

Content

Company at a Glance	1
Chairman's Statement	2
Manager's Review	5
Report of the Directors	9
Profiles of the Directors	15
Statement of Directors' Responsibilities	16
Audit Committee Report	17
Financial Reports	
Independent Auditor's Report	22
Income Statement	23
Balance Sheet	24
Statement of Changes in Equity	25
Cash Flow Statement	26
Significant Accounting Policies	27
Notes to the Financial Statements	31
Five Year Financial Review	37
Information to Shareholders and Investors	38
Glossary of Financial Terms	40
Notice of Meeting	41
Form of Proxy	Enclosed
Corporate Information	Inner Back Cover

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

<i>For the year ended 31st March</i>	2008 Rs. '000	2007 Rs. '000	% Change
Revenue	27,260	49,579	(45)
Profit from operations	(7,364)	26,718	(128)
Profit before taxation	(7,800)	25,688	(130)
Profit for the year	(7,800)	25,637	(130)
Net cash flows from operating activities	24,416	12,730	92
Profit available for appropriation	39,535	47,586	(17)
Dividend proposed*	10,065	6,710	50
Shareholders' fund	61,998	76,508	(19)
Total assets	62,880	77,915	(19)
Return on ordinary shareholders' funds (%)	(13)	33	(139)
Earnings per share (Rs.)	(11.62)	38.21	(130)
Net assets per share - Book value (Rs.)	92.40	114.02	(19)
Net assets per share - Market value (Rs.)	220.00	229.63	(4)
Market capitalisation (Company)	268,571	335,504	(20)
Market value of investment portfolio**	146,983	154,120	(4)

* *Based on share capital as at 31st March 2008 and subject to approval at the Annual General Meeting.*

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

Dear Shareholders,

I welcome you to the 88th 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 2008.

Performance and Markets

The Company recorded a loss of Rs. 1.34 mn, prior to the mark to market accounting adjustment. After providing for the diminution in market value of the portfolio of Rs. 6.46 mn, the resulting loss was Rs. 7.80 mn - a performance that reflected the subdued conditions that prevailed on the Colombo Stock Exchange, as reflected by a decline in the All Share Index by eight percentage points during the year. This can be compared against last year's performance under favourable equity market conditions where the All Share gained by 23.2% points resulting in the Company recording a profit after tax of Rs. 25.64 mn.

It must also be noted that despite the negative performance of the market, the Company still retains a net positive gain on its portfolio over the last two years, of Rs. 11.44 mn underlining the effort that has been made by the Managers, not just to preserve the initial funds invested in the

portfolio, but also a part of the gains generated last year. As such, shareholders would note that a cash surplus of Rs. 17.46 mn has been generated which has now been invested in the fixed income market, yielding an average annual return of approximately 18%.

The short-term portfolio managed by our fund managers, Guardian Fund Management Limited (the fund management arm of the Carson Cumberbatch Group), depreciated by 6.6% vis-à-vis market depreciation of 8.6% for the year. This corresponds to a performance above the benchmark All Share Index, even though the return was negative. The portfolio value loss during the period of review included a realised capital loss of Rs. 1.36 mn as well as a mark to market value adjustment for the year of Rs. 6.46 mn.

In the year under review, the Colombo Stock Exchange had a dull year, largely attributed to the country situation, which kept economic fundamentals in a state of fluctuation and led to generally low levels of foreign investor interest. Deteriorating economic fundamentals, particularly escalating interest rates, led to outflows from the equity markets, channelling funds to lower risk fixed income instruments. Against this backdrop corporates fought hard to



Chairman's Statement *(Contd.)*

maintain earnings, amidst escalating costs, lower growth in top line revenues and high costs of financing. All-in-all, the trends were very much against equity investments in the last financial year and likely to remain so as long as the country situation remains uncertain. The All Share Index depreciated 8.59% and Milanka Index depreciated 17.10% for the financial year 2007/08.

Overall, the year posed a challenge to the fund manager to preserve the investment value of the portfolio and book gains. In keeping with our conservative but opportunity driven style of fund management we placed a higher weight on risk, given the challenging times in the light of the market changes mentioned. The only silver lining were the one off strategic deals that propped the market from time to time, in an otherwise lackluster year of market activity. In managing the trading portfolio, we looked at the risk profile of the Company and curtailed aggressive trading by shifting to cash or cash equivalents, retaining only those equities which we believed would have the valuations to exceed the benchmark fixed income rate of return.

The market value of the Company's total portfolio inclusive of cash and cash equivalents stood at Rs. 147 mn end March 2008 as at the close of the financial year from Rs. 154 mn as at end March 2007, a decline of 4.5%. This performance is inclusive of one strategic investment in Selinsing PLC.

The actively managed trading portfolio amounted to Rs. 91.43 mn as at end March 2008.

Your Directors recommend the payment of a final dividend of Rs. 15 per share which compares well with last year's dividend of Rs. 10.00 per share, and reflects the Company's ability to maintain an above market return to shareholders even in times of uncertainty.

Our investment management activities have been focused towards building up an actively managed short-term trading portfolio to take advantage of market price movements, taking an acceptable level of risk to the Company and its stakeholders. Hence, aggressive trading in very speculative stocks was avoided, thereby foregoing some opportunities in the short term. However, we are confident that our conservative strategy prevented over-exposure of the portfolio to risk in turbulent times.

Given our conservative portfolio management style in the present uncertain environment we opted to shift funds to interest bearing securities given the rising interest rates. Our management approach is centered on the ultimate objective of giving the shareholders consistent returns year-on-year. Hence, shifting between asset classes to maximise shareholder wealth creation would be looked at very favourably.



Chairman's Statement *(Contd.)*

It must be noted that the net worth generated for shareholders over the years, has now resulted in a net asset value per share of Rs. 220 approximately. This represents significant value creation to the investors over time. However, the relative illiquidity of the share and inactive trading has not enabled shareholders to participate actively in the market. Furthermore, the size of the Company's total portfolio at Rs. 147 mn is not of a significant enough value to command much bargaining power in the equity markets. The Board is aware of these factors and would consider the options available to it to address the resulting issues.

Our Fund Managers, Guardian Fund Management Limited (GFM), the fund management company within the Carson Cumberbatch Group brings with it the expertise of having managed the largest listed equity fund in Sri Lanka, vested with the Ceylon Guardian Investment Trust and its subsidiaries. GFM has obtained registration as an investment manager with the Securities and Exchange Commission of Sri Lanka, and is actively seeking to manage external equity funds as well.

I take this opportunity to thank the outgoing Auditors, M/s Ernst & Young, for the excellent professional services rendered to the Company during our long years of association and wish to record our due appreciation of their understanding in accepting the changing of Auditors as part of a Group requirement.

