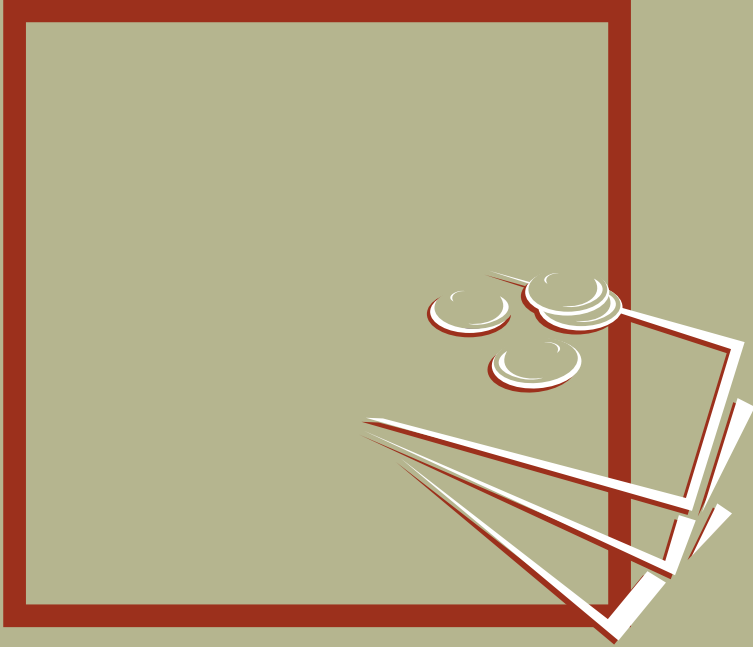


The Watapota Investment Trust Limited

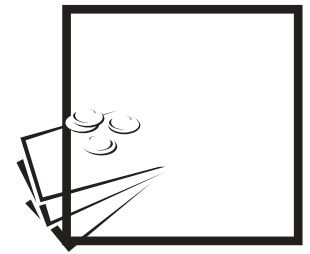


ANNUAL REPORT 2002/2003

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Corporate Information



Name of Company

Watapota Investments Ltd.
(A Carson Cumberbatch Company)

Domicile and Legal Form

A Public Quoted Company with limited liability, incorporated in Sri Lanka in 1920. The Company was quoted on the second board of the Colombo Stock Exchange on 21st November 2001.

Principal Activity and Nature of Operations

During the year, the principal activity of the Company was holding and managing of an investment portfolio.

Directors

I. Paulraj (*Chairman*)
H. Selvanathan
S. Mahendrarajah
D.C.R. Gunawardena
S. Weerasekara (appointed w.e.f. 17th May 2002)
P. C. P. Tissera (appointed w.e.f. 4th April 2003)

Alternate Director

S. Mahendrarajah (for I. Paulraj)

Bankers

NDB Bank
Standard Chartered Bank

Auditors

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

Managers & Secretaries

Carsons Management Services (Pvt) Ltd.
No. 61, Janadhipathi Mawatha,
Colombo 1.
Telephone No: +94-1-337665
Fax No: +94-1-337685

Registered Office & Principal Place of Business

No. 61, Janadhipathi Mawatha,
Colombo 1.
Telephone No: +94-1-337665
Fax No: +94-1-337685

Number of Employees

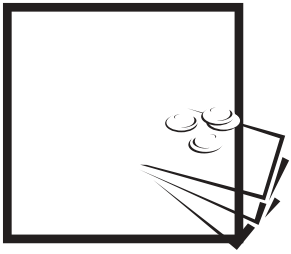
The number of employees at the end of the year was Nil (2002 – Nil).

Parent Enterprise and ultimate Parent Enterprise

The Company's parent enterprise as well as the ultimate parent enterprise and controlling entity is Carson Cumberbatch & Co. Ltd. which is incorporated in Sri Lanka.

Corporate Website

www.carsoncumberbatch.com



Chairman's Statement

On behalf of the Board of Directors of Watapota Investments Ltd., I have pleasure in presenting the Annual Report and Audited Accounts of the Company for the financial year ended 31st March 2003.

With the continuing cease-fire and clearer prospects for peace, business confidence within the country is on the rise. The Gross Domestic Product saw a significant growth during 2002 when compared to the previous year. The country is showing strong signs of recovery with development in many sectors.

The Colombo Stock Exchange performed well during the year, moving up by 31.2%. The All Share Price Index (ASPI) showed an increase of 21% and closed at 739 points, while the Milanka Price Index (MPI) showed an increase of 27% to close at 1,259.6 points at the end of March 2003.

An improvement in local business confidence was evident due to the market being driven mainly by local investors in 2002. Local investors accounted for 78% of the total trading turnover while foreign investors only accounted for 22%. Several Initial Public Offer (IPO) were made during the year and this contributed towards the stock market recovery. The Company subscribed to Sri Lanka Telecom Ltd., and the Lanka Hospital Corporation Ltd., IPOs and invested in shares of John Keells Holdings, and National Development Bank. The Company continues to acquire and trade in shares with future potential to enhance the value of the portfolio and to ensure value addition to its shareholders.

The Company portfolio valued at cost was Rs. 12.23 mn for the year under review, an increase of 18.6% when compared to the previous year, while the market value of the

investment portfolio declined to Rs. 34.9 mn. The Company recorded a revenue of Rs. 13.4 mn, an increase of 403% when compared to last year. Post tax profit of the Company amounted to Rs. 2.26 mn, against Rs. 0.85 mn the previous year, an increase of 166%. The Company made a scrip issue of three shares for every five held during the year, where a total of 251,628 shares were issued, bringing the total issued and paid up share capital to Rs. 6.71 mn.

