

PROVISIONAL FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

INCOME STATEMENT	For the six months		For the six months Change + / (-) Rs'000	Audited year ended 31.03.2006 Rs'000
	Unaudited six months ended 30.09.2006 Rs'000	Unaudited six months ended 30.09.2005 Rs'000		
Revenue	1,643,632	1,429,776	213,856	2,855,036
Cost of sales	(1,356,380)	(1,243,168)	(113,212)	(2,390,569)
Gross profit	287,252	186,608	100,644	464,467
Other operating income	25,505	21,034	4,471	55,101
Administrative expenses	(60,798)	(45,399)	(15,399)	(86,322)
Distribution costs	(45,203)	(36,382)	(8,821)	(71,702)
Management fees	(29,645)	(24,569)	(5,076)	(60,702)
Operating profit	177,111	101,292	75,819	300,842
Finance costs	(30,166)	(37,452)	7,286	(89,819)
Amortisation of negative goodwill	3,935	3,935	-	7,870
Profit before taxation	150,880	67,775	83,105	218,893
Taxation	(10,900)	(1,832)	(9,068)	(14,458)
<b>Net profit for the period</b>	<b>139,980</b>	<b>65,943</b>	<b>74,037</b>	<b>204,435</b>
Earnings per share (Rs)	5.91	2.78		8.64

PROVISIONAL FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

**BALANCE SHEET**

	Unaudited as at 30.09.2006 Rs'000	Unaudited as at 30.09.2005 Rs'000	Audited as at 31.03.2006 Rs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold right to bare land of JEDB/SLSPC estates	264,290	279,374	267,756
Immovable estate assets on finance lease (other than bare land)	267,181	313,006	296,958
Tangible fixed assets other than immature/mature plantations	711,460	639,874	656,823
Immature / mature plantations	920,804	891,371	884,880
Investments on subleasing of assets	205,820	-	205,820
	<b>2,389,555</b>	<b>2,123,625</b>	<b>2,312,237</b>
<b>Current assets</b>			
Inventories	313,288	243,021	260,926
Trade and other receivables	334,425	276,414	331,426
Current tax receivables	31,692	12,712	8,880
Cash and cash equivalents	58,342	54,830	66,148
	<b>737,747</b>	<b>586,977</b>	<b>667,380</b>
<b>Total assets</b>	<b>3,127,302</b>	<b>2,710,602</b>	<b>2,979,617</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital &amp; reserves</b>			
Ordinary shares	236,667	236,667	236,667
Share premium	73,333	73,333	73,333
Negative goodwill	88,541	96,412	92,477
General reserve	150,000	150,000	150,000
Investment reserve	147,926	-	147,926
Retained earnings	594,273	345,386	483,876
	<b>1,290,740</b>	<b>901,798</b>	<b>1,184,279</b>
<b>Non-current liabilities</b>			
Borrowings	251,680	258,237	225,056
Obligations under finance lease	387,933	392,510	390,170
Retirement benefit obligations	290,010	282,839	288,034
Deferred income and capital grants	139,153	135,626	136,790
	<b>1,068,776</b>	<b>1,069,212</b>	<b>1,040,050</b>
<b>Current liabilities</b>			
Trade and other payables	377,126	345,978	388,022
Borrowings	390,660	393,614	367,266
	<b>767,786</b>	<b>739,592</b>	<b>755,288</b>
<b>Total liabilities</b>	<b>1,836,562</b>	<b>1,808,804</b>	<b>1,795,338</b>
<b>Total equity and liabilities</b>	<b>3,127,302</b>	<b>2,710,602</b>	<b>2,979,617</b>
Net asset value per share (Rs)	54.54	38.11	50.04
Market value per share (Rs)			
Highest	62.00	33.00	43.00
Lowest	30.50	17.50	16.00
Last traded price	58.25	29.75	39.75