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 our staff for their contribution to a successful year and to my colleagues on the Board for their valuable inputs.

(Sgd.)

Israel Paulraj

Chairman

Colombo

8th May 2008

Financial Results

The loss after tax amounted to Rs. 7.8 mn for the year under review as against a profit of Rs. 25.64 mn recorded last year. The total sales proceeds for the year amounted to Rs. 24.07 mn which resulted in a capital loss of Rs. 1.36 mn. Sales proceeds were utilised to settle the borrowings of the Company, thus bringing the Company to a cash surplus position of Rs. 17.46 mn as at year end. These surpluses were re-invested for portfolio growth.

Equity Market

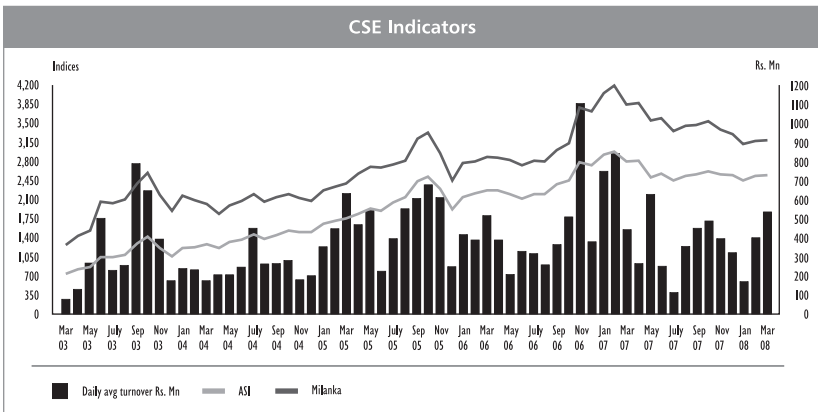
The market reversed its upward trend that was witnessed during the last six years and recorded negative returns for the financial year 2007/08, with the All Share Index depreciating 8.6% and Milanka Index depreciating 17.1%. The market capitalisation of the Colombo Stock Exchange decreased from Rs. 869 bn to Rs. 827 bn during the year. The stock market started on a positive note but continued its downward trend for the

key reasons explained in the Chairman's statement. No IPOs took place due to the unfavourable market conditions that prevailed.

Market turnover also dwindled with most investors shifting from equity to fixed income investments in the back drop of rising interest rates; as well as low foreign investor participation. Also in the wake of high cost of financing given rising interest rates, margin facilities to clients were curtailed and portfolios were shed in keeping with stringent rules of the regulators. Hence, turnover volumes at the CSE remained low.

Largest Equity Holdings - Short-Term Portfolio

1. Distilleries Company of Sri Lanka	69.6%
2. Asian Hotels Properties	16.4%
3. Dialog Telekom	13.9%



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anagers' Review (Contd.)

Inflation became the greatest threat to individuals, corporates and the Government alike during the year. The Colombo Consumer Price Index (CCPI) measure of inflation increased 200 basis points to 18.8% March 2008 from 16.8% in March 2007. Hence both individuals and corporates faced spiralling cost increases thereby hitting bottom line profits. The Government was forced to increase interest rates in keeping a positive interest yield curve, with 12 months Government Treasury bill rates rising 447 basis points to 19% as at end March 2008.

Portfolio Review

The short-term trading portfolio was established to enhance profits to the bottom line by exploiting market cycles through active management but given unfavourable market conditions that prevailed during the year trading opportunities was limited. Total depreciation of the short-term portfolio comprised a realised capital loss of Rs. 1.36 mn and

the mark to market value adjustment for the year of Rs. 6.46 mn. The short-term trading portfolio declined by 6.6% vis-à-vis market depreciation of 8.6% for the year.

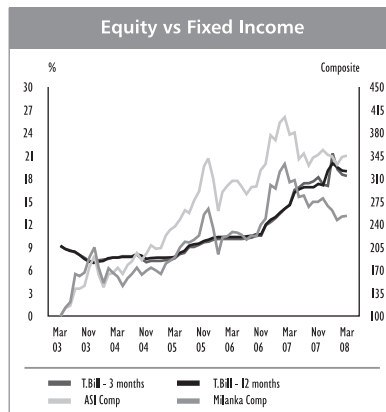
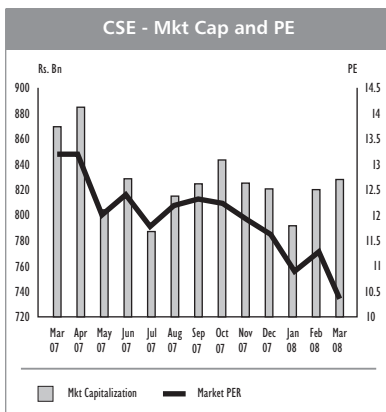
On a sectoral basis, the portfolio is concentrated on the food & beverages sector with a strategic investment in Selinsing PLC which holds an oil palm plantation in Malaysia.

Shareholder Value

The return to shareholders highlighted here takes into account the value appreciation from the growth in market prices, dividends and the impact of bonus and rights. Cumulative net wealth gain for a shareholder over a period of three years has been over 800% as highlighted in the table below.

Future

The Sri Lankan economy remained resilient despite the weak economic fundamentals. The economy is forecasted to grow between 6.5% - 7% for the year 2008 in line with the



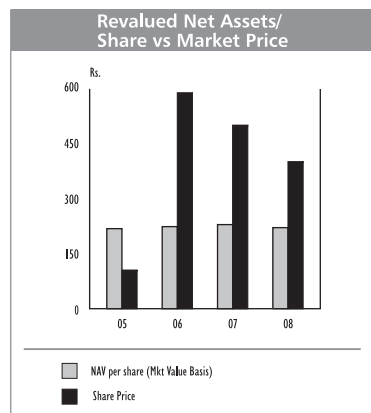
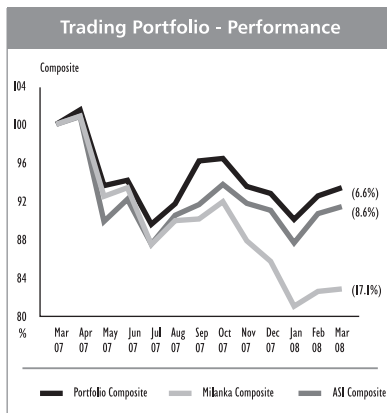
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anagers' Review (Contd.)

6.8% growth recorded during the previous year 2007. However, key economic indicators such as inflation and interest rates have been spiralling upwards in the last six months of the financial year. This is likely to dampen corporate earnings in the short-term and also divert investor interest away from the market to fixed income investments.