The prospects for 2003 look promising with the increase of private sector participation in investment. With the progress in the peace process and the implementation of significant economic policy reforms, we are hopeful that investor confidence will increase further.

I would like to extend my sincere thanks to Mr. Sinha Weerasekara who will cease to be on Board with effect from 21st May 2003, for his invaluable contribution to the Company during his tenure. He was first appointed to the Board on 1st January 1968 and served on the Board for 33 years till his retirement at the age of 70. He was once again appointed to the Board at the last AGM as per resolution passed on receipt of Special Notice from Carson Cumberbatch & Company Ltd., a member of the Company.

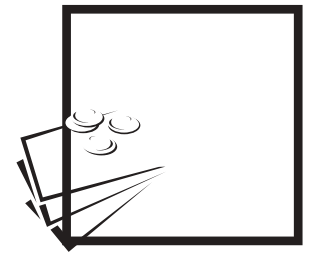
On behalf of the Board of Directors, I wish to thank the shareholders for the trust and confidence placed in the Company, and to the financial community for the co-operation extended to us at all times. In conclusion, I wish to express my sincere thanks to my colleagues on the Board for their contribution and assistance.

I. Paulraj

Chairman

24th April 2003

Review of Operations



Economy in Review

The Sri Lankan economy showed a significant recovery with positive developments seen in many areas including fiscal performance, inflation, foreign exchange market and interest rates.

The main reasons for the recovery of the Sri Lankan economy are the continuing ceasefire, removal of war risk surcharges and improved business confidence with clearer prospects for peace. The Gross Domestic Product saw an increase during 2002, a significant recovery when compared to 2001, which was a negative 1.4%.

Stock Market Trends

The Colombo Stock Market has registered one of the best performances in stock markets worldwide in 2002, moving up by 31.2%. The All Share Price Index (ASPI), which opened the year at 617.6 points closed at 739 points on 31st March 2003, an increase of 20%. The Milanka Price Index (MPI) which opened at 1,006.7 points closed at 1,259.6 points at the end of 2003 which was an increase of 25%. The ASPI also reached its highest level of 860.3 points in five years while the Milanka Price Index (MPI) recorded its highest ever value in September 2002.

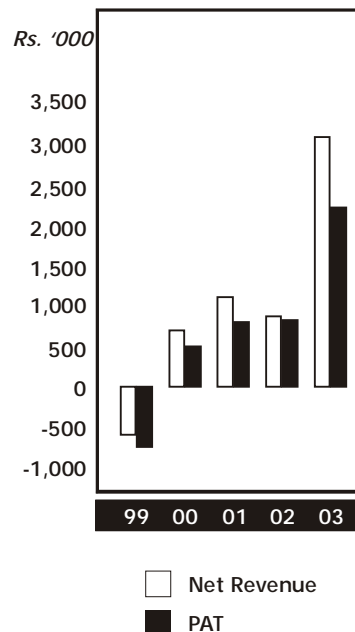
The market was driven mainly by local investors with local investors accounting for 78% of total trading turnover and foreign investors accounting for 22%.

The total turnover during the year was Rs. 35.02 bn with an average daily turnover of Rs. 136.8 mn.

Your Company

The Revenue recorded amounted to Rs. 13.4 mn an increase of 403% when compared to Rs. 2.67 mn last year. The main contributors to the revenue were proceeds from trading of shares, dividends and interest income. Profit after tax saw an increase of 166% and amounted to Rs. 2.26 mn, as against Rs. 0.85 mn recorded the previous year.

NET REVENUE & PROFIT AFTER TAX



Dividends and Taxation

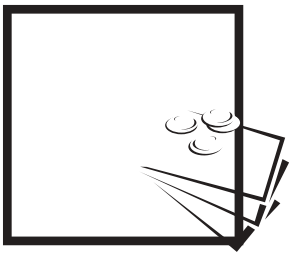
An interim dividend of 20% was paid during the year. Further a final dividend of 25% has been proposed for the financial year 2002/2003 amounting to Rs. 1.67 mn, while a sum of Rs. 117,655/- was provided for taxation. The Dividend per share was Rs. 4.5 while the dividend Yield was 12.5% as at 31st March 2003, after adjusting for the proposed final dividend.

Scrip Issue

A scrip issue of three shares for every five held, was made during the year. The total number of shares issued was 251,628 bringing the total issue and paid up share capital to Rs. 6.7 mn.

Portfolio

The value of the Company's portfolio was Rs. 12.23 mn at the end of the year under review. This is a 18.6% increase when compared to the previous year, and was enhanced due to acquisition of shares at a cost of Rs. 12.44 mn. During the year the Company subscribed to

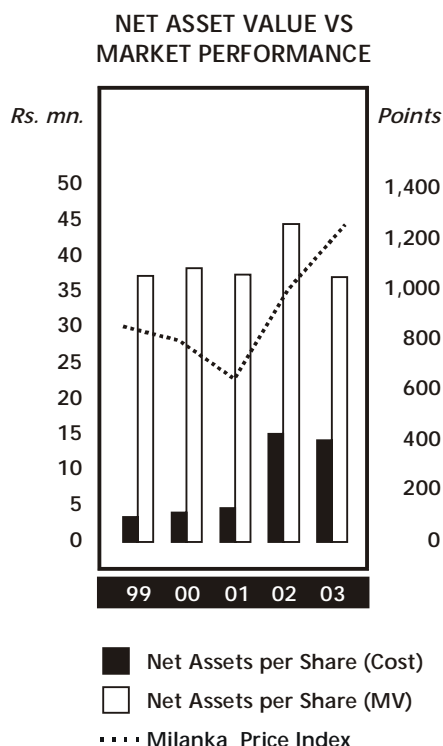


Review of Operations (Contd.)

several IPOs (Initial Public offer) namely Sri Lanka Telecom Ltd. and The Lanka Hospital Corporation Ltd. which were identified as stocks with future potential. The key additions to the portfolio were shares of John Keells Holdings, Sri Lanka Telecom and NDB Bank.

