

Provisional Financial Statements for the Nine Months Ended 31st December 2008

**Consolidated Income Statement**

(all amounts in Sri Lankan Rupees Thousands)

Year ended (Audited)		For the nine months ended			For the quarter ended		
		31.12.2008	31.12.2007	Change +/-	31.12.2008	31.12.2007	Change +/-
31.03.2008							
<b>4,313,604</b>	<b>Revenue</b>	<b>3,106,634</b>	<b>3,078,713</b>	<b>27,921</b>	<b>1,002,702</b>	<b>1,236,442</b>	<b>(233,740)</b>
(3,502,284)	Cost of sales	(2,741,268)	(2,515,814)	(225,454)	(930,699)	(963,822)	33,123
<b>811,320</b>	<b>Gross profit</b>	<b>365,366</b>	<b>562,899</b>	<b>(197,533)</b>	<b>72,003</b>	<b>272,620</b>	<b>(200,617)</b>
84,563	Other operating income	57,346	41,038	16,308	6,008	9,381	(3,373)
(128,232)	Administrative expenses	(123,133)	(96,514)	(26,619)	(42,618)	(30,893)	(11,725)
(148,084)	Distribution costs	(157,286)	(112,343)	(44,943)	(60,077)	(35,471)	(24,606)
(405)	Other operating expenses	-	-	-	-	-	-
(75,427)	Management fees	(28,174)	(54,466)	26,292	(2,541)	(28,571)	26,030
<b>543,735</b>	<b>Operating profit</b>	<b>114,120</b>	<b>340,614</b>	<b>(226,494)</b>	<b>(27,224)</b>	<b>187,066</b>	<b>(214,290)</b>
(87,902)	Finance costs	(39,858)	(56,643)	16,785	(11,361)	(19,794)	8,433
<b>455,833</b>	<b>Profit/(loss) before taxation</b>	<b>74,262</b>	<b>283,971</b>	<b>(209,709)</b>	<b>(38,585)</b>	<b>167,272</b>	<b>(205,857)</b>
(51,879)	Income tax expenses	(10,000)	(27,800)	17,800	2,500	(20,000)	22,500
<b>403,954</b>	<b>Profit/(loss) for the period</b>	<b>64,262</b>	<b>256,171</b>	<b>(191,909)</b>	<b>(36,085)</b>	<b>147,272</b>	<b>(183,357)</b>
	<b>Attributable to:</b>						
404,438	Equity holders of the parent	65,031	256,171	(191,140)	(35,753)	147,272	(183,025)
(484)	Minority holders	(769)	-	(769)	(332)	-	(332)
<b>403,954</b>		<b>64,262</b>	<b>256,171</b>	<b>(191,909)</b>	<b>(36,085)</b>	<b>147,272</b>	<b>(183,357)</b>
17.09	Earnings per share (Rs)	2.75	10.82	(8.14)	(1.54)	6.22	(7.73)

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Provisional Financial Statements for the Nine Months Ended 31st December 2008

**Company Income Statement**

(all amounts in Sri Lankan Rupees Thousands)

Company Year ended		For the nine months ended			For the quarter ended		
		31.12.2008	31.12.2007	Change + / (-)	31.12.2008	31.12.2007	Change + / (-)
31.03.2008							
	<b>Revenue</b>	<b>3,104,619</b>	<b>3,078,713</b>	<b>25,906</b>	<b>1,001,936</b>	<b>1,236,442</b>	<b>(234,506)</b>
	Cost of sales	(2,737,941)	(2,515,814)	(222,127)	(931,792)	(963,822)	32,030
	<b>Gross profit</b>	<b>366,678</b>	<b>562,899</b>	<b>(196,221)</b>	<b>70,144</b>	<b>272,620</b>	<b>(202,476)</b>
	Other operating income	58,357	41,038	17,319	6,226	9,381	(3,155)
	Administrative expenses	(122,629)	(96,514)	(26,115)	(42,388)	(30,893)	(11,495)
	Distribution costs	(157,046)	(112,343)	(44,703)	(59,995)	(35,471)	(24,524)
	Other operating expenses						
	Management fees	(28,174)	(54,466)	26,292	(2,541)	(28,571)	26,030
	<b>Operating profit</b>	<b>117,185</b>	<b>340,614</b>	<b>(223,429)</b>	<b>(28,555)</b>	<b>187,066</b>	<b>(215,621)</b>
	Finance costs	(39,848)	(56,643)	16,795	(11,360)	(19,794)	8,434
	<b>Profit/(loss) before taxation</b>	<b>77,338</b>	<b>283,971</b>	<b>(206,633)</b>	<b>(39,914)</b>	<b>167,272</b>	<b>(207,186)</b>
	Income tax expenses	(10,000)	(27,800)	17,800	2,500	(20,000)	22,500
	<b>Profit/(loss) for the period</b>	<b>67,338</b>	<b>256,171</b>	<b>(188,833)</b>	<b>(37,414)</b>	<b>147,272</b>	<b>(184,686)</b>
17.15	Earnings per share (Rs)	2.85	10.82	(7.98)	(1.58)	6.22	(7.80)

