keells Holdings Ltd.	65,253	10,114	89,568	14,130
		10,122		14,138
<b>Hotel &amp; Travels</b>				
Aitken Spence Hotels Holdings Ltd.	-	-	14,700	1,224
Asian Hotels & Properties Ltd.	185,600	8,445	91,800	5,118
Taj Lanka Hotels Ltd.	-	-	203,800	2,904
Trans Asia Hotels Ltd.	16,300	1,549	16,300	1,976
		9,994	-	11,222
<b>Manufacturing</b>				
Tokyo Cement Company (Lanka) Ltd. - Non-Voting	13,000	3,250	28,500	428
		3,250	-	428
<b>Telecommunications</b>				
Dialog Telekom Ltd.	337,100	8,596	351,000	7,020
Sri Lanka Telecom Ltd.	284,000	10,508	538,400	9,691
		19,104	-	16,711
<b>Total carrying value of short-term investments</b>		<b>75,566</b>		<b>61,907</b>

The market value of the quoted investments have been obtained from the Official Valuation List as at 31st March, 2007, published by the Colombo Stock Exchange.

The unquoted investments of the Company as at 31st March, 2007 have been valued at cost.

Notes to the Financial Statements (Contd.)

6. SHARE CAPITAL

	<b>As at 31st March 2007 Rs. '000</b>	As at 31st March 2006 Rs. '000
<b>Authorised</b>		
1,000,000 Ordinary Shares of Rs.10/- each	<b>10,000</b>	10,000
<b>Issued and Fully Paid</b>		
671,008 Ordinary Shares of Rs. 10/- each	<b>6,710</b>	6,710

6.1 Share Capital

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

**Share Premium**

The share premium reserve consists of the net surplus of funds generated by issuing ordinary shares over and above the par value. The amount in the reserve cannot be directly distributed to shareholders but can be utilised to issue bonus shares.

**General Reserve**

General reserve consists of such amounts that have been from time to time transferred from retained earnings.

7. GENERAL RESERVE

	<b>As at 31st March 2007 Rs. '000</b>	As at 31st March 2006 Rs. '000
General Reserve	<b>619</b>	619
Market value adjustment reserve *	<b>17,903</b>	-
Balance as at end of the year	<b>18,522</b>	619

\* Amount of Rs. 17.9 mn resulting from the 'Mark to Market Value Adjustment' of short-term investment portfolio has been transferred from retained earnings to 'Market Value Adjustment Reserve' as at 31st March 2007.

Any gains arising from the above adjustment will be transferred from retained earnings to 'Market Value Adjustment Reserve' at Balance Sheet Date, and any losses arising will be transferred to 'Market Value Adjustment Reserve' to the extent that loss does not exceed the balance held in the said reserve as at the date.

Notes to the Financial Statements (Contd.)

8. TRADE AND OTHER PAYABLES

	As at 31st March 2007 Rs. '000	As at 31st March 2006 Rs. '000
Unclaimed dividend	457	414
Accruals	135	151
	<b>592</b>	<b>565</b>

9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Directors are proposing a first & final dividend of 100% on the ordinary share capital as at 31st March, 2007 amounting to Rs. 6,710,080/- which would be declared at the forthcoming Annual General Meeting subject to shareholder approval.

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 above.

10. CONTINGENT LIABILITIES

There were no contingent liabilities as at the Balance Sheet date.

11. CAPITAL COMMITMENTS

There were no contracts for capital expenditure of a material amount as at the Balance Sheet date.

Notes to the Financial Statements (Contd.)