The market value of the Company's investment portfolio together with cash and cash equivalents in hand declined to Rs. 38.77 mn as at 31st March 2003, as against Rs. 44.61 mn at the close of 2002. The Company also disposed Rs. 10.26 mn worth of shares during the period under review.

The net asset value of the Company increased to Rs. 15.99 mn from Rs. 15.07 mn last year.



Watapota holds a 6.81% stake in The Selinsing Company Ltd., one of the five oil palm plantation companies quoted on the Colombo Stock Exchange. The Company has also made a long term investment in The Good Hope Company Ltd.

and the Indo-Malay Company Ltd. These investments have great potential as the Oil Palm sector has showed an improvement in performance due to the increase in demand worldwide.

These investee companies also hold significant stakes in the Carsons Group's new oil palm plantation in Indonesia consisting of 16,000 ha and an oil processing mill which has a process capacity of 45 mt of fresh fruit bunches per hr. The operations of the Indonesian plantation Company was encouraging by recording a turnover of US\$ 13.15 mn as against US\$ 6.92 mn the previous year. Profit before providing for deferred tax was US\$ 3.28 mn. The net profit after deferred tax provision for the year amounted to US\$ 2.28 mn an increase of 2,180% when compared to US\$ 0.10 mn last year. A valuation of the plantation carried out during the year, valued the Company at US\$ 57.1 mn as at 31st January 2003. This project has proved to be an attractive investment, and it became a self-financing venture during the year.

Future Prospects

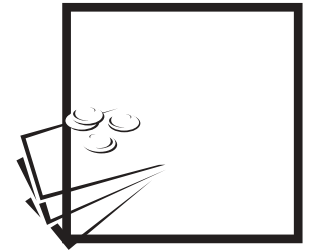
Taking into consideration the current stable environment, the prospects for the economy in 2003 appear to be good. Improvement in the economy would support growth in the Investment sector while reduced pressure on domestic interest rates would release more funds for stock market activity.

Progress in the peace process however would appear to be essential, while economic policy reforms would provide a strong basis for building investor confidence, domestically and internationally. All in all, the prospects for good performance of the stock market appear high.

Carsons Management Services (Pvt.) Ltd.
Managers

24th April 2003

Report of the Directors



The Directors are pleased to submit their Report for the year ended, 31st March 2003, 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 and projected developments of the Company.

Principal Activity of the Company

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

Financial Results

<i>For the year ended 31st March</i>	2003	2002
	Rs.	Rs.
Profit available for appropriation	6,313,240	4,053,863
Interim Dividend - 20% (2002 - Nil)	(1,342,016)	-
Retained Profit carried forward	4,971,224	4,053,863

Share Capital

During the year the Company made a scrip issue of 3 ordinary shares for every 5 ordinary shares held as at 18th March 2002. Accordingly the issued and fully paid up share capital increased to Rs. 6,710,080/-.

Dividend

Your Directors are recommending a payment of 25% final dividend for the year 2003. (2002 - Nil)
An interim dividend of 20% was paid in May 2002 amounting to an outflow of Rs. 1,342,016/-. (2002 - Nil)

Shareholders' Funds

The total capital & reserves of the Company stand at Rs. 15.99 mn as at 31st March 2003. (2002 - Rs. 15.07 mn)

Investments

The total investment portfolio of the Company had a market value of Rs. 34.9 mn as at 31st March 2003 compared with the book value of Rs. 12.2 mn. The movements of the investments during the year are set out in Note 6 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 or have been adequately provided for.

Directorate

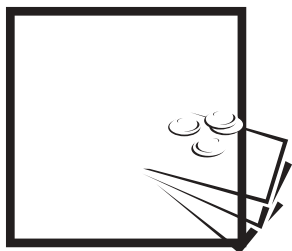
The names of the Directors who served during the year are shown on page 1.

Mr. P. C. P. Tissera was appointed w.e.f. from 4th April 2003 as a Director.

In terms of special resolution passed at the last Annual General Meeting Mr. Weerasekara ceases to be a Director on the date of the Annual General Meeting for the year 2002/2003.

In terms of Articles 89 and 90 of the Articles of Association of the Company, Mr. H. Selvanathan and Mr. I. Paulraj retire from the Board, but being eligible offers themselves for re-election.

In terms of Article 88 of the Articles of Association Mr. P. C. P. Tissera retires from the Board, but being eligible offers himself for re-election.



Report of the Directors (Contd.)

Directors' Interests in Contracts with the Company

Directors' interests in contracts of the Company, both direct and indirect are disclosed in Note 15 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.

	No. of Shares 2003	No. of Shares 2002
<i>As at 31st March</i>		
I. Paulraj (<i>Chairman</i>)	200	200
H. Selvanathan	25	25
S. Weerasekera	2,240	1,400
S. Mahendrarajah	25	25
D.C.R. Gunawardena	-	-
P. C. P. Tissera		

(appointed w.e.f. 4th April 2003)

Shareholdings

There were 159 registered shareholders holding voting ordinary shares as at 31st March 2003. The distribution of shareholdings is given on page 24 of this Report.

Audit and Compliance Committee

The Audit Committee comprising of 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 11 to the financial statements.

Substantial Shareholdings

The substantial holdings in the issued ordinary share capital of the Company have been disclosed in Note 4 of the Information to Shareholders and Investors.

Share Information

Information relating to earnings, dividend, net assets and market price per share are given on page 23 of the Annual Report. Information on share trading is given on page 24 - 25 of the Annual Report.