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Provisional Financial Statements for the Nine Months Ended 31st December 2008

**Balance Sheets**

(all amounts in Sri Lankan Rupees Thousands)

	Group		Company		Group	Company
	Unaudited As at	Unaudited As at	Unaudited As at	Unaudited As at	Audited As at	Audited As at
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.03.2008	31.03.2008
<b>ASSETS</b>						
<b>Non-current assets</b>						
Leasehold right to bare land of JEDB/SLSPC estates	256,512	255,652	256,512	255,652	261,788	261,788
Immovable estate assets on finance lease (other than bare land)	250,849	264,201	250,849	264,201	265,062	265,062
Tangible fixed assets other than immature/mature plantations	994,234	816,755	987,106	816,755	885,477	879,626
Immature / mature plantations	1,309,777	1,108,804	1,309,777	1,108,804	1,168,364	1,168,364
Investments on subleasing of assets	-	199,810	-	199,810	-	-
Investment in subsidiary	-	-	10,781	-	-	10,781
<b>Total non-current assets</b>	<b>2,811,371</b>	<b>2,645,222</b>	<b>2,815,025</b>	<b>2,645,222</b>	<b>2,580,691</b>	<b>2,585,621</b>
<b>Current assets</b>						
Inventories	579,320	596,055	570,818	596,055	540,488	534,023
Trade and other receivables	434,934	356,125	444,273	356,125	439,337	441,303
Cash and cash equivalents	73,364	91,865	68,325	91,865	90,434	86,134
	1,087,618	1,044,045	1,083,416	1,044,045	1,070,259	1,061,460
<b>Total assets</b>	<b>3,898,989</b>	<b>3,689,267</b>	<b>3,898,441</b>	<b>3,689,267</b>	<b>3,650,950</b>	<b>3,647,081</b>
<b>EQUITY</b>						
Stated capital	310,000	310,000	310,000	310,000	310,000	310,000
General reserve	150,000	150,000	150,000	150,000	150,000	150,000
Investment reserve	-	143,185	-	143,185	-	-
Retained earnings	1,143,271	989,141	1,147,031	989,141	1,137,408	1,138,860
<b>Total Equity</b>	<b>1,603,271</b>	<b>1,592,326</b>	<b>1,607,031</b>	<b>1,592,326</b>	<b>1,597,408</b>	<b>1,598,860</b>
Minority shareholders' equity interest	2,341	-	-	-	3,110	-
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Borrowings	278,469	261,345	278,469	261,345	303,168	303,168
Obligations under finance lease	368,810	386,400	368,810	386,400	380,896	380,896
Retirement benefit obligations	425,828	437,484	425,828	437,484	420,624	420,624
Deferred income and capital grants	179,931	151,444	179,931	151,444	156,618	156,618
Deferred income tax	10,000	-	10,000	-	10,000	10,000
<b>Total non-current liabilities</b>	<b>1,263,038</b>	<b>1,236,673</b>	<b>1,263,038</b>	<b>1,236,673</b>	<b>1,271,306</b>	<b>1,271,306</b>
<b>Current liabilities</b>						
Trade and other payables	607,742	462,108	605,775	462,108	486,962	484,751
Borrowings	422,597	398,160	422,597	398,160	292,164	292,164
<b>Total current liabilities</b>	<b>1,030,339</b>	<b>860,268</b>	<b>1,028,372</b>	<b>860,268</b>	<b>779,126</b>	<b>776,915</b>
<b>Total liabilities</b>	<b>2,293,377</b>	<b>2,096,941</b>	<b>2,291,410</b>	<b>2,096,941</b>	<b>2,050,432</b>	<b>2,048,221</b>
<b>Total equity and liabilities</b>	<b>3,898,989</b>	<b>3,689,267</b>	<b>3,898,441</b>	<b>3,689,267</b>	<b>3,650,950</b>	<b>3,647,081</b>
Net asset value per share (Rs)	67.74	67.28	67.90	67.28	67.50	67.56

