

LVL ENERGY FUND LIMITED

FINANCIAL STATEMENTS

For the period ended 31 December 2017

Ocean Lines Building
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LVL ENERGY FUND LIMITED

Review of provisional financial results for the 9-month period ended 31 December 2017

The Group recorded a profit after tax of Rs. 447 million compared to Rs. 469 million for the corresponding period in the previous year. The decline in profit after tax was partly attributable to the increase in finance cost by Rs. 46 million to Rs. 155 million from Rs. 109 million in the previous year due to increased project related borrowings. A significant drop in financial cost can be expected in the fourth quarter of the financial year compared to the third quarter due to the settlement of debt amounting to Rs. 620 million out of IPO proceeds.

Income from subsidiary companies increased by Rs. 98 million to Rs. 311 million from Rs. 213 million in the previous year whilst operating expenses increased to Rs. 103 million from Rs. 88 million in the previous year due to increase in operating expenses of subsidiary companies in line with their increased income. Accordingly operating profit increased to Rs. 217 million from Rs. 134 million in the previous year.

Share of profit from equity accounted investees also increased to Rs. 412 million from Rs. 399 million in the previous year but profit before interest and tax for the period was lower at Rs. 628 million compared to Rs. 641 million in the previous year. It shall be noted however that last year's figure of Rs. 641 million included a one-off item of Rs. 108 million resulting from the reclassification of an available-for-sale financial asset from Other Comprehensive Income to Profit or Loss.

Tax charge for the period was Rs. 26 million compared to Rs. 62 million in the previous year partly due to decline in withholding tax attributable to dividend income arising from timing differences in the declaration of dividend by companies under the Group.

Profit attributable to equity holders of the company for the period was Rs. 395 million compared Rs. 437 million in the previous year. However last year's figure of Rs. 437 million included the entirety of the aforesaid one-off item of Rs. 108 million.

Sgd.
D Sumith Arangala
Director/CEO

LVL ENERGY FUND LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

	Interim period of 03 Months				Accumulated 09 Months			
	Group		Company		Group		Company	
	Period ended 31 December		Period ended 31 December		Period ended 31 December		Period ended 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016
			Restated				Restated	
Revenue								
Investment income	208	60	-	-	556	285	-	-
Interest income	4,384	1,452	3,689	1,089	7,713	8,523	6,110	6,979
Subsidiary company income	121,836	38,167	-	-	311,168	213,431	-	-
Other income	-	-	1,003	8,213	-	-	5,074	12,758
	126,428	39,679	4,692	9,302	319,437	222,239	11,184	19,737
Operating expenses								
Administrative expenses	(2,016)	(2,058)	(1,916)	(2,058)	(5,643)	(5,490)	(5,543)	(5,490)
Sales and establishment expenses	-	-	-	-	(50)	(40)	-	-
Other operating expenses	(2,490)	(2,241)	(612)	(604)	(7,469)	(6,712)	(2,048)	(2,116)
Direct expenses - subsidiaries	(32,037)	(16,646)	-	-	(89,669)	(75,906)	-	-
Results from operating activities	89,885	18,734	2,164	6,640	216,606	134,091	3,593	12,131
Available for sale financial assets - reclassified from OCI	-	-	-	-	-	108,263	-	108,263
Share of profit of equity accounted investees (net of income tax)	71,134	63,771	89,192	58,748	411,775	398,549	469,970	444,598
Finance cost	(55,536)	(39,178)	(35,062)	(29,085)	(155,419)	(109,113)	(98,166)	(78,185)
Profit/(loss) before income tax	105,483	43,327	56,294	36,303	472,962	531,790	375,397	486,807
Tax expense	(3,948)	(34,636)	1,981	-	(25,633)	(62,408)	1,047	(8,586)
Profit/(loss) for the period	101,535	8,691	58,276	36,303	447,329	469,382	376,444	478,221
Profit/(loss) attributable to:								
Equity holders of the company	103,536	16,152	58,276	36,303	394,936	437,201	376,444	478,221
Non-controlling interest	(2,001)	(7,461)	-	-	52,393	32,181	-	-
Profit/(loss) for the period	101,535	8,691	58,276	36,303	447,329	469,382	376,444	478,221
Other comprehensive income, net of income tax								
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(5,616)	-	(5,616)
Reclassification of available for sale reserve to profit/ (loss)	-	-	-	-	-	(108,263)	-	(108,263)
Foreign operations - foreign currency translation difference	(17,912)	13,139	(17,912)	13,139	(36,809)	40,845	(36,809)	40,845
Other comprehensive income for the period, net of income tax	(17,912)	13,139	(17,912)	13,139	(36,809)	(73,034)	(36,809)	(73,034)
Total comprehensive income for the period	83,623	21,830	40,363	49,442	410,520	396,348	339,635	405,187
Total comprehensive income attributable to:								
Equity holders of the company	85,624	29,291	40,363	49,442	358,127	364,167	339,635	405,187
Non-controlling interest	(2,001)	(7,461)	-	-	52,393	32,181	-	-
Total comprehensive income for the period	83,623	21,830	40,363	49,442	410,520	396,348	339,635	405,187
Basic earnings per share (Rs.)	0.22	0.04	0.13	0.08	0.85	0.98	0.81	1.07