The economic fundamentals have posed a challenge to the corporates given decreasing purchasing power, high borrowing costs and escalation of costs in an inflationary environment, thus squeezing margins. However, most of the good companies listed on the Colombo Stock Exchange have reported positive earnings growth, speaking well of the management and resilient nature of the businesses they operate in.

Shareholder Returns	31.3.2005	31.3.2006	31.3.2007	31.3.2008	Cumulative 4 years
ASPI	1751.9	2264.4	2789.8	2550.5	
ASPI gain	36%	29%	23%	-8.6%	46%
Start of the year - Quantity	1,000	1,000	1,000	1,000	1,000
- Market pc.	45	104	590	500	45
- Wealth	45,000	104,000	590,000	500,000	45,000
Dividends					
- DPS	7.50	1.50	10.00	15.00	-
- Value	7,500	1,500	10,000	15,000	34,000
End of the year - Quantity	1,000	1,000	1,000	1,000	1,000
- Market pc.	104	590	500	400	400
- Wealth	111,500	591,500	510,000	415,000	449,000
Shareholder wealth gain %	147.8%	468.8%	-13.6%	-17%	898%



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anagers' Review (Contd.)

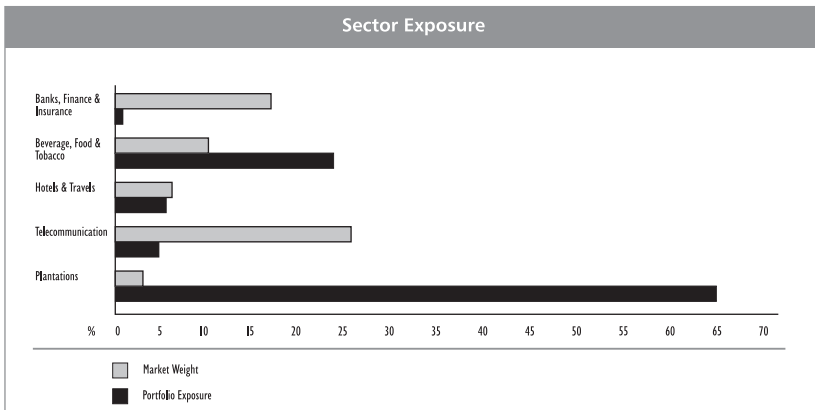
	March 07	June 07	Sept. 07	Dec. 07	March 08
All Share Index	2,789.8	2,572.2	2,556.6	2,540.9	2,550.5
Milanka Index	3,837.6	3,584.0	3,459.9	3,291.9	3,181.3
Avg. Turnover Rs. mn	442	252	449	321	536
Market Cap. Rs. bn	869.3	828.5	824.4	820.7	827.7

We expect the CSE to be very much event driven in the coming year 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 local and regional businesses by the top companies. Such events will drive investor interest in selected stocks. However, the general sentiment towards equity is likely to be negative due to other investment opportunities posing better returns in the current context.


However, the Company will no doubt look to exploit selective opportunities amidst low

investor expectations; and one such event was the change in ownership of the strategic stake in SLT which also gave minority shareholders opportunities for gains either through trading or acceptance of the mandatory offer by the new strategic investor in SLT.

We conclude our review by stating that the market offers good medium to long-term prospects. However, our only reservation remains the fact that the portfolio needs to be of a sufficiently large value in order to command a strong position in the equity markets. Thus your Board will evaluate all options available to the Company that will contribute to optimise returns to shareholders.



Guardian Fund Management Limited
Fund Managers



Report of the Directors

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing rules and are guided by recommended best accounting practices.

1. General

The Board of Directors of Watapota Investments PLC (The Company) is pleased to present its Report and the Audited financial statements of the Company for the financial year ended 31st March 2008.

The financial statements were authorised by the Board of Directors on 8th May 2008.

The Company was re-registered on 24th July 2007 as required under the provisions of the Companies Act No. 07 of 2007.

2. The Principal Activities of the Company

There were no significant changes in the nature of the principal activities of the company during the financial year under review where the principal activity of the company continues to be managing and holding of an investment portfolio.

3. Review of Business

The review of the Company's performance during the year, with comments on financial results and future developments, is contained in the Chairman's Statement (Page 2) and Manager's Review (page 5). These reports form an integral part of the Report of the Directors.

4. Financial Results

The Company recorded a net loss of Rs. 7.8 mn for the year. An abridgement of

the Company's performance is presented in the table below:

<i>For the year ended 31st March</i>	2008	2007
	Rs. '000	Rs. '000
Profit/(Loss) after taxation	(7,800)	25,637
Profit brought forward from previous year	47,586	40,859
Profit available for appropriation	39,786	66,496
Dividend paid	(6,710)	(1,007)
Transfers - Market value adjustment reserve	6,459	(17,903)
Retained profits carried forward	39,535	47,586

5. Market Value Adjustment Reserve

Amount of Rs. 6.4 mn resulting from the 'Mark to Market Value Adjustment' of the short-term investment portfolio has been transferred from retained earnings to 'Market Value Adjustment Reserve' as at 31st March 2008 as shown in the Statement of Changes in Equity. (Page No. 25)

Any gains arising from the above adjustment will be transferred from retained earnings to 'Market Value Adjustment Reserve' as 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.

6. Auditor's Report

The Auditor's Report on the financial statements is given on page 22 of this Annual Report.

7. Significant Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 27 to 30. There have been no changes in the accounting policies adopted by the Company during the year under review.

8. Financial Statements

Financial statements of the Company comprises the Balance Sheet, Statement of Income, Changes in Equity and Cash Flows together with the Accounting Policies and Notes to the financial statements for the year ended 31st March 2008 are set out in pages 23 to 36.

9. Statement of Directors' Responsibilities

The Statement of Directors' Responsibility for the financial statements is given on page 16.

10. Interests Register

The Interests Register was introduced during the period under review as per the Companies Act No. 07 of 2007.

10.1 Remuneration of Directors

Director fees and remuneration, in respect of the Company for the financial year ended 31st March 2008 is given in Note 2 to the financial statements, on page 31.

10.2 Directors' Interest in Contracts

Messrs Israel Paulraj, S. Mahendrarajah, D. Chandima R. Gunawardena, and P. Chandana 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 of companies

forming part of the Carsons Group and/or hold Directorates in such related companies.

10.3 Directors Shareholdings

As at 31st March	2008 No. of Shares	2007 No. of Shares
Mr. I. Paulraj	200	200
Mr. S. Mahendrarajah	25	25
Mr. D.C.R. Gunawardena	25	25
Mr. P.C.P. Tissera	–	–

11. Corporate Donations

There were no donations granted during the year.

12. Directors

The names of the Directors who served during the year are given under Corporate Information provided in the Back Inner Cover of the Annual Report.