**12. RELATED PARTY TRANSACTIONS**

	<b>Name of Company</b>	<b>Names of Directors</b>	<b>Nature of Transaction</b>
<b>12.1</b>	Carsons Management Services (Pvt.) Ltd. (CMSL) Guardian Fund Management Ltd. (GFM)	D. C. R. Gunawardena P. C. P. Tissera	The Company paid Rs. 1,031,372/-, Rs. 13,800/- and Rs. 30,000/- (2006 - Rs. 712,740/-, Rs. 14,113/- and Rs. 30,000/-) respectively to CMSL for the provision of management, secretarial and computer services, which includes portfolio management services obtained from Guardian Fund Management Ltd. (GFM) on market based fees.
<b>12.2</b>	Weniwella Investment Ltd.	I. Paulraj D. C. R. Gunawardena P. C. P. Tissera S. Mahendrarajah	During the year the Company paid Rs. Nil as interest to Weniwella Investment Ltd. on overnight borrowings (2006 - Rs. 1,294,081/-). The total outstanding at the Balance Sheet date was Rs. Nil (2006 - Rs. Nil).
<b>12.3</b>	Mylands Investment Ltd.	I. Paulraj D. C. R. Gunawardena P. C. P. Tissera S. Mahendrarajah	During the year Company paid Rs. Nil as interest to Mylands Investment Ltd. on overnight borrowings (2006 - Rs. 953,465/-). The total outstanding at the Balance Sheet date was Rs. Nil (2005 - Rs. Nil).

**13. DIRECTORS' INTERESTS IN CONTRACTS**

Messrs. I. Paulraj, D. C. R. Gunawardena, S. Mahendrarajah and P. C. P. Tissera, Directors of the Company have an interest in all or some of the transactions referred to in Note 12 to the financial statements. They either individually or indirectly have share ownership in companies forming part of the Carsons Group and/or hold Directorates in such related companies.

## Five Year Financial Review

<i>For the year ended 31st March</i>	<b>2007</b>	2006	2005	2004	2003
	<b>Rs. '000</b>	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>OPERATING RESULTS</b>					
<b>Revenue</b>	<b>49,579</b>	118,599	56,160	49,028	13,405
Profit from ordinary activities before tax	<b>25,688</b>	30,390	7,085	4,992	2,377
Taxation	<b>(51)</b>	–	(1,594)	–	(118)
<b>Profit from ordinary activities after tax</b>	<b>25,637</b>	30,390	5,491	4,992	2,259
<b>BALANCE SHEET</b>					
Share capital	<b>6,710</b>	6,710	6,710	6,710	6,710
Reserves	<b>69,798</b>	45,168	19,811	12,594	9,280
<b>Shareholders' funds</b>	<b>76,508</b>	51,878	26,521	19,305	15,990
<b>Assets Employed</b>					
Current assets	<b>76,440</b>	63,714	68,869	55,516	12,854
Current liabilities	<b>(1,407)</b>	(13,311)	(52,050)	(45,615)	(148)
Net current assets	<b>75,033</b>	50,403	16,819	9,902	12,706
Long-term Investments	<b>1,475</b>	1,475	9,702	9,403	3,284
<b>Net assets</b>	<b>76,508</b>	51,878	26,521	19,305	15,990
<b>RATIOS &amp; STATISTICS</b>					
<b>Profitability</b>					
Return on shareholders' funds (%)	<b>33.51</b>	58.58	20.70	25.86	14.13
Return on share capital (%)	<b>382.07</b>	452.89	81.83	74.40	33.67
<b>Liquidity</b>					
Current ratio (times)	<b>54.33</b>	4.78	1.31	1.22	86.61
<b>Investor Ratios</b>					
Earnings per share (Rs.)	<b>38.21</b>	45.29	8.18	7.44	3.37
Earnings yield (%)	<b>7.64</b>	43.55	7.87	16.53	9.36
P/E ratio (times)	<b>13.09</b>	2.30	12.71	6.05	10.68
Industry price - Earning ratio (times)	<b>13.24</b>	5.60	11.10	10.10	3.60
Dividend per share	<b>10.00</b>	1.50	7.50	5.00	2.50
<b>Valuation of Shares</b>					
Net assets per share (Rs.)	<b>114.02</b>	77.31	39.52	28.77	23.83
Market price per share (Rs.)	<b>500.00</b>	590.00	104.00	45.00	36.00
Market price based on industry P/E (Rs.)	<b>506.87</b>	253.62	90.83	75.14	12.13
Market value of investments (Rs.) *	<b>154,120</b>	149,875	148,105	137,989	34,898
All share price index (points)	<b>2,790</b>	2,264	1,752	1,284	739
Milanka price index (points)	<b>3,838</b>	2,877	2,392	2,021	1,259

\* Based on market value of portfolio after adjusting for cash & cash equivalents.