LVL ENERGY FUND LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

	Group As at 31 Dec 2017	Company As at 31 Dec 2017	Group As at 31 March 2017 Audited	Company As at 31 March 2017 Restated
Assets				
Non current assets				
Property, plant and equipment	1,025,976	-	1,048,986	-
Investment in subsidiaries	-	1,966,353	-	1,878,653
Investment in associates	3,059,009	1,548,340	2,597,549	1,175,721
Intangible assets	62,898	-	64,131	-
Total non current assets	4,147,883	3,514,693	3,710,666	3,054,374
Current assets				
Loans and receivables	123,594	-	9,962	-
Amounts due from related parties	778	51,145	437	71,320
Other receivables	3,494	-	155,534	124,564
Income tax receivables	7,017	3,713	2,106	1,894
Cash and cash equivalents	721,912	670,696	83,316	47,717
Total current assets	856,795	725,553	251,355	245,495
Total assets	5,004,678	4,240,246	3,962,021	3,299,869
Equity				
Stated capital	2,906,472	2,906,472	1,706,472	1,706,472
Revaluation reserve	8,301	8,301	8,301	8,301
Translation reserve	44,948	51,375	81,756	88,184
Retained earnings	702,157	759,215	467,644	543,195
Total equity attributable to equity holders of the Company	3,661,878	3,725,363	2,264,173	2,346,152
Non controlling interest	196,686	-	171,355	-
Total equity	3,858,564	3,725,363	2,435,528	2,346,152
Liabilities				
Non current liabilities				
Deferred tax liability	42,625	-	38,169	-
Interest bearing borrowings	269,354	93,750	314,397	150,000
Cumulative redeemable preference shares	452,500	112,500	490,000	150,000
Total non current liabilities	764,479	206,250	842,566	300,000
Current liabilities				
Interest bearing borrowings	239,634	196,636	402,369	377,408
Cumulative redeemable preference shares	80,599	80,599	273,311	273,311
Other payables	51,968	31,398	6,260	2,998
Income tax payables	9,434	-	1,987	-
Total current liabilities	381,635	308,632	683,927	653,717
Total liabilities	1,146,114	514,882	1,526,493	953,717
Total equity and liabilities	5,004,678	4,240,246	3,962,021	3,299,869
Net assets per share (Rs.)	6.29	6.40	4.90	5.08

I certify that the financial statements comply with the requirements of the Companies Act No. 07 of 2007.