In terms of Articles 89, 90 & 91 of the Articles of Association of the Company, Mr. S. Mahendrarajah retires by rotation from the Board and being eligible offers himself for re-election.

Mr. I. Paulraj who is over Seventy years of age to be re-elected as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable.

13. Auditors

Company's Auditors during the year under review were Messrs Ernst & Young, Chartered Accountants.



Report of the Directors (Contd.)

Messrs Ernst & Young were paid Rs. 31,000/- for the year ended 31st March 2008 as audit fees by the Company. In addition, they were paid Rs 5,980 by the Company as non-audit related services.

The Directors are satisfied that, the Auditors did not have any relationship or any interest with the Company that would impair their relationship.

13.1 Change of Auditors

The Group's Investment Sector companies' external audits are currently being carried out by 2 different Audit Companies in Sri Lanka.

In order to overcome certain coordinating and timing issues faced by these Auditors and with a view of streamlining and rationalising the external audit function of the Investment Sector of the Group by assigning all investment sector audits under one Audit Firm, it is recommended to change the Auditors of the Company to Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants, as 90% of the Group's investment company audits are presently carried out by Messrs KPMG Ford, Rhodes, Thornton & Co.

The requisite written notice of the proposal to change the current Auditors, as per Section 160 (1) of the Companies Act No. 07 of 2008 have been served to the existing Auditors, Messrs Ernst & Young.

Messrs Ernst & Young, who are qualified to be re-appointed have expressed their consent for the proposed change of Auditors subject to shareholder approval at the forthcoming Annual General Meeting.

The Company has given due notice of the Shareholder Resolution to be moved as an Ordinary Resolution, along with the Notice of the Annual General Meeting, for the appointment of Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants as the Auditors of the Company for the year ending 31st March 2009.

14. Corporate Governance

Compliance of Corporate Governance Rules as per Section 6 of The Colombo Stock Exchange (CSE) Listing Rules

14.1 Disclosures relating to Directors: Non-Executive and Independent Directors (Rule 6.3)

Directors	Executive/Non-Executive/ Independent
Mr. I. Paulraj	Non Executive/* Independent
Mr. S. Mahendrarajah	Non Executive/** Independent
Mr. D.C.R. Gunawardena	Executive
Mr. P.C.P. Tissera	Executive

* The Board has determined that Mr. I. Paulraj is an Independent Director in spite of being on the Board for more than 9 years and being a Director of many other companies within the Carson Cumberbatch Group (in which majority of the other Directors of the Board are Directors) and being a Director of Carson Cumberbatch PLC which is a substantial shareholder in Watapota Investments PLC, since he is not directly involved in the Management of the Company.

R Report of the Directors (Contd.)

The management of the companies are carried out by Carsons Management Services (Private) Limited.

** The Board has determined that Mr. S. Mahendrarajah is an Independent Director in spite of being on the Board for more than 9 years and being a Director of Mylands Investments Limited and Weniwella Investments Limited (in which a majority of the other Directors of the Board are Directors) since he is not directly involved in the Management of the Companies. The management of the companies are carried out by Carsons Management Services (Private) Limited.

A brief profile of each of the Directors appears on page 15.

14.2 Remuneration Committee (Rule 6.5)

Executive Directors are not compensated for their role on the Board.

The Board is in the process of formulating a Remuneration Committee as per the Colombo Stock Exchange Listing rules.

14.3 Audit Committee

Audit Committee Members	Executive/ Non-Executive
Mr. Tilak de Zoysa	–
Mr. T. Rodrigo	–
Mr. D.C.R. Gunawardena	Executive

The Board is currently looking at reformulating the Audit Committee structure to fall in line with the Colombo Stock Exchange listing rules.

The Report of the Audit Committee is given from page 17 to page 20 of this report.

15. Directors' Meetings

Two Directors' Meetings were convened during the financial year and the attendance of the Directors were as follows:

Director	Meetings Attended (out of 02)
Mr. I. Paulraj	02
Mr. S. Mahendrarajah	01
Mr. D.C.R. Gunawardena	02
Mr. P.C.P. Tissera	02

16. Dividends

The Directors recommend a first & final dividend of Rs. 15 per share for the year ended 31st March 2008 which is to be declared at the forthcoming Annual General Meeting.

17. Solvency Test

Directors have made an assessment of the solvency of the Company immediately after the proposed dividend and confirm that the Company satisfies the solvency test required by the Companies Act No. 07 of 2007.

18. Stated Capital

The stated capital of the Company is Rs. 10,400,000/- comprising 671,008 Ordinary shares. There was no change in the stated capital of the Company during the year.



Report of the Directors (Contd.)

19. Shareholders' Funds

The total shareholders' funds of the Company stood at Rs. 61.99 mn as at 31st March, 2008 (2007 - Rs. 76.51 mn).

20. 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, 2008 was Rs. 44.4 mn (2007 - Rs. 75.6 mn) which includes a market value depreciation of Rs. 6.4 mn (2007 - Rs. 17.9 mn appreciation).

The market value of long-term investment portfolio of the Company is Rs. 85.1 mn (2007 - Rs. 79.1 mn).

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

21. Statutory Payments

The Board of Directors, to the best of their knowledge and belief are satisfied that all statutory payments have been paid up to date or have been provided for in these financial statements.

22. Shareholdings

There were 257 registered shareholders holding ordinary shares as at 31st March, 2008. (2007 - 248). The distribution of shareholdings is given on page 38 of this Report.

23. 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.

24. Share Information

The details relating to earnings, net assets, market value per share and information in share trading is given on pages 38 to 39 of this Report.

25. Twenty Major Shareholders

As at 31st March Name of Shareholders	2008		2007	
	No. of Shares	%	No. of Shares	%
Carson Cumberbatch PLC	581,950	86.73	581,950	86.73
Lake View Investments Limited	22,948	3.42	22,948	3.42
Minerva Nominees Limited	9,075	1.35	9,075	1.35
Tata Investment Corporation Limited	2,720	0.41	2,720	0.41
Mrs. R.V. Jesudason	2,480	0.37	2,480	0.37
Mr. S. Weerasekera	2,240	0.33	2,240	0.33
Mr. E.A.G. De Silva	2,160	0.32	2,160	0.32
Mr. C.E.G. Abayasekera	1,600	0.24	1,600	0.24
The Investment & Finance Company Limited	1,600	0.24	1,600	0.24
Mrs. G.H.O. Anscombe	1,480	0.22	1,480	0.22
The Incorporated Trustee of Church of England in Ceylon	1,368	0.20	1,368	0.20
Executrix of the Estate of Mr. J. Amirthanayagam	1,360	0.20	1,360	0.20
Walwin Arnold De Silva & Manik Walwin De Silva	1,280	0.19	1,280	0.19
Mr. P. Udalagama	1,241	0.18	1,241	0.18
Mr. K.C. Vignarajah	1,043	0.16	743	0.11
Ms. C.A. Vanden Driesen	1,043	0.15	1,043	0.15
Mrs. A.J. Martenstyn	1,030	0.15	1,030	0.15
Mrs. E.M.D. De Silva	960	0.14	960	0.14
Homi Mehta & Sons (Private) Limited	960	0.14	960	0.14
Mr. N.H. Omar	880	0.13	880	0.13

Signed on behalf of the Board

(Sgd.)