## Information to Shareholders and Investors

### 1. STOCK EXCHANGE LISTING

Watapota Investments Ltd., is a Public Quoted Company, the issued ordinary shares of which are listed on the second board of the Colombo Stock Exchange of Sri Lanka.

### 2. SHARE VALUATION

The market price of the Company's shares as at 30th March, 2007 was Rs. 500/- per share (2006 - Rs. 590/-).

### 3. ORDINARY SHAREHOLDERS

<i>As at 31st March</i>	<b>2007</b>	2006
Number of Shareholders	<b>248</b>	234

The number of shares held by non-residents as at 31st March, 2007 was 21,842 which amounts to 3.25% of the issued share capital.

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	209	29,509	4.40	23	5,933	0.88	232	35,442	5.28
1,001 – 5,000	9	14,759	2.20	4	6,834	1.02	13	21,593	3.22
5,001 – 10,000	–	–	–	1	9,075	1.35	1	9,075	1.35
10,001 – 50,000	1	22,948	3.42	–	–	–	1	22,948	3.42
50,001 – 100,000	–	–	–	–	–	–	–	–	–
100,001 – 500,000	–	–	–	–	–	–	–	–	–
500,001 – 1,000,000	1	581,950	86.73	–	–	–	1	581,950	86.73
Above 1,000,000	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>220</b>	<b>649,166</b>	<b>96.75</b>	<b>28</b>	<b>21,842</b>	<b>3.25</b>	<b>248</b>	<b>671,008</b>	<b>100.00</b>

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individuals	234	49,069	7.31
Institutions	14	621,939	92.69
<b>Total</b>	<b>248</b>	<b>671,008</b>	<b>100.00</b>

Information to Shareholders and Investors (Contd.)

4. **Market Performance - Ordinary Shares**

<i>For the year</i>	<b>2006/2007</b>	2005/2006
Highest (Rs.)	<b>600</b>	900.00
Lowest (Rs.)	<b>500</b>	125.00
Value of shares traded (Rs.)	<b>778,625</b>	2,001,500
No. of shares traded	<b>1,400</b>	4,500
Volume of transactions (Nos.)	<b>9</b>	35

5. **MARKET CAPITALISATION**

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs. 335,504,000/- as at 31st March, 2007 (2006 - Rs. 395,894,720/-).

6. **PUBLIC HOLDING**

The percentage of issued share capital held by public as at 31st March, 2007 was 9.81%.

## Notice of Meeting

NOTICE IS HEREBY GIVEN that the EIGHTY SEVENTH ANNUAL GENERAL MEETING of the Company will be held on Friday the 25th day of May, 2007, at 10.00 a.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7, for the following purposes:

1. To receive and adopt the Report of the Directors and the financial statements for the year ended 31st March, 2007, together with the Report of the Auditors thereon.
2. To declare a first & final dividend as recommended by the Directors.
3. To re-elect Mr. P. C. P. Tissera who retires in terms of Article 89, 90 and 91 of the Articles of Association of the Company, as a Director.
4. To re-elect Mr. I. Paulraj as a Director of the Company who is over seventy years of age in accordance with a notice received from a Shareholder of the Company and to consider and if deemed fit to pass the following resolution:

“IT IS HEREBY RESOLVED that the retiring age of seventy years prescribed by Section 181 of the Companies Act, No. 17 of 1982 shall not apply to Mr. I. Paulraj who is seventy years of age and accordingly, Mr. I. Paulraj is hereby re-elected a Director of the Company until the next Annual General Meeting.”

5. To re-appoint Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board,

**Carsons Management Services (Pvt) Ltd.**

*Secretaries*

Colombo

3rd May, 2007

### **Note**

1. *A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this notice.*
2. *The completed Form of Proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1, not later than 10.00 a.m. on Wednesday the 23rd day of May, 2007.*
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.*

### **Security Check**

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

## Glossary of Financial Terms

### **Appropriations**

Apportioning of earnings to capital reserves, revenue reserves or as dividends.

### **Capital Reserves**

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

### **Cash Equivalents**

Liquid investments with original maturities of three months or less.