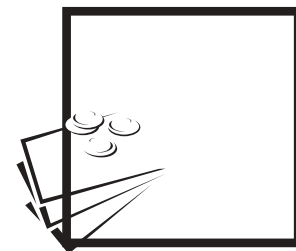
Auditors

Messrs. Ernst & Young are eligible for re-appointment.

By Order of the Board,
Carsons Management Services (Pvt) Ltd.
Managers & Secretaries

Colombo
24th April 2003

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.

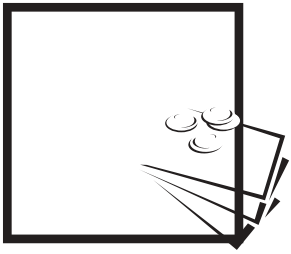
The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board,
Carsons Management Services (Pvt) Ltd.
Secretaries

Colombo
24th April 2003

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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 2003 and the related Statements of Income, Changes in Equity and Cash Flows for the year then ended, together with the Accounting Policies and Notes as set out on pages 11 to 22 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 2003, and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Changes in Equity and Cash Flows 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 2003, 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 2003, except as stated in Note 15 to these financial statements.

(Sgd.)

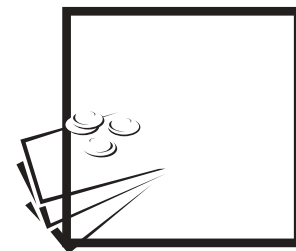
Ernst & Young

Chartered Accountants

Colombo

11th April 2003

Income Statement

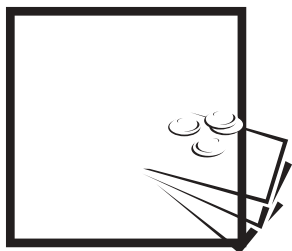


For the year ended 31st March

	Note	2003 Rs.	2002 Rs.
Revenue	1	13,404,942	2,666,885
Cost of investments disposed		(10,256,856)	(1,785,542)
		3,148,086	881,343
Other income	2	-	391,575
		3,148,086	1,272,918
Administrative expenses		(505,660)	(227,494)
Provision for diminution in carrying value of investments		(265,394)	-
Profit from operations	3	2,377,032	1,045,424
Taxation	4	(117,655)	(196,924)
Profit for the year		2,259,377	848,500
Earnings per Share	5	3.37	1.26

The Accounting Policies and Notes on pages 15 to 22 form an integral part of these financial statements.

Figures in brackets indicate deductions.



Balance Sheet

<i>As at 31st March</i>	Note	2003 Rs.	2002 Rs.
Assets			
Non-Current Assets			
Long-term investments	6	3,284,146	152,660
Current Assets			
Trade and other receivables	8	13,500	15,468
Income tax recoverable		14,299	9,515
Short-term investments	7	8,950,625	10,165,356
Short-term deposits		3,680,357	-
Cash at bank		195,256	4,828,273
		12,854,037	15,018,612
Total Assets		16,138,183	15,171,272
EQUITY AND LIABILITIES			
Capital & Reserves			
Share capital	9	6,710,080	4,193,800
Capital reserve		3,689,670	6,205,950
General reserve		618,803	618,803
Retained profits		4,971,224	4,053,863
Shareholders' Funds		15,989,777	15,072,416
Current Liabilities			
Income tax payable		-	57,230
Creditors & accruals	10	148,406	41,626
		148,406	98,856
Total Equity & Liabilities		16,138,183	15,171,272
Net Assets per Share		23.83	22.46

The Accounting Policies and Notes on pages 15 to 22 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

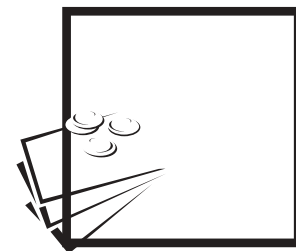
(Sgd.)
H. Selvanathan
Director

(Sgd.)
P. C. P. Tissera
Director

Carsons Management Services (Pvt) Ltd.

Colombo
11th April 2003

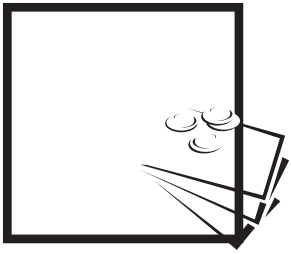
Statement of Changes in Equity



	Share Capital Rs.	Share Premium Rs.	General Reserve Rs.	Retained Profit Rs.	Total Equity Rs.
Balance as at 1st April 2001	1,048,450	-	618,803	3,205,363	4,872,616
Rights issue	3,145,350	6,205,950	-	-	9,351,300
Net profit for the year	-	-	-	848,500	848,500
Balance as at 31st March 2002	4,193,800	6,205,950	618,803	4,053,863	15,072,416
Net profit for the year	-	-	-	2,259,377	2,259,377
Scrip issue	2,516,280	(2,516,280)	-	-	-
Interim dividend paid - 20%	-	-	-	(1,342,016)	(1,342,016)
Balance as at 31st March 2003	6,710,080	3,689,670	618,803	4,971,224	15,989,777

The Accounting Policies and Notes on pages 15 to 22 form an integral part of these financial statements.

Figures in brackets indicate deductions.