I. Paulraj

Chairman

(Sgd.)

P.C.P. Tissera

Director

Colombo

8th May 2008

Profiles of the Directors

ISRAEL PAULRAJ

Israel Paulraj is the Chairman of Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC, Rubber Investment Trust Limited and Watapota Investments PLC. He serves as a Director of Carson Cumberbatch PLC and of several of the subsidiary companies within the Carsons Group. He is the Chairman of the Incorporated Trustees of the Church of England in Ceylon, a member of the Standing Committee of the Diocese of Colombo and the Hony. Treasurer of the National Christian Council of Sri Lanka.

He serves as Past Chairman of the Federation of Exporters' Association of Sri Lanka and The Coconut Products Traders' Association. He was a member of the Executive Committee of the Ceylon Chamber of Commerce, National Chamber of Commerce of Sri Lanka, Sri Lanka Shippers Council. He served on the Board of Arbitrators of the Ceylon Chamber of Commerce. He has served as Hony. General Secretary of the Central Council of Social Services, as Hony. Treasurer of The Christian Conference in Asia, President, Church of Ceylon Youth Movement.

He also served on the Presidential Task Force on Non-Traditional Export and Import Competitive Agriculture set up by President R. Premadasa. He also served as Chairman of the Ecumenical Loan Fund of Sri Lanka and on its International Board in Geneva. He was a member of the Commercial Law Reform Commission and has served on the Parliamentary Consultative Committee on Internal and International Trade.

He holds a Bachelor of Law Degree and an Executive Diploma in Business Administration.

SUBRAMANIAM MAHENDRARAJAH

Subramaniam Mahendrarajah is a Director of Weniwella Investments Limited, Leechman & Company (Private) Limited and Mylands Investments Limited of the Carsons Group. Group Finance Director of Sri Krishna Group of Companies and Director of Korea Lanka Garments. Has wide experience in manufacturing, trading, financial services and management. He was the Past President of the Rotary Club of Colombo Down Town.

CHANDIMA GUNAWARDENA

Chandima Gunawardena is a Director of Carson Cumberbatch PLC and in most of the Carsons Group companies. He also sits on the Boards of the Group's Oil Palm Plantation Companies in Indonesia and is the President Director of PT Agro Indomas in Indonesia. In addition, he serves as the Deputy Chairman of Union Assurance PLC. He has over three decades of experience in varied fields of business and commercial activities and has held senior positions in the corporate sector. He is a Fellow of the Chartered Institute of Management Accountants, UK.

CHANDANA TISSERA

Chandana Tissera is a Director of Carson Cumberbatch PLC and several other subsidiary companies including overseas companies of the Carson Cumberbatch Group. He serves as the Chief Executive Officer in charge of the Plantation Sector and the Investment Sector. He is a Director of Union Assurance PLC and The Sri Lanka Fund and counts over 22 years of experience in the fields of manufacturing, financial services, capital market operations, overseas plantations, project development and management services. He is a Member of the Accounting Standards Sub-Committee of the Ceylon Chamber of Commerce. He is a Fellow of the Institute of Management, UK.

S 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. 07 of 2007 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 in order to ensure that the financial statements of the Company meet with the requirements of the Sri Lanka Accounting and Auditing Standards Act

No. 15 of 1995 and the Companies Act No. 07 of 2007. 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 system of internal controls with a view to prevent, detect and rectify frauds and other irregularities.

These financial statements have been prepared on a going concern basis, after reviewing the financial position and the cash flows, since the Directors are of the view that the Company has adequate resources to continue in operation for the foreseeable future.

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 (Private)
Limited**

Managers & Secretaries

Colombo, 8th May 2008



Audit Committee Report

The Audit Committee of the Company comprises of three members as follows:

Audit Committee Members	Executive / Non-Executive
Mr. Tilak de Zoysa (Chairman)	–
Mr. D.C.R. Gunawardena	Executive
Mr. Tennyson Rodrigo	–

The Board is currently looking at re-formulating the Audit Committee structure to fall in line with the Colombo Stock Exchange Listing Rules.

Mr. Tilak de Zoysa is the Non-Executive Chairman of Carson Cumberbatch PLC and is the Deputy Chairman/Managing Director of Associated Motorways Group of Companies. Mr. Chandima Gunawardena is a Director of Carson Cumberbatch PLC and in most of its' Group Companies. Mr. Tennyson Rodrigo is a Director of Good Hope PLC. He was the former Managing Director and Chief Executive of Capital Development and Investment Company PLC and former Chairman of the Audit Committee of Eagle Insurance PLC.

The audit aspects of Watapota Investments PLC was conducted within the Agenda of Carson Cumberbatch PLC - Audit Committee.

The Group Internal Audit (GIA) carried out four detailed audits based on the audit plan formulated and approved by the Audit Committee for the financial year 2007/08.

The findings and contents of the Group Internal Audit reports have been discussed with the management and subsequently, the audit reports were circulated to the members of the Audit Committee and management facilitating corrective and preventive measures in a timely manner.

The objectives of the GIA work was to have an independent review of the systems of internal controls as established by the management, its adequacy and integrity vis-à-vis objectives served and determine the extent of adherence to controls by staff responsible for the function and to take corrective action where necessary.

The draft financial statements of the Company for the year ended 31st March 2008 were reviewed by the Audit Committee Members, together with the External Auditors, Ernst & Young, prior to release of same to the Regulatory Authorities and to the shareholders.

The members of the Audit Committee have determined that Ernst & Young, Auditors were independent on the basis that they did not carry out any special assignment on the operation of the Company.

The members of the Audit Committee have concurred to recommend to the Board of Directors to appoint Messrs KPMG Ford, Rhodes, Thornton & Company as Auditors for the financial year ending 31st March 2009, in place of the retiring Auditors, Messrs Ernst &

A

Audit Committee Report *(Contd.)*

Young (subject to shareholders approval), in view of streamlining and rationalizing the external audit function of the Investment Sector of the Group by assigning all Investment Sector Audits under one Audit Firm.