### **Contingencies**

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.

### **Dividend Cover**

Post tax profit divided by gross dividend. Measures the number of times dividend is covered by distributable profits.

### **Dividend per Share**

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

### **Dividend Yield**

Dividend per share as a percentage of market price per share.

### **Earnings per Share**

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

### **Equity**

Shareholders' funds (share capital + reserves).

### **Events occurring after the Balance Sheet date**

Significant events that occur between the Balance Sheet date and the date on which the financial statements are authorised for issue, which would require adjustments to or disclosure in the financial statements.

### **Market Capitalisation**

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

### **Net Assets per Share**

Total assets less liabilities divided by the number of ordinary shares in issue.

### **Net Current Assets**

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

### **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 business.

### **Return on Shareholders' Funds**

Profit attributable to shareholders divided by shareholders' funds (total of share capital and reserves).

### **Revenue Reserves**

Reserves considered as being available for distribution and other appropriations.

## Form of Proxy

\*I/We .....

of.....

being \*a member/members of the WATAPOTA INVESTMENTS LTD. hereby appoint:

Israel Paulraj	or failing him,
Don Chandima Rajakaruna Gunawardena	or failing him,
Subramaniam Mahendrarajah	or failing him,
Palehenalage Chandana Priyankara Tissera	or failing him,

.....of

as \*my/our proxy\*\* ..... to vote as indicated hereunder for \*me/us on \*my/our behalf at the Annual General Meeting of the Company to be held at 10.00 a.m. on Friday, the 25th day of May, 2007 at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7 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 Financial Statements for the year ended 31st March, 2007 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend of 100% for the financial year ended 31st March, 2007 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. P. C. P. Tissera who retires in terms of Articles 89, 90 and 91 of the Articles of Association of the Company as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. I. Paulraj as a Director of the Company who is over 70 years of age in accordance with a notice received from a shareholder of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint as Auditors M/s. Ernst & Young and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

In witness \*my/our hands this ..... day of ..... Two Thousand and Seven.

.....  
Signature

### Note

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

Form of Proxy (*Contd.*)

**Instructions for Completion of Form of Proxy**

1. In terms of Article 71 of the Articles of Association of the Company:

The instrument appointing a proxy shall be in writing; and:

- (i) in the case of an individual shall be signed by the appointer or his attorney; and
- (ii) in the case of corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer. A proxy need not be a member of the Company.

2. Kindly perfect the Form of Proxy by filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature and indicate with an "X" in the space provided how your proxy is to vote on such resolution. If no indication is given, the proxy in his/her discretion will vote as he/she thinks fit.

3. In terms of Article 66 of the Articles of Association of the Company:

In the case of joint holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stands in the Register of Members in respect of the joint holding.

4. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, not later than 10.00 a.m. on 23rd May, 2007.

# Corporate Information

## Name of Company

Watapota Investments Ltd.

## Domicile and Legal Form

A Public Quoted Company (Quoted on the second board at the Colombo Stock Exchange) with limited liability, incorporated in Sri Lanka in 1920.

## Principal Activity and Nature of Operations

During the year, the principal activity of the Company was holding and managing of a portfolio consisting of investments.

## Directors

I. Paulraj (*Chairman*)  
S. Mahendrarajah  
D. C. R. Gunawardena  
P. C. P. Tissera

## Alternate Director

S. Mahendrarajah (for I. Paulraj)

## Bankers

Commercial Bank  
Standard Chartered Bank

## Auditors

Messrs. Ernst & Young  
Chartered Accountants,  
No. 201, De Saram Place,  
Colombo 10,  
Sri Lanka.

## Managers & Secretaries

Carsons Management Services (Pvt) Ltd.  
No. 61, Janadhipathi Mawatha,  
Colombo 1,  
Sri Lanka.  
Telephone No. +94-11-4739200  
Fax No. +94-11-4739300

## Registered Office & Principal Place of Business

No. 61, Janadhipathi Mawatha,  
Colombo 1,  
Sri Lanka.  
Telephone No. +94-11-4739200  
Fax No. +94-11-4739300

## Corporate Website

[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)

The Company is a member of the Carson Cumberbatch Group of Companies.