Cash Flow Statement

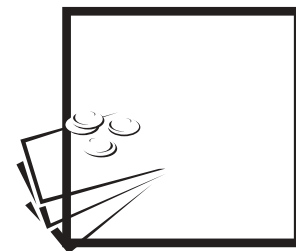
For the year ended 31st March

	2003 Rs.	2002 Rs.
Cash Flows from Operating Activities		
Profit from operations before taxation	2,377,032	1,045,424
Adjustments for:		
Provision for diminution of carrying value of investments	265,394	-
Write back of unclaimed dividend and compensation	-	(391,575)
Profit on disposal of investments	(1,469,664)	(251,751)
Operating cash flows before working capital changes	1,172,762	402,098
(Increase)/Decrease in receivables	1,968	(15,468)
Increase in creditors and other payables	51,024	33,961
Cash generated from operating activities	1,225,754	420,591
Income tax paid	(179,669)	(205,137)
Net cash generated from operating activities	1,046,085	215,454
Cash Flows from Investing Activities		
Proceeds on disposal of investments	11,726,520	2,037,293
Purchase of investments	(12,439,005)	(11,950,897)
Net cash used in from investing activities	(712,485)	(9,913,604)
Cash Flows from Financing Activities		
Proceeds from issue of shares during the year (net of expenses)	-	9,351,299
Dividend paid	(1,286,260)	-
Net cash used in/generated from financing activities	(1,286,260)	9,351,299
Net decrease in cash & cash equivalents during the year	(952,660)	(346,851)
Cash & cash equivalents as at the beginning of the year	4,828,273	5,175,124
Cash & cash equivalents as at the end of the year	3,875,613	4,828,273
Cash & Cash Equivalents		
Short-term deposits	3,680,357	-
Cash at bank	195,256	4,828,273
	3,875,613	4,828,273

The Accounting Policies and Notes on pages 15 to 22 form an integral part of these financial statements.

Figures in brackets indicate deductions.

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.

1.2 Taxation

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 4 to the financial statements.

1.3 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.

1.4 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

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, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the Balance Sheet date.

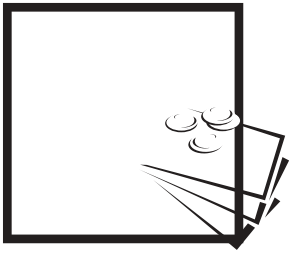
2.1 Investments

2.1.1 Classification

Investments in subsidiaries and associate companies of the Carsons Group are classified as long-term investments and shown under non-current assets. while all other investments are classified as current assets.

2.1.2 Valuation

Long-term investments and unquoted investments are stated in the Balance Sheet at cost less any amounts written off to reflect any permanent diminution in value of such investments. Quoted investments and units purchased from unit trusts classified as short-term investments are stated at lower of cost or market value determined on an aggregate portfolio basis.



Accounting Policies (Contd.)

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:

- has ceased operations in major business lines, and/or
- 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.

2.1.5 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. 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 buying price as at the Balance Sheet date.

- (c) Unquoted investments are stated at cost unless otherwise stated.

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

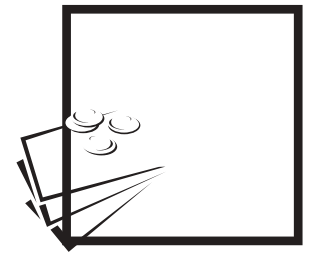
For the purpose of the Cash Flow Statement, cash & cash equivalents comprise cash at bank, deposits held in banks and investments in money market instruments.

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.

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.



Accounting Policies (Contd.)

4. Income Statement

4.1 Revenue

Revenue consists of :

- Dividend and interest income from investments.
- Interest Income.
- Proceeds on disposal of investments.

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 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.

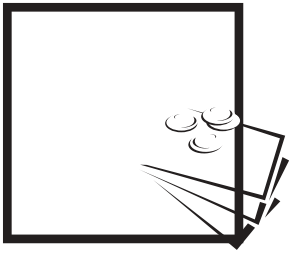
- (b) For the purpose of presentation of Income Statement the Directors are of the opinion that nature of expenses method present fairly the elements of the Company's performance, and hence such presentation method is adopted.

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

	31st March 2003 Rs.	31st March 2002 Rs.
1. Revenue		
Dividend income	820,659	650
Interest income		
- Related Companies	839,406	628,942
- External	18,357	-
Proceeds on disposal of investments	11,726,520	2,037,293
	13,404,942	2,666,885

2. Other Income

Other income represent unclaimed dividend and unclaimed compensation written back as per the Articles and based on Board resolution as these were not claimed within the time period stipulated by the statute.

Unclaimed dividends	-	79,194
Unclaimed compensation	-	312,381
	-	391,575

3. Profit from Operations

Profit from operations before taxation is stated after charging all expenses including the following:

Auditors remuneration & Expenses	6,250	11,305
Directors' fees	-	-
Directors' emoluments	-	-
Management & Secretarial fees	160,703	89,357

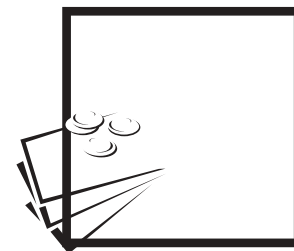
4. Taxation

Provision for the year on ordinary activities (Note 4.1)	117,655	195,900
Under provision in respect of prior year	-	1,024
	117,655	196,924

4.1 Reconciliation between Tax Expense and Accounting Profit

	2003 Rs.	2002 Rs.
Accounting profit before taxation	2,377,032	1,045,424
Less: Exempt profits	(1,469,664)	(251,751)
Dividend income	(820,659)	(650)
	86,709	793,025
Disallowed expenses	501,564	64,985
Write back of provision A/c	-	(391,575)
Taxable profit	588,273	466,432
Taxation thereon at 20% (2002 - 35%)	117,655	163,250
Surcharge on income tax at 20%	-	32,650
Total tax charge for the year	117,655	195,900

Notes to the Financial Statements (Contd.)