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

Purpose

To assist the Board of Directors in fulfilling its oversight 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 Company policies and procedures, laws and regulations and the code of conduct and the identification of and management of risks that would impact on the Company's business activities.

Authority

The Audit Committee has authority to conduct or authorise 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 co-operate with the Committee's request or external parties.

- Meet with Company officers, external auditors or outside counsel, as necessary.

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. Decisions may also be made by circulation of papers to the Audit Committee Members and approvals granted by all the Audit Committee Members shall have the same effect as a decision/approval given at a Meeting of the Members.

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 significant accounting and financial issues.
- Review with management and the external auditors the results of the audit (management letter contents) including any difficulties encountered during audit.
- Review the quarterly/annual financial statements, prior to release of same to the Regulatory Authorities and to the shareholders.
- Review with management and the external auditors all matters required to be communicated to the Committee under the generally accepted Auditing/Accounting Standards.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.

Internal Control

- Consider the effectiveness of the Company's internal control over annual and interim financial reporting, including information technology security and control.

- Understand the scope of internal and external auditor's review of internal control over financial reporting and review significant findings and recommendations, together with management response.

Internal Audit

- Review with management and the Director of Audit, the charter of the internal audit assignment/s, plans and activities.
- Review the effectiveness of the internal audit function and its interdependency of function.

External Audit

- Understand the external auditors' proposed audit and approach, including co-ordination of audit effort with internal 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.

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Audit Committee Report (Contd.)

- To meet with the external auditors to discuss any matter that the Committee or auditors believe need to be discussed. The Audit Committee may invite the management if desired.

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 about Committee activities, issues and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors and the Board of Directors.
- Report annually to the shareholders, describing the Committee's composition responsibilities and how they were discharged.
- Review any other reports the Company issues that are relevant and relating to Audit Committee responsibilities.

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 once in every 3 years, if need be and request Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Meet periodically with management to review the Company's identified risks and action taken by the management to mitigate such risks.

(Sgd.)

Tilak de Zoysa

Chairman - Audit Committee

Watapota Investments PLC

8th May 2008

F Financial Reports

22	Independent Auditor's Report
23	Income Statement
24	Balance Sheet
25	Statement of Changes in Equity
26	Cash Flow Statement
27	Significant Accounting Policies
31	Notes to the Financial Statements
37	Five Year Summary

Financial Calendar

Financial Year End	31st March 2008
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Announcement of Results

Six months ended 30th September 2007	16th November 2007
Annual Report 2007/08	16th May 2008
88th Annual General Meeting	11th June 2008

Dividend Declaration

*First & Final	11th June 2008
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**Subject to approval by Shareholders*

Independent Auditor's Report



Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

TO THE SHAREHOLDERS OF WATAPOTA INVESTMENTS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Watapota Investments PLC ("Company"), which comprise the balance sheet as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 accounting records for the year ended 31 March 2008 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

(Sgd.)
ERNST & YOUNG
Chartered Accountants
Colombo
8 May, 2008



Income Statement

For the year ended 31st March

	Note	2008 Rs. '000	2007 Rs. '000
Revenue	1	27,260	49,579
Cost of investments disposed/written off		(26,429)	(39,255)
		831	10,324
Mark to market value adjustment for short-term investments		(6,459)	17,903
Administrative expenses		(1,736)	(1,509)
Profit/(Loss) from operations	2	(7,364)	26,718
Finance cost		(436)	(1,030)
Profit/(Loss) before taxation		(7,800)	25,688
Taxation	3	-	(51)
Profit/(Loss) for the year		(7,800)	25,637
Earnings/(Loss) per share (Rs.)	4	(11.62)	38.21
Dividend per share (Rs.)*		15.00	10.00

The Accounting Policies and Notes on pages 27 to 36 form an integral part of these financial statements.

Figures in brackets indicate deductions.

** Based on proposed dividend.*

Balance Sheet

<i>As at 31st March</i>		2008	2007
	Note	Rs. '000	Rs. '000
ASSETS			
Non-Current Assets			
Long-term investments	5.1	475	1,475
		475	1,475
Current Assets			
Trade and other receivables		170	245
Income tax recoverable		388	312
Short-term investments	5.2	44,385	75,566
Short-term deposits		15,973	–
Cash at bank		1,489	317
		62,405	76,440
Total assets		62,880	77,915
EQUITY AND LIABILITIES			
Capital & Reserves			
Stated capital	6	10,400	10,400
General reserve	7	12,063	18,522
Retained profit		39,535	47,586
Shareholders' funds		61,998	76,508
Current Liabilities			
Trade and other payables	8	882	592
Bank overdraft		–	815
		882	1,407
Total equity & liabilities		62,880	77,915
Net assets per share (Rs.)		92.40	114.02

I certify that the financial statements have been prepared in compliance with the requirement of the Companies Act No. 07 of 2007.

(Sgd.)

A. Weeratunge

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

The Accounting Policies and Notes on pages 27 to 36 form an integral part of these financial statements.

Approved and signed on behalf of the Managers,

(Sgd.)

D.C.R. Gunawardena

Director

Approved and signed on behalf of the Board,

(Sgd.)

I. Paulraj

Chairman

(Sgd.)

P.C.P. Tissera

Director

Carsons Management Services (Private) Limited.

Colombo

8th May 2008



Statement of Changes in Equity

	Non-Distributable Capital & Reserves		Distributable Reserves		
	Stated Capital	Market Value Adjustment Reserve	General Reserve	Retained Profit	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2006	10,400	–	619	40,859	51,878
Net profit for the year	–	–	–	25,637	25,637
Transfers	–	17,903	–	(17,903)	–
Dividend paid for the year 2006	–	–	–	(1,007)	(1,007)
Balance as at 31st March 2007	10,400	17,903	619	47,586	76,508
Balance as at 1st April 2007	10,400	17,903	619	47,586	76,508
Net Loss for the year	–	–	–	(7,800)	(7,800)
Transfers	–	(6,459)	–	6,459	–
Dividend paid for the year 2007	–	–	–	(6,710)	(6,710)
Balance as at 31st March 2008	10,400	11,444	619	39,535	61,998

Cash Flow Statement

<i>For the year ended 31st March</i>	2008	2007
	Rs. '000	Rs. '000
Cash Flows from Operating Activities		
Profit/(Loss) from operations before taxation	(7,800)	25,688
Adjustments for		
Mark to market value adjustment of short-term investments	6,459	(17,903)
Operating Profit/(Loss) before working capital changes	(1,341)	7,785
(Increase)/Decrease in investments	25,722	4,244
(Increase)/Decrease in receivables	75	756
Increase/(Decrease) in creditors and other payables	36	27
Cash generated from operating activities	24,492	12,812
Taxes paid	(76)	(82)
Net cash generated from operating activities	24,416	12,730
Cash Flows from Financing Activities		
Dividend paid	(6,456)	(1,007)
Net cash used in financing activities	(6,456)	(1,007)
Net increase/(decrease) in cash & cash equivalents during the year	17,960	11,723
Cash & cash equivalents as at the beginning of the year	(498)	(12,221)
Cash & cash equivalents as at the end of the year	17,462	(498)
Cash & Cash Equivalents		
Short-term deposits	15,973	-
Cash at bank	1,489	317
	17,462	317
Bank overdraft	-	(815)
	17,462	(498)

The Accounting Policies and Notes on pages 27 to 36 form an integral part of these financial statements.