Sgd.
D L Wijesekara
Finance Manager

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

Sgd.
J D N Kekulawala
Director

Sgd.
D S Arangala
Director

14 February 2018

LVL ENERGY FUND LIMITED
STATEMENT OF CHANGES IN EQUITY (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

Group	Stated capital	Revaluation reserve	Available for sale reserve	Translation reserve	Retained earnings	Non controlling interest	Total
Balance as at 01 April 2016	1,370,270	-	113,879	75,400	322,161	272,005	2,153,715
Profit/(loss) for the period	-	-	-	-	437,201	32,181	469,382
Available-for-sale financial assets - net change in fair value	-	-	(5,616)	-	-	-	(5,616)
Reclassification of available for sale reserve to profit/(loss)	-	-	(108,263)	-	-	-	(108,263)
Foreign operations - foreign currency translation difference	-	-	-	40,845	-	-	40,845
Total comprehensive income for the period	-	-	(113,879)	40,845	437,201	32,181	396,347
Transactions with equity holders recognized directly in equity							
Acquisition of NCI without change in control	-	-	-	-	-	(42,095)	(42,095)
Issue of shares during the period	336,202	-	-	-	(1,008)	-	335,194
Dividend paid	-	-	-	-	(157,175)	(38,613)	(195,788)
	336,202	-	-	-	(158,183)	(80,708)	97,311
Balance as at 31 December 2016	1,706,472	-	-	116,245	601,179	223,477	2,647,373
Balance as at 01 April 2017	1,706,472	8,301	-	81,756	467,644	171,355	2,435,528
Profit/(loss) for the period	-	-	-	-	394,936	52,393	447,329
Foreign operations - foreign currency translation difference	-	-	-	(36,809)	-	-	(36,809)
Total comprehensive income for the period	-	-	-	(36,809)	394,936	52,393	410,520
Transactions with equity holders recognized directly in equity							
Issue of shares during the period	1,200,000	-	-	-	(49,477)	-	1,150,523
Dividend paid	-	-	-	-	(110,947)	(27,062)	(138,009)
	1,200,000	-	-	-	(160,424)	(27,062)	1,012,515
Balance as at 31 December 2017	2,906,472	8,301	-	44,948	702,157	196,686	3,858,564
Company	Stated capital	Revaluation reserve	Available for sale reserve	Translation reserve	Retained earnings	Total	
Balance as at 01 April 2016 - reported	1,370,270	-	113,879	-	4,571	1,488,720	
Effect on change in accounting policy	-	-	-	81,826	356,885	438,711	
Balance as at 01 April 2016 - as restated	1,370,270	-	113,879	81,826	361,456	1,927,431	
Profit/(loss) for the period	-	-	-	-	478,221	478,221	
Available-for-sale financial assets - net change in fair value	-	-	(5,616)	-	-	(5,616)	
Reclassification of available-for-sale reserve to profit/(loss)	-	-	(108,263)	-	-	(108,263)	
Foreign operations - foreign currency translation difference	-	-	-	40,845	-	40,845	
Total comprehensive income for the period	-	-	(113,879)	40,845	478,221	405,187	
Transactions with equity holders recognized directly in equity							
Issue of shares during the period	336,202	-	-	-	(1,008)	335,194	
Dividend paid	-	-	-	-	(157,175)	(157,175)	
	336,202	-	-	-	(158,183)	178,020	
Balance as at 31 December 2016	1,706,472	-	-	122,671	681,495	2,510,638	
Balance as at 01 April 2017 - reported	1,706,472	-	-	-	64,764	1,771,236	
Effect on change in accounting policy	-	8,301	-	88,184	478,431	574,916	
Balance as at 01 April 2017 - as restated	1,706,472	8,301	-	88,184	543,195	2,346,152	
Profit/(loss) for the period	-	-	-	-	376,444	376,444	
Foreign operations - foreign currency translation difference	-	-	-	(36,809)	-	(36,809)	
Total comprehensive income for the period	-	-	-	(36,809)	376,444	339,635	
Transactions with equity holders recognized directly in equity							
Issue of shares during the period	1,200,000	-	-	-	(49,477)	1,150,523	
Dividend paid	-	-	-	-	(110,947)	(110,947)	
	1,200,000	-	-	-	(160,424)	1,039,576	
Balance as at 31 December 2017	2,906,472	8,301	-	51,375	759,215	3,725,363	