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Provisional Financial Statements for the Nine Months Ended 31st December 2008

**Statement of Changes in Equity - Group**

(all amounts in Sri Lankan Rupees Thousands)

	Stated capital	General reserve	Retained earnings	Investment reserve	Total
Balance at 1st April 2007	310,000	150,000	768,470	146,030	1,374,500
Net profit for the period	-	-	404,438	-	404,438
Dividend paid for the year ended 31 March 2007	-	-	(35,500)	-	(35,500)
Adjustment due to sublease	-	-	-	(146,030)	(146,030)
Investment Reserve					
<b>Balance at 31st March 2008</b>	<b>310,000</b>	<b>150,000</b>	<b>1,137,408</b>	<b>-</b>	<b>1,597,408</b>
Balance at 1st April 2008	310,000	150,000	1,137,408	-	1,597,408
Dividend paid for the year ended 31 March 2008	-	-	(59,167)	-	(59,167)
Net profit for the period	-	-	65,031	-	65,031
<b>Balance at 31 December 2008</b>	<b>310,000</b>	<b>150,000</b>	<b>1,143,272</b>	<b>-</b>	<b>1,603,271</b>

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Provisional Financial Statements for the Nine Months Ended 31st December 2008

**Statement of Changes in Equity - Company**

(all amounts in Sri Lankan Rupees Thousands)

	Stated capital	General reserve	Retained earnings	Investment reserve	Total
Balance at 1st April 2007	310,000	150,000	768,470	146,030	1,374,500
Net profit for the period	-	-	405,890	-	405,890
Dividend paid for the year ended 31 March 2007	-	-	(35,500)	-	(35,500)
Adjustment due to sublease	-	-	-	(146,030)	(146,030)
<b>Balance at 31st March 2008</b>	<b>310,000</b>	<b>150,000</b>	<b>1,138,860</b>	<b>-</b>	<b>1,598,860</b>
Balance at 1st April 2008	310,000	150,000	1,138,860	-	1,598,860
Dividend paid for the year ended 31 March 2008	-	-	(59,167)	-	(59,167)
Net profit for the period	-	-	67,338	-	67,338
<b>Balance at 31 December 2008</b>	<b>310,000</b>	<b>150,000</b>	<b>1,147,031</b>	<b>-</b>	<b>1,607,031</b>

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Provisional Financial Statements for the Nine Months Ended 31st December 2008

**Cash Flow Statements**

(all amounts in Sri Lankan Rupees Thousands)