WATAWALA PLANTATIONS LIMITED  
60, Dharmapala Mawatha , Colombo - 03

**CASH FLOW STATEMENT**

Rs ' 000

	Unaudited Six months ended 30.09.2006	Unaudited Six months ended 30.09.2005	Audited year ended 31.03.2006
<b>Cash generated from operations</b>			
Net profit	150,880	67,775	218,893
Adjusted for :			
Depreciation	57,777	50,373	105,236
Profit on sale of property, plant and equipment	(937)	(1,403)	(3,218)
Provision for retirement benefit obligations	17,316	16,836	34,907
Amortisation of lease hold right to bare land	3,466	3,517	6,931
Amortisation of negative goodwill	(3,936)	(3,935)	(7,870)
Amortisation of capital grants	-	-	(5,576)
Interest expenses	30,166	37,452	89,819
Net cash inflow from operations before working capital changes	<b>254,732</b>	<b>170,615</b>	<b>439,122</b>
<b>Changes in working capital</b>			
Inventories	(52,362)	(16,475)	(34,380)
Trade and other receivables	(25,811)	12,628	(44,156)
Trade and other payables	(21,798)	(69)	43,745
Cash generated from operations	<b>154,761</b>	<b>166,699</b>	<b>404,331</b>
<b>Operating activities</b>			
Interest paid	(30,616)	(38,284)	(91,868)
Retirement benefit obligations paid	(15,341)	(12,230)	(25,106)
Tax paid	-	(8,793.00)	(17,585)
Interest received	450	832	2,049
<b>Net cash generated from operating activities</b>	<b>109,254</b>	<b>108,224</b>	<b>271,821</b>
<b>Investing activities</b>			
Grants received	2,363	7,482	14,222
Field development expenditure	(52,167)	(22,991)	(67,634)
Purchase of property plant and equipment	(87,726)	(58,230)	(112,549)
Proceeds from sale of property plant and equipment	2,269	1,403	3,218
Net cash used in investing activities	<b>(135,261)</b>	<b>(72,336)</b>	<b>(162,743)</b>
<b>Financing activities</b>			
Dividend paid	(29,583)	-	-
Settlement of net liability to lessor	(2,397)	(2,020)	(4,200)
Changes in bank borrowings	(9,689)	(81,226)	(74,780)
Net cash used in financing activities	<b>(41,669)</b>	<b>(83,246)</b>	<b>(78,980)</b>
<b>Net increase /(decrease) in cash &amp; cash equivalent</b>	<b>(67,676)</b>	<b>(47,358)</b>	<b>30,098</b>
Cash & Cash equivalent at the beginning of the period	(115,894)	(145,992)	(145,992)
Cash & Cash equivalent at the end of the period	(183,570)	(193,350)	(115,894)

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	Negative goodwill	General reserve	Retained earnings	Investment reserve	<b>Total</b>
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at 1st April 2005	236,667	73,333	100,347	150,000	279,441	-	839,788
Net profit for the period	-	-	-	-	65,943	-	65,943
Dividend paid	-	-	-	-	-	-	-
Amortization of negative goodwill	-	-	(3,935)	-	-	-	(3,935)
<b>Balance at 30th September 2005</b>	<b>236,667</b>	<b>73,333</b>	<b>96,412</b>	<b>150,000</b>	<b>345,386</b>	<b>-</b>	<b>901,798</b>
Balance at 1st April 2006	236,667	73,333	92,477	150,000	483,876	147,926	1,184,279
Net Profit for the period	-	-	-	-	139,980	-	138,980
Dividend paid	-	-	-	-	(29,583)	-	(29,583)
Amortization of negative goodwill	-	-	(3,936)	-	-	-	(3,936)
Investment reserve	-	-	-	-	-	-	-
<b>Balance at 30th September 2006</b>	<b>236,667</b>	<b>73,333</b>	<b>88,541</b>	<b>150,000</b>	<b>594,273</b>	<b>147,926</b>	<b>1,290,740</b>

**NOTES TO THE FINANCIAL STATEMENTS**

- 1/ There have been no events subsequent to the interim period , which require disclosure in the provisional financial statements
- 2/ The above figurers are provisional and subject to audit
- 3/ Previous period figurers have been reclassified where necessary to confirm with current period presentation.
- 4/ The interim financial statements of the company have been prepared on the basis of the same accounting policies and methods applied for the year ended 31st March 2006.
- 5/ All values are in Rupees thousands

Signed on behalf of the Board of Directors of Watawala Plantations Limited

(Sgd.) [Vish Govindasamy]  
Director/ Chief Executive Officer  
Colombo  
7/11/2006

(Sgd.) [ D.S. Ratnasingham]  
Director/ Chief Operating Officer  
Colombo  
7/11/2006