LVL ENERGY FUND LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

For the Period ended 31 December	Group		Company	
	2017	2016	2017	2016
				Restated
Cash flows from operating activities				
Profit/(loss) before income tax	472,962	531,790	375,397	486,807
Adjustments for:				
Depreciation	30,447	22,387	-	-
Amortization of land rights	1,573	141	-	-
Share of profit from equity accounted investees	(411,775)	(398,549)	(469,970)	(444,598)
Interest income on investments	(7,713)	(8,523)	(6,110)	(6,979)
Other income	-	-	(5,074)	-
Available for sale financial assets - reclassified from OCI	-	(108,263)	-	(108,263)
Dividend on preference shares	67,497	54,854	30,502	44,969
Interest expense	86,620	53,880	66,991	32,890
	239,610	147,716	(8,264)	4,826
Changes in				
Loans and receivables	(94,362)	(9,659)	-	-
Amounts due from related parties	(340)	-	25,250	(123,104)
Other receivables	152,040	9,568	124,564	(11,943)
Other payables	45,708	10,844	28,400	22,763
Cash generated from operating activities	342,656	158,470	169,950	(107,458)
Taxes paid	(7,017)	(12,998)	(160)	-
Interest paid	(88,549)	(53,477)	(67,763)	(32,487)
Net cash from operating activities	247,091	91,995	102,027	(139,945)
Cash flows from investing activities				
Interest received	7,713	8,523	6,110	6,979
Dividend received	22,613	147,559	112,230	193,701
Acquisition of property, plant and equipment	(7,437)	(219,254)	-	-
Additions to intangible assets	(340)	-	-	-
Investment in subsidiary	-	-	-	(67,095)
Investment in equity accounted investees	(140,000)	(87,167)	(140,000)	(87,167)
Net cash from investing activities	(117,451)	(150,339)	(21,660)	46,416
Cash flows from financing activities				
Preference dividend paid	(80,209)	(59,091)	(43,214)	(49,115)
Net change in cumulative redeemable preference shares	(217,500)	(27,500)	(217,500)	(127,500)
Net change in interest bearing borrowings	(205,849)	161,865	(236,250)	243,750
Dividend paid	(110,947)	(157,175)	(110,947)	(157,175)
Dividend for the minority holders	(27,062)	(38,613)	-	-
Acquisition of NCI without change in control	-	(42,095)	-	-
Share issue expenses	(49,477)	(1,008)	(49,477)	(1,008)
Issue of shares during the period	1,200,000	336,202	1,200,000	336,202
Net cash from financing activities	508,956	172,586	542,613	245,155
Net increase/(decrease) in cash and cash equivalents	638,596	114,244	622,979	151,627
Cash and cash equivalent as at 01 April	83,316	128,231	47,717	62,868
Cash and cash equivalent as at 31 December	721,912	242,475	670,696	214,495

Explanatory Notes :

- 1 The interim financial statements are subject to audit.
- 2 The same accounting policies and methods of computation have been followed except as stated in item 3 below in interim financial statements as compared with the most recent audited financial statements.
- 3 Change in accounting policy : Following a review of financial statements for the 9-month period ended 31 December 2017 by external auditors, Company adopted equity method of accounting for all its subsidiary and associate companies as specified in LKAS 27 - Separate Financial Statements which will apply to Company's annual financial statements for the year ending 31 March 2018. This Change in accounting policy has been applied retrospectively as per LKAS 8 - Accounting Policies, Changes in Accounting Estimates & Errors.
- 4 The interim financial statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting.
- 5 Where items have been regrouped, comparative information in relation to previous year have been presented in line with information pertaining to the current period.
- 6 The stated capital comprises 582,278,117 ordinary shares.
- 7 During the period the company obtained Rs. 740 Mn in the form of loans from DFCC Bank PLC and repaid Rs. 620 Mn in the form of loans to DFCC Bank PLC. Rs. 56.25 Mn of term loan was repaid to Hatton National Bank PLC.
- 8 The company invested Rs. 140 Mn in an associate company, Bambarapana Hydro Power (Private) Limited during the period.
- 9 An interim dividend of Rs. 0.24 per ordinary share was declared on 25 October 2017 amounting to Rs. 110,946,748/- and was paid on 31 October 2017.
For the financial year ended 31 March 2017 a dividend of Rs. 0.34 per ordinary share amounting to Rs. 157,174,560/- was declared on 14 October 2016 and paid on 20 October 2016 and a dividend of Rs. 0.26 per ordinary share amounting to Rs. 120,192,310/- was declared on 13 February 2017 and paid on 22 February 2017.
- 10 During the period preference shares amounting to Rs. 217.5 Mn were redeemed and preference dividend of Rs. 43,213,772/- was paid on 30 September 2017.
- 11 Events occurring after the reporting date: No circumstances have arisen since the reporting date which would require adjustment to or disclosure in the interim financial statements other than those disclosed in these notes.
- 12 The company is charged Rs. 1.0 Mn per annum as management fees by its parent company, Lanka Ventures PLC.
- 13 There were no contingent liabilities during the period under review that require disclosure in interim financial statements.
- 14 Twenty major shareholders of the Company as at 31 December 2017