	Group - Unaudited		Company -Unaudited		Group - Audited		Company - Audited	
	Unaudited nine months ended	Unaudited nine months ended	Unaudited nine months ended	Unaudited nine months ended	Audited Twelve months ended	Audited Twelve months ended	Audited Twelve months ended	Audited Twelve months ended
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
<b>Cash generated from operations</b>								
Net profit before tax	74,262	283,971	77,338	283,971	455,833	247,734	457,769	247,734
<b>Adjusted for :</b>								
Depreciation	98,107	91,471	98,107	91,471	123,777	117,126	123,777	117,126
Profit on sale of property, plant and equipment	-	(1,535)	-	(1,535)	(4,366)	(16,494)	(4,366)	(16,494)
Provision for retirement benefit obligations	37,892	106,581	37,892	106,581	100,868	96,937	100,868	96,937
Amortisation of lease hold right to bare land	5,276	5,276	5,276	5,276	6,880	6,828	6,880	6,828
Amortisation of immovable estate assets on finance lease	14,213	-	14,213	-	-	(96)	-	(96)
Amortisation of investment reserve	-	(2,845)	-	(2,845)	-	(1,896)	-	(1,896)
Reversal of sub lease	-	-	-	-	4,031	-	4,031	-
Amortisation of capital grants	(5,543)	(7,210)	(5,543)	(7,210)	(7,391)	(12,496)	(7,391)	(12,496)
Interest on leases	11,098	-	11,098	-	28,233	26,875	28,233	26,875
Net interest expenses	28,760	56,643	28,749	56,643	59,669	56,217	59,669	56,217
<b>Net cash inflow from operations before working cap</b>	<b>264,065</b>	<b>532,352</b>	<b>267,131</b>	<b>532,352</b>	<b>767,534</b>	<b>520,735</b>	<b>769,470</b>	<b>520,735</b>
<b>Changes in working capital</b>								
Inventories	(38,832)	(303,138)	(36,795)	(303,138)	(247,571)	(31,991)	(241,106)	(31,991)
Trade and other receivables	4,403	(19,139)	(2,970)	(19,139)	(118,245)	(5,560)	(120,211)	(5,560)
Trade and other payables	110,780	101,873	111,024	101,873	128,263	(64,599)	126,052	(64,599)
<b>Cash generated from operations</b>	<b>340,417</b>	<b>311,948</b>	<b>338,389</b>	<b>311,948</b>	<b>529,981</b>	<b>418,585</b>	<b>534,205</b>	<b>418,585</b>
<b>Operating activities</b>								
Interest paid	(48,403)	(59,056)	(48,393)	(59,056)	(91,584)	(86,035)	(91,584)	(86,035)
Retirement benefit obligations paid	(32,688)	(26,637)	(32,688)	(26,637)	(37,782)	(27,433)	(37,782)	(27,433)
Tax paid	-	-	-	-	-	(10,361)	-	(10,361)
Interest received	-	2,413	-	2,413	3,682	2,943	3,682	2,943
Investment income from sublease of Lippekelle estate	-	-	-	-	-	-	-	-
<b>Net cash generated from operating activities</b>	<b>259,326</b>	<b>228,668</b>	<b>257,309</b>	<b>228,668</b>	<b>404,297</b>	<b>297,699</b>	<b>408,521</b>	<b>297,699</b>
<b>Investing activities</b>								
Transfer of net assets to insurance recoverable a/c	30,893	-	30,893	-	-	-	-	-
Grants received	28,856	19,021	28,856	19,021	24,377	15,338	24,377	15,338
Field development expenditure	(168,444)	(144,747)	(168,444)	(144,747)	(179,548)	(138,754)	(179,548)	(138,754)
Purchase of property plant and equipment	(210,726)	(147,789)	(209,449)	(147,789)	(217,088)	(117,978)	(211,237)	(117,978)
Proceeds from sale of property plant and equipment	-	1,535	-	1,535	4,366	23,674	4,366	23,674
Investment in subsidiary	-	-	-	-	-	-	(10,781)	-
Invest by minority	-	-	-	-	3,594	-	-	-
<b>Net cash used in investing activities</b>	<b>(319,422)</b>	<b>(271,980)</b>	<b>(318,145)</b>	<b>(271,980)</b>	<b>(364,299)</b>	<b>(217,720)</b>	<b>(372,823)</b>	<b>(217,720)</b>
<b>Financing activities</b>								
Dividend paid	(59,167)	(35,500)	(59,167)	(35,500)	(35,500)	(29,583)	(35,500)	(29,583)
Proceeds from subleasing of Lippekelle estate	-	-	-	-	-	5,000	-	5,000
Repayment of lease principal	(3,542)	(1,885)	(3,542)	(1,885)	(11,769)	(10,069)	(11,769)	(10,069)
Net changes in bank borrowings	(39,245)	(24,064)	(39,245)	(24,064)	3,162	(24,878)	3,162	(24,878)
Net cash used in financing activities	<b>(101,954)</b>	<b>(61,449)</b>	<b>(101,954)</b>	<b>(61,449)</b>	<b>(44,107)</b>	<b>(59,530)</b>	<b>(44,107)</b>	<b>(59,530)</b>
<b>Net increase /(decrease) in cash &amp; cash equivalent</b>	<b>(162,050)</b>	<b>(104,761)</b>	<b>(162,789)</b>	<b>(104,761)</b>	<b>(4,109)</b>	<b>20,449</b>	<b>(8,409)</b>	<b>20,449</b>
Cash & Cash equivalent at the beginning of the period	(99,554)	(95,445)	(103,854)	(95,445)	(95,445)	(115,894)	(95,445)	(115,894)
Cash & Cash equivalent at the end of the period	(261,604)	(200,206)	(266,643)	(200,206)	(99,554)	(95,445)	(103,854)	(95,445)