4.2 In accordance with the provisions of the Inland Revenue Act, No. 38 of 2000 and amendments made there to the Company is liable to income tax at 20%. (2002 - 35%)

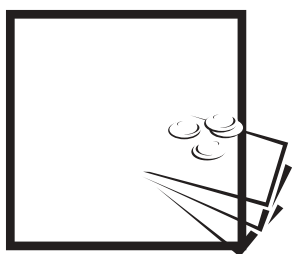
5. Earnings per Share

Earnings per Share at Rs. 3.37 (2002 - Rs. 1.26) is calculated on the profit after taxation over the number of ordinary shares in issue and ranking for dividend as at the Balance sheet date. The following reflects the profit after taxation and share data used for the computation of Earnings per Share.

	31st March 2003	31st March 2002
Amount used as the Numerator		
Profit for the year after taxation - Rs.	2,259,377	848,500
Amount used as the Denominator		
Number of ordinary shares in issue applicable to basic earnings per share	671,008	671,008

6. Movements in Investments - Short-Term and Long-Term

	Cost as at 1st April Rs.	Cost of Additions Rs.	Cost of Disposals Rs.	Provision for diminution in carrying value of Investments Rs.	Cost as at 31st March Rs.	Market Value as at 31st March Rs.
Summary						
Investments in equity securities (Note 6.1 & 7) - 2003	10,318,016	12,439,005	(10,256,856)	(265,394)	12,234,771	34,897,700
Investments in equity securities - 2002	152,660	11,950,897	(1,785,542)	-	10,318,016	39,784,393



Notes to the Financial Statements (Contd.)

6.1 Long-Term Investments

	No. of Shares	Cost as at 31st March 2003 Rs.	Market Value/ Valuation as at 31st March 2003 Rs.	No. of Shares	Cost as at 31st March 2002 Rs.	Market Value/ Valuation as at 31st March 2002 Rs.
Long-Term Investments						
Related Companies - Quoted						
The Selinsing Company Ltd.	262,403	475,008	23,616,270	215,836	147,486	28,436,393
The Good Hope Company Ltd.	13,010	945,258	852,155	-	-	-
The Indo-Malay Estates Ltd.	15,300	1,858,706	1,468,800	-	-	-
The Ceylon Investment Company Ltd.	125	5,074	9,750	100	5,074	5,500
		3,284,046	25,946,975		152,560	28,441,893
Related Companies-Unquoted						
Equity Hotels Ltd.	10	100	100	10	100	100
		100	100		100	100
Total long-term investments		3,284,146	25,947,075		152,660	28,441,993

7. Short-Term Investments

Quoted

Bank, Finance & Insurance

National Development Bank	21,500	1,807,254	1,806,000	166,800	10,165,356	11,342,400
NDB Bank	125,100	1,251,000	1,626,300	-	-	-

Diversified Holdings

John Keells Holdings Ltd.	50,600	3,723,340	3,579,950	-	-	-
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Plantations

Malwatte Plantations	13,500	184,425	138,375	-	-	-
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Telecommunication

Sri Lanka Telecom Ltd.	150,000	2,250,000	1,800,000	-	-	-
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Gross carrying value

of investments		9,216,019	8,950,625		10,165,356	11,342,400
Less: Provision for diminution of carrying value of investments		(265,394)	-		-	-

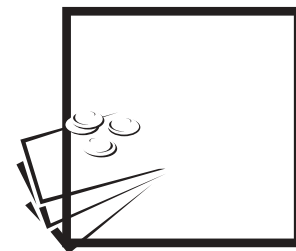
Net carrying value of

short-term investments		8,950,625	8,950,625		10,165,356	11,342,400
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The market value of the quoted investments have been obtained from the Official Valuation list published by the Colombo Stock Exchange as at 31st March 2003.

The unquoted investments of the Company as at 31st March 2003 have been valued at cost.

Notes to the Financial Statements (Contd.)



	As at 31st March 2003 Rs.	As at 31st March 2002 Rs.
8. Trade and Other Receivables		
Prepayments	13,500	15,468
	13,500	15,468

9. Share Capital

Authorised

1,000,000 Ordinary Shares of Rs. 10/- each	10,000,000	10,000,000
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Issued and Fully Paid

Beginning of the year [419,380 (2002 - 104,845) shares of Rs. 10/- each]	4,193,800	1,048,450
Scrip issue (Note 9.1)	2,516,280	-
Right issue (314,535 shares of Rs. 10/- each)	-	3,145,350
End of the year - [671,008 (2002 - 419,380) shares of Rs. 10/- each]	6,710,080	4,193,800

9.1 Scrip Issue

A scrip issue of three (03) ordinary shares for every five (05) ordinary shares held as at 18th March 2002 was made during the year utilising the Share premium reserve.

9.2 Share Capital

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

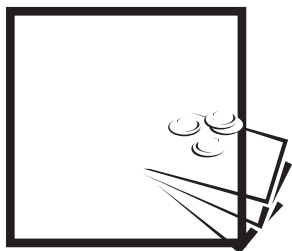
Share Premium

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 at general meetings.

	31st March 2003 Rs.	31st March 2002 Rs.
10. Creditors & Accruals		
Other Creditors	78,900	34,126
Unclaimed Dividend	55,756	-
Accruals	13,750	7,500
	148,406	41,626



Notes to the Financial Statements (Contd.)

11. Events occurring after the Balance Sheet date

The Directors are proposing a final dividend of 25% on the ordinary share capital as at 31st March 2003 amounting to Rs. 1,677,520/-.

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.