Name of shareholder/company name	No. of shares	% of issued capital
1 Lanka Ventures PLC	331,885,609	57.00
2 Mr. Mohandas Ajitha Wijetunge	67,911,668	11.66
3 Sri Lanka Insurance Corporation Limited-General Fund	50,000,000	8.59
4 Phoenix Ventures (Private) Limited	24,001,460	4.12
5 Equity Investments Lanka Limited	15,033,330	2.58
6 Guardian Capital Partners PLC	10,312,500	1.77
7 National Savings Bank	4,606,600	0.79
8 Mr. Daya Sumith Arangala	4,455,000	0.77
9 AWIS Holdings (Private) Limited	3,300,000	0.57
10 Mr. Kanthimany Maheshwaran	3,000,000	0.52
11 Ms. Mohamed Moujood Fathima Zareena	2,970,000	0.51
12 Merchant Bank of Sri Lanka & Finance PLC	2,500,000	0.43
13 Mr. Colombapatabendige Ranjith Perera	2,310,000	0.40
14 J.B. Cocoshell (Private) Limited	2,100,000	0.36
15 Mr. Kandiah Tharmalingam Konesh	2,090,000	0.36
16 Dinima High Performance Materials (Private) Limited	1,880,004	0.32
17 Mr. Mahal Mathisha Wijetunge	1,866,100	0.32
18 Deutsche Bank AG As Trustee For Guardian Acuity Equity Fund	1,600,000	0.27
19 Peoples Bank	1,561,600	0.27
Softlogic Life Insurance PLC-A/C No. 05 (Non-Participating Fund)	1,561,600	0.27
20 Hatton National Bank PLC A/C No. 04 (HNB Retirement Pension Fund)	1,378,900	0.24
Total	536,324,371	92.11

15 Percentage of shares held by public as at 31 December 2017 : 30.18%
No. of public shareholders as at 31 December 2017 : 786

16 Shareholding of Directors/CEO:		No. of Shares
Mr. L. H. A. L. Silva	Director	10,000
Mr. A. R. Munasinghe	Director	221,800
Mr. M. A. Wijetunge	Director	67,911,668
Mr. D. S. Arangala	Director/CEO	4,455,000

UTILIZATION OF IPO PROCEEDS AS AT 31 DECEMBER 2017

Objective number	Objective as per prospectus	Amount allocated as per prospectus in LKR	Proposed date of utilization as per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g. whether lent to related party/s etc.)
1	Settlement of bridge finance loan of DFCC Bank PLC in terms of loan agreement dated 6 April 2016	300,000,000	31 Dec 2017	300,000,000	25.00%	300,000,000	100.00%	Not Applicable
2	Settlement of short term loan borrowed for the purpose of redeeming the preference shares issued to DFCC Bank PLC.	180,000,000	30 Sept 2017	180,000,000	15.00%	180,000,000	100.00%	Not Applicable
3	Equity investment in following hydro power projects <u>Bambarapana Hydro Power Project</u>							
	Settlement of LKR 140 Mn short term bridge loan obtained from DFCC Bank PLC for the purpose of equity investment in Bambarapana Hydro Power (Private) Limited.	140,000,000	Nov 2017	140,000,000	11.67%	140,000,000	100.00%	Not Applicable
	<u>Pupulaketiya Hydro Power Project</u>							
	Equity investment in Pupulaketiya Hydro Power (Private) Limited	115,000,000	Apr 2018 to Oct 2019	115,000,000	9.58%	-	0.00%	Temporarily invested in one-month TB Repo at an interest rate of 8% p.a. (net of WHT)
<u>Makari Gad Hydro Power Project (Nepal)</u>								
Equity investment in LTL Energy (Private) Limited	465,000,000	Sept 2017 to Jun 2019	465,000,000	38.75%	-	0.00%	Temporarily invested in one-month TB Repo at an interest rate of 8% p.a. (net of WHT)	