Figures in brackets indicate deductions.



Significant Accounting Policies

I. GENERAL ACCOUNTING POLICIES

I.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.

I.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 2008 and for the year then ended, comply with the Sri Lanka Accounting Standards.

I.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and the Financial Statements have been prepared on this basis.

I.4 Taxation

(a) Current Tax

The liability for taxation has been computed in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 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.

I.5 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.

S Significant Accounting Policies *(Contd.)*

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.

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.

Significant Accounting Policies (Contd.)

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.

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.

S Significant Accounting Policies *(Contd.)*

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>	31st March 2008 Rs. '000	31st March 2007 Rs. '000
1. REVENUE		
Dividend income	2,922	2,109
Interest income	265	100
Proceeds from disposal of investments	24,073	47,370
	27,260	49,579
2. PROFIT/(LOSS) FROM OPERATIONS		
2.1 Profit from operations is stated after charging all expenses including the following:		
Auditors' remuneration & expenses	31	35
Directors' fees	-	-
Directors' emoluments	-	-
Management & Secretarial fees	1,169	1,045
2.2 The Company did not have any employees of its own during the financial year under review.		
3. TAXATION		
Provision for the year on ordinary activities (Note 3.1)	-	51
Total tax expense for the year	-	51
3.1 Reconciliation between Tax Expense and Accounting Profit		
	2008 Rs. '000	2007 Rs. '000
Accounting profit/(loss) before taxation	(7,800)	25,688
Less: Exempt profits on share trading	2,356	(7,620)
Dividend income	(2,922)	(2,109)
	(8,366)	15,959
Disallowed expenses	1,595	2,392
Mark to market value adjustment of short-term investments	6,459	(17,903)
Taxable profit/(loss) for the year	(312)	448
Loss brought forward	-	(111)
Taxable income	(312)	337
Taxation thereon @ 15% (Note 3.2)	-	51
	-	51

N

otes to the Financial Statements (Contd.)

- 3.2** In accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and amendments thereto, the Company is liable to income tax at 35% (2007 - 35%).
- 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. 61,195/- (2007 - Rs. 128,619/-) payment made hereunder is available as income tax credit.

4. EARNINGS PER SHARE

Earnings/(Loss) per Share of (Rs. 11.62) (2007 - Rs. 38.21) is calculated on the profit after taxation divided by the weighted average number of ordinary shares in issue during the year. The following reflects the profit after taxation and share data used for the computation of Earnings per Share:

	31st March 2008	31st March 2007
Amount used as the Numerator		
Profit for the year after taxation - Rs.'000	(7,800)	25,637
Amount used as the Denominator		
Number of ordinary shares in issue	671,008	671,008

N

otes 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/ Write-offs Rs. '000	Mark to Market Value Adjustment Rs. '000	Carrying Value of Investments at the end of the year Rs. '000
Year 2007/08					
Short-term investments	75,566	707	(25,429)	(6,459)	44,385
Long-term investments	1,475	-	(1,000)	-	475
Year 2006/07					
Short-term investments	61,907	35,011	(39,255)	17,903	75,566
Long-term investments	1,475	-	-	-	1,475

5.1 Long-Term Investments

	No. of Shares	Cost as at 31st March 2008 Rs. '000	Market Value/ Valuation as at 31st March 2008 Rs. '000	No. of Shares	Cost as at 31st March 2007 Rs. '000	Market Value/ Valuation as at 31st March 2007 Rs. '000
Related Companies - Quoted						
Selensing PLC	472,324	475	85,136	472,324	475	78,052
Related Companies - Unquoted						
Equity Hotels Limited	10	0.1	0.1	10	0.1	0.1
Other Investments - Unquoted						
Capital Reach Holdings Limited	100,000	-	-	100,000	1,000	1,000
Total long-term investments		475	85,136		1,475	79,052

5. INVESTMENTS - LONG-TERM AND SHORT-TERM (CONTD.)

5.2 Short-Term Investments

	No. of Shares	Market Value/ Valuation as at 31st March 2008 Rs. '000	Market Value/ Valuation as at 31st March 2007 Rs. '000
Quoted			
Beverage, Food & Tobacco			
Distilleries Company of Sri Lanka PLC	315,200	30,890	33,096
		30,890	33,096
Diversified			
Hemas Holdings PLC	-	-	8
John Keells Holdings PLC	-	-	10,114
			10,122
Hotel & Travels			
Asian Hotels & Properties PLC	185,600	7,284	8,445
Trans Asia Hotels PLC	-	-	1,549
		7,284	9,994
Manufacturing			
Tokyo Cement Company (Lanka) PLC - Non-Voting	-	-	3,250
			3,250
Telecommunications			
Dialog Telekom PLC	370,810	6,211	8,596
Sri Lanka Telecom PLC	-	-	10,508
		6,211	19,104
Total carrying value of short-term investments		44,385	75,566

The market value of the quoted investments have been obtained from the Official Valuation List as at 31st March 2008 published by the Colombo Stock Exchange.

The unquoted investment has been written-off in full as the Company was of the opinion that there has been a substantial value erosion.



Notes to the Financial Statements (Contd.)

6. STATED CAPITAL

	As at 31st March 2008 Rs. '000	As at 31st March 2007 Rs. '000
Fully Paid Ordinary Shares (No. of shares in issue 671,008)	10,400	10,400

6.1 Stated Capital

The Authorised Capital and par Value concept in relation to share capital were abolished by the Companies Act No. 07 of 2007. Therefore the company does not have a limited amount of authorised capital. The amount of issued shares do not have a par value. The total amount received by the company or due and payable to company in respect of the issue and calls of the shares are referred to as Stated Capital. The presentation on comparative information have been restated accordingly.

7. GENERAL RESERVE

	As at 31st March 2008 Rs. '000	As at 31st March 2007 Rs. '000
General Reserve	619	619
Market value adjustment reserve *	11,444	17,903
Balance as at end of the year	12,063	18,522

General Reserve

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

- * Amount of Rs. 6.4 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 2008 (2007 - Rs. 17.9).

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.