12. Contingent Liabilities

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

13. Capital Commitments

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

14. Related Party Transactions

Name of Company	Names of Directors	Nature of Transaction
14.1 Carsons Management Services (Pvt.) Ltd. (CMSL)	I. Paulraj H. Selvanathan D. C. R. Gunawardena P.C.P. Tissera <i>(Appointed w.e.f. 4th April 2003)</i>	The Company paid Rs. 144,128, Rs. 16,575 and Rs. 36,032 (2002 - Rs. 72,648, Rs. 16,709 and Rs. 27,881) to CMSL for the provision of management, secretarial and computer services respectively.
14.2 Carson Cumberbatch & Company Ltd. (CC & CL)	I. Paulraj H. Selvanathan D. C. R. Gunawardena P.C.P. Tissera <i>(Appointed w.e.f. 4th April 2003)</i>	During the year Company lent monies to CC & CL at an Interest rate of 10%-8.5%. Interest income totalling to Rs. 839,406 (2002 - Rs. 628,942 was earned on these lendings). The total amount due to the Company on such lendings was settled by CC & CL in cash during the year.

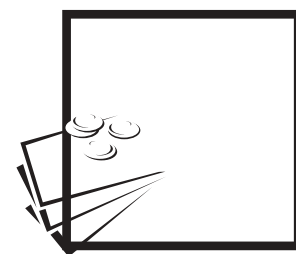
14.3 During the year Company invested in quoted equity shares of related companies listed in note 6.1.

There were no material related party transactions other than those disclosed above.

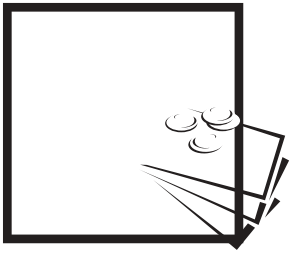
15. Directors' Interests in Contracts

Messrs. I .Paulraj, H. Selvanathan, D.C.R. Gunawardena and P.C.P. Tissera (Appointed w.e.f. 4th April 2003) Directors of the Company, have an interest in all or some of the transactions referred to in Note 6.1 and 14 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>	2003	2002	2001	2000	1999
	Rs.	Rs.	Rs.	Rs.	Rs.
Operating Results					
Revenue	13,404,942	2,666,885	1,134,010	1,311,792	1,278,803
Profit/(loss) from ordinary activities before tax	2,377,032	1,045,424	957,244	607,137	(677,367)
Taxation	(117,655)	(196,924)	(145,967)	(105,580)	(68,577)
Profit/(loss) from ordinary activities after tax	2,259,377	848,500	811,277	501,557	(745,944)
Balance Sheet					
Share capital	6,710,080	4,193,800	1,048,450	1,048,450	1,048,450
Reserves	9,279,697	10,878,616	3,824,166	3,012,889	2,511,332
Shareholders' Funds	15,989,777	15,072,416	4,872,616	4,061,339	3,559,782
Assets Employed					
Current assets	12,854,037	15,018,612	5,184,639	4,547,028	3,868,598
Current liabilities	(148,406)	(98,856)	(464,683)	(638,349)	(456,401)
Net current assets	12,705,631	14,919,756	4,719,956	3,908,679	3,412,197
Investments	3,284,146	152,660	152,660	152,660	147,585
Net Assets	15,989,777	15,072,416	4,872,616	4,061,339	3,559,782
Ratios & Statistics					
Profitability					
Return on shareholders' funds (%)	14.13	5.62	16.65	12.35	-
Return on share capital (%)	33.67	20.23	77.38	47.84	-
Liquidity					
Current ratio (times)	86.61	151.92	11.16	7.12	8.48
Investor Ratios					
Earnings per share (Rs.)	3.37	1.26	7.74	4.78	-
Earnings yield (%)	9.36	5.88	4.15	12.39	-
P/E ratio (times)	10.68	17.00	24.08	8.10	-
Industry price - Earning ratio (times)	3.60	9.50	1.40	3.70	8.00
Valuation of Shares					
Net assets per share (Rs.)	23.83	22.46	46.47	38.74	33.95
Market price based on industry P/E (Rs.)	12.13	11.97	10.87	17.68	-
Market Value of investments (Rs.)	34,897,700	39,784,393	32,810,298	34,538,161	34,486,353
Milanka Price Index (Points)	1,259.6	1,006.7	645.1	796.1	855.6



Information to Shareholders and Investors

1. Stock Exchange Listing

Watapota Investments Ltd., is a Public Quoted Company, the issued ordinary shares of which were listed on the second board of the Colombo Stock Exchange of Sri Lanka, on 21st November 2001.

2. Share Valuation

The market price of the Company's shares as at 31st March, 2003 was Rs. 36/- per share (23rd April 2002 - Rs. 32/-).

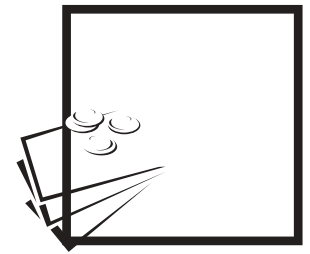
3. Ordinary Shareholders

<i>As at 31st March</i>	2003	2002
Number of Shareholders	159	145

The number of shares held by non-residents as at 31st March 2003 was 21,372 which amounts to 3.18% 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	120	28,303	4.22	22	6,497	0.97	142	34,800	5.19
1,001 - 5,000	11	16,035	2.39	3	5,800	0.86	14	21,835	3.25
5,001 - 10,000	-	-	-	1	9,075	1.35	1	9,075	1.35
10,001 - 50,000	1	23,348	3.48	-	-	-	1	23,348	3.48
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	-	-	-	-	-	-	-	-	-
Grand Total	133	649,636	96.82	26	21,372	3.18	159	671,008	100

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Institutions	11	622,902	92.83
Individuals	148	48,106	7.17
Total	159	671,008	100



Information to Shareholders and Investors (Contd.)