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Provisional Financial Statements for the Nine Months ended 31st December 2008

**Segmental reporting -Business Segments -Group**

(All amounts in Sri Lankan Rupees Thousands )

	Tea	Rubber	Palm Oil	Export	Retail marketing	Agro	Unallocated	Total For the 9 months ended 31/12/2008	Total For the 9 months ended 31/12/2007
Revenue	1,707,482	122,062	194,778	392,438	687,860	2,015	-	3,106,634	3,078,713
Operating profit/(loss)	(156,858)	23,319	78,023	74,901	77,831	(1,790)	18,694	114,120	340,615
Finance costs	(30,405)	(2,057)	(4,856)	(1,086)	(1,443)	(1,286)	1,275	(39,858)	(56,643)
Profit/(Loss) before taxation	(187,263)	21,262	73,167	73,815	76,388	(3,076)	19,969	74,262	283,972
Taxation	-	-	-	-	-	-	-	(10,000)	(27,800)
Net profit / (loss)	(187,263)	21,262	73,167	73,815	76,388	(3,076)	19,969	64,262	256,172

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Provisional Financial Statements for the Nine Months ended 31st December 2008

**Segmental reporting -Business Segments -Company**

(All amounts in Sri Lankan Rupees Thousands )

	Tea	Rubber	Palm Oil	Export	Retail marketing	Unallocated	Total For the 9 months ended 31/12/2008	Total For the 9 months ended 31/12/2007
Revenue	1,707,482	122,062	194,778	392,438	687,860	-	3,104,619	3,078,713
Operating profit/(loss)	(156,858)	23,319	78,023	74,901	77,831	19,969	117,185	340,615
Finance costs	(30,405)	(2,057)	(4,856)	(1,086)	(1,443)	-	(39,848)	(56,643)
Profit/(Loss) before taxation	(187,263)	21,263	73,166	73,815	76,387	19,969	77,338	283,972
Taxation	-	-	-	-	-	-	(10,000)	(27,800)
Net profit / (loss)	(187,263)	21,263	73,166	73,815	76,387	19,969	67,338	256,172

## INVESTOR INFORMATION

	As at 31.12.2008	As at 31.12.2007
<b>Market Performance - Ordinary Shares</b>		
Market value per share (Rs.)	57.50	83.50
Highest price per share (Rs.)	83.75	85.00
Lowest price per share (Rs.)	53.00	52.25
Market capitalisation (Rs.)	1,360,833,295	1,976,166,611
<b>Share Trading</b>		
Value of shares traded (Rs.)	1,829,400	7,010,700
Number of shares traded	26,500	107,100
Number of trades	155	333

## NOTES TO THE FINANCIAL STATEMENTS

1. These interim financial statements of the Company and of the Group have been prepared in consistence with the accounting policies set out in the Annual Report for the year ended 31/03/2008.
2. The figures in these interim financial statements are provisinoal and subject to audit.
3. No circumstances have arisen since the balance sheet date which would require adjustments to or disclosure in the financial statements.
4. The previous periods figures have been reclassified to confirm with the current presentations.
5. As stated in the note no 5 of our 2007/2008 Annual Report, the existing management agreement ceased with effect from 31/03/2008 and new terms and conditions are being negotiated for the ensuring period.
6. All amount in Sri Lankan Rupees Thousands.

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No 7 of 2007.

(N.A.L.Cooray)  
Chief Financial Officer  
Signed on behalf of the board of Directors of Watawala Plantation PLC

(G.Sathasivam)  
Chairman  
Colombo  
16.02.2009

(D.V.Seevaratnam)  
Director/CEO  
Colombo  
16.02.2009