8. TRADE AND OTHER PAYABLES

	As at 31st March 2008 Rs. '000	As at 31st March 2007 Rs. '000
Unclaimed dividend	711	457
Accruals	171	135
	882	592

9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Directors are proposing a first & final dividend on the ordinary share capital as at 31st March 2008 amounting to Rs. 15 per share 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.

12. RELATED PARTY TRANSACTIONS

Name of Company	Name of Directors	Nature of Transaction
Carsons Management Services (Private) Limited (CMSL)	D.C.R. Gunawardena P.C.P. Tissera	The Company paid Rs. 1,154,593/-, Rs. 13,800/- and Rs. 30,000/- (2007 - Rs. 1,031,372/-, Rs. 13,800/-, 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 Limited (GFM) on market based fees.



Five Year Financial Review

<i>For the year ended 31st March</i>	2008	2007	2006	2005	2004
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
OPERATING RESULTS					
Revenue	27,260	49,579	118,599	56,160	49,028
Profit from ordinary activities before tax	(7,800)	25,688	30,390	7,085	4,992
Taxation	-	(51)	-	(1,594)	-
Profit from ordinary activities after tax	(7,800)	25,637	30,390	5,491	4,992
BALANCE SHEET					
Stated capital	10,400	10,400	6,710	6,710	6,710
Reserves	51,598	66,108	45,168	19,811	12,594
Shareholders' funds	61,998	76,508	51,878	26,521	19,304
Assets Employed					
Current assets	62,405	76,440	63,714	68,869	55,516
Current liabilities	(882)	(1,407)	(13,311)	(52,050)	(45,615)
Net current assets	61,523	75,033	50,403	16,819	9,901
Long-term Investments	475	1,475	1,475	9,702	9,403
Net assets	61,998	76,508	51,878	26,521	19,304
RATIOS & STATISTICS					
Profitability					
Return on shareholders' funds (%)	(13)	33.51	58.58	20.70	25.86
Liquidity					
Current ratio (times)	70.75	54.33	4.78	1.31	1.22
Investor Ratios					
Earnings per share (Rs.)	(11.62)	38.21	45.29	8.18	7.44
Earnings yield (%)	(2.55)	7.64	43.55	7.87	16.53
P/E ratio (times)	-	13.09	2.30	12.71	6.05
Industry price - Earning ratio (times)	10.36	13.27	5.60	11.10	10.10
Dividend per share (Rs.)	15.00	10.00	1.50	7.50	5.00
Valuation of Shares					
Net assets per share (Rs.)	92.40	114.02	77.31	39.52	28.77
Market price per share (Rs.)	400.25	500.00	590.00	104.00	45.00
Market value of investments*	146,983	154,120	149,875	148,105	137,989
All share price index (points)	2,550.47	2,790.00	2,264.00	1,752.00	1,284.00
Milanka price index (points)	3,181.30	3,838.00	2,877.00	2,392.00	2,021.00

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

Information to Shareholders and Investors

I. STOCK EXCHANGE LISTING

Watapota Investments PLC, is a Public Quoted Company, the 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 31st March 2008 was Rs. 400.25 per share (2007 - Rs. 500/-).

3. ORDINARY SHAREHOLDERS

<i>As at 31st March</i>	2008	2007
Number of Shareholders	257	248

The number of shares held by non-residents as at 31st March, 2008 was 21,842 which amounts to 3.25% of the stated 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	217	28,466	4.24	23	5,933	0.88	240	34,399	5.13
1,001 – 5,000	10	15,802	2.35	4	6,834	1.02	14	22,636	3.37
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	–	–	–	–	–	–	–	–	–
Total	229	649,166	96.74	28	21,842	3.25	257	671,008	100

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individuals	243	49,099	7.31
Institutions	14	621,909	92.69
Total	257	671,008	100.00



Information to Shareholders and Investors (Contd.)

4. MARKET PERFORMANCE - ORDINARY SHARES

<i>For the year</i>	2007/2008	2006/2007
Highest (Rs.)	570.00	600
Lowest (Rs.)	400.25	500
Value of shares traded (Rs.)	857,100	778,625
No. of shares traded	1,800	1,400
Volume of transactions (Nos.)	14	9

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. 268,570,952/- as at 31st March 2008 (2007 - Rs. 335,504,000/-).

6. PUBLIC HOLDING

The percentage of shares held by public as at 31st March 2008 was 9.81%.



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.

N Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighty-Eighth Annual General Meeting of WATAPOTA INVESTMENTS PLC will be held on Wednesday, the 11th day of June 2008, at 3.30 p.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, 2008, together with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. S. Mahendrarajah who retires in term of Article 89, 90 and 91 of the Articles of Association of the Company.
4. To Re-elect Mr. I. Paulraj as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. I. Paulraj who is 71 years of age and that he be re-elected a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
5. To appoint Messrs KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants as Auditors of the Company in replacement of Messrs Ernst & Young, Chartered Accountants and to authorise the Directors to determine their remuneration .

By Order of the Board,
Carsons Management Services (Private) Limited
Secretaries
Colombo
8th May 2008

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 3.30 p.m. on 9th June 2008.
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 remain open.

Security Check

We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.



Form of Proxy

*I/We
of.....
being *a member/members of the WATAPOTA INVESTMENTS PLC
hereby appoint
of.....
bearing NIC No. / Passport No. or failing him/her.

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

as *my/our proxy to attend at the Annual General Meeting of the Company to be held on Wednesday, the 11th day of June 2008 at 3.30 p.m., at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7 and 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 2008, together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend of Rs. 15 per share as a First & Final dividend for the financial year ended 31st March 2008 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. S. Mahendrarajah who retires by rotation in terms of Article 89, 90 & 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. I. Paulraj who is over Seventy years of age as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5. To appoint Messrs KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants as Auditors of the Company in replacement of Messrs Ernst & Young, Chartered Accountants and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Eight.

.....
Signature/s

Note :

- (a) *Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at a General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.

F orm of Proxy (Contd.)

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. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. 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 appointor or by his Attorney; and
 - (ii) in the case of a 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.

4. 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.
5. 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 3.30 p.m. on 9th June 2008.

Please fill in the following details:

Name :

Address :

Jointly with :

Share Folio No. :

Corporate Information

Name of Company
Watapota Investments PLC

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
Deutsche Bank

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

Managers & Secretaries
Carsons Management Services (Private) Limited
No. 61, Janadhipathi Mawatha,
Colombo 1, Sri Lanka.
Telephone No. +94-11-4739200
Fax No. +94-11-4739300

Fund Managers
Guardian Fund Management Limited
No. 61, Janadhipathi Mawatha,
Colombo 1, Sri Lanka.
Telephone No. +94-11-4739200
Fax No. +94-11-4739385

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

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