4. Substantial Shareholdings

<i>As at 31st March</i>	2003		2002	
Name of Shareholder	No. of Shares	% Holding	No. of Shares	% Holding
Carsons Group Shareholders				
1. Carson Cumberbatch & Company Ltd.	581,950	86.73	359,741	85.78
Other Shareholders				
2. Lake View Investments Ltd.	23,348	3.48	18,468	4.40
3. Minerva Nominees Ltd.	9,075	1.35	5,672	1.35
4. TATA Investment Corporation of India Ltd.	2,720	0.41	1,700	0.41
5. Mrs. R.V. Jesudason	2,480	0.37	1,550	0.37
6. Mr. S. Weerasekera	2,240	0.33	1,400	0.33
7. Mr. E. A. de Silva	2,160	0.32	1,350	0.32
8. Mrs. N. L. Abayasekara	1,600	0.24	1,000	0.24
9. The Investment & Finance Company Ltd.	1,600	0.24	1,000	0.24
10. Mrs. G. H. Ansonbe	1,480	0.22	925	0.22
11. Mr. W. E. Brale	1,368	0.20	855	0.20
12. Estate of Late Mrs. J. Ratnam	1,360	0.20	850	0.20
13. Mr. W. A. de Silva, Mr. M. W. de Silva	1,280	0.19	800	0.19
14. Mr. P. Udalagama	1,241	0.19	776	0.19
15. The Secretary to the Treasury	1,123	0.17	702	0.17
16. Estate of the Late Mrs. M. K. Wambek	1,083	0.16	677	0.16
17. Mrs. A. J. Martenstyn	1,030	0.15	644	0.15
18. Mr. W. L. H. de Mel	1,000	0.15	1,000	0.24
19. Mrs. E. M. D. de Silva	960	0.14	600	0.14
20. M/s. Homi Metha & Sons (Pvt) Ltd.	960	0.14	600	0.14

5. Market Performance - Ordinary Shares

For the year	2002/2003	2001/2002
Highest (Rs.)	36.00	-
Lowest (Rs.)	15.00	-
Value of shares traded (Rs.)	177,200.00	-
No. of shares traded	6,200	-
Volume of transactions (Nos.)	5	-

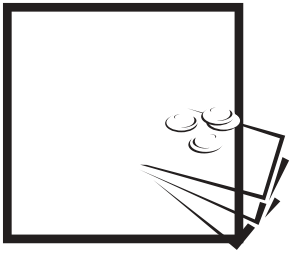
There were trading of the shares of the Company during the period as given above, the Company was listed on the Colombo Stock Exchange to the date of the Balance Sheet.

6. 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. 24.16 mn as at 31st March 2003.

7. Public Holding

The percentage of issued share capital held by public as at 31st March 2003 was 13.27%.



Notice of Meeting

NOTICE IS HEREBY GIVEN that the EIGHTY THIRD ANNUAL GENERAL MEETING of the Company will be held at 10.00 a.m. on Wednesday the 21st day of May 2003, at the Eighth 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 2003, together with the Report of the Auditors thereon.
- (2) To declare a final dividend as recommended by the Directors.
- (3) To re-elect Mr. P. C. P. Tissera who retires in terms of Article 88 of the Articles of Association of the Company.
- (4) To re-elect Mr. H. Selvanathan who retires in terms of Article 89 and 90 of the Articles of Association of the Company.
- (5) To re-elect Mr. I. Paulraj who retires in terms of Articles 89 and 90 of the Articles of Association of the Company.
- (6) To appoint Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board,
Carsons Management Services (Pvt) Ltd.
Managers & Secretaries

Colombo
29th April 2003

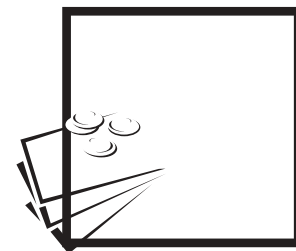
Note:

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 Monday the 19th day of May 2003.
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.

BOOK VALUE

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

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.

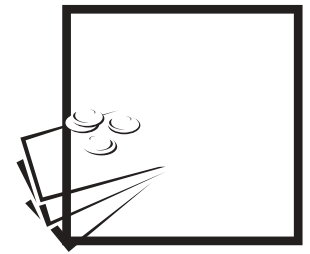
RETURN ON SHAREHOLDERS' FUNDS

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,
- Hariharan Selvanathan..... or failing him,
- Don Chandima Rajakaruna Gunawardena or failing him,
- Subramaniam Mahendrarajah or failing him,
- S. Weerasekara 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 Wednesday the 21st day of May 2003 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.

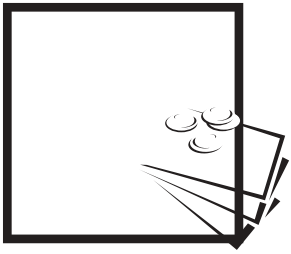
	For	Against
1. To adopt the Report of the Directors and the Financial Statements for the year ended 31st March 2003 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend of 25% for the financial year ended 31st March 2003 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. P. C. P. Tissera who retires in terms of Article 88 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. H. Selvanathan who retires in terms of Articles 89 and 90 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. I. Paulraj who retires in terms of Articles 89 and 90 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
6. To 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 Three.

.....
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

Instructions for completion of Form of Proxy

- 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.
- A Proxy need not be a member of the Company.
- If the Form of Proxy is signed by an Attorney, the relative Power of Attorney, should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
- In the case of a Company/Corporation, the Proxy be executed under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association/Constitution.
- Please indicate with an "X" in the space provided, how your Proxy is to vote on the resolution(s). If no indication is given, the Proxy at his/her discretion will vote as he/she thinks fit.
- 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 19th day of May 2003.



