

LVL ENERGY FUND PLC



FINANCIAL STATEMENTS

For the period ended 30 June 2018

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LVL ENERGY FUND PLC

Review of provisional financial results for the 3-month period ended 30th June 2018

The Group recorded a profit before interest and tax of Rs. 266 million for the period compared to Rs. 195 million in the corresponding period last year reflecting an increase of 37%. Finance cost for the period was Rs. 34 million compared to Rs. 45 million last year. The tax charge however was higher at Rs. 11 million compared to Rs. 3 million last year. Accordingly profit after interest and tax for the period was Rs. 221 million compared to Rs. 147 million last year signifying an increase of 51%.

Group income from subsidiary companies for the period increased by Rs. 30 million to Rs. 96 million from Rs. 66 million in the previous year whilst operating expenses increased to Rs. 34 million from Rs. 27 million in the previous year mainly due to increase in operating expenses of subsidiary companies in line with their increased income. Operating profit for the period increased to Rs. 81 million from Rs. 40 million in the previous year. Share of profit from equity accounted investees also increased to Rs. 186 million from Rs. 155 million in the previous year.

All hydro power plants performed better under favourable weather conditions during the period compared to the corresponding period last year whilst thermal power plants in Bangladesh also recorded better performance during the period compared to last year. The share of profit from Bambarapana hydro power plant that commenced commercial operation in the last quarter of the previous financial year also contributed towards a higher Group profit for the period. Power generation of wind power plants during the period was less than in the previous year due to poor wind conditions.

Profit attributable to equity holders of the company for the period was Rs. 212 million compared Rs. 138 million in the previous year, an increase of 53%.

Sgd.
D Sumith Arangala
Director/CEO
13 August 2018

LVL ENERGY FUND PLC

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

(All amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Period ended 30 June		Period ended 30 June	
	2018	2017	2018	2017
Revenue				
Investment income	305	63	-	-
Interest income	18,294	854	17,475	410
Subsidiary company income	95,608	65,535	-	-
Other income	-	-	933	1,916
	114,207	66,452	18,408	2,326
Operating expenses				
Administrative expenses	(1,775)	(1,795)	(1,775)	(1,795)
Sales and establishment expenses	(10)	(25)	-	-
Other operating expenses	(3,552)	(2,310)	(933)	(644)
Direct expenses - subsidiaries	(28,200)	(22,689)	-	-
Results from operating activities	80,670	39,633	15,700	(113)
Share of profit of equity accounted investees (net of income tax)	185,618	155,107	210,709	167,698
Finance cost	(33,977)	(45,427)	(14,475)	(29,103)
Profit/(loss) before income tax	232,311	149,313	211,934	138,482
Tax expense	(10,995)	(2,795)	-	(55)
Profit/(loss) for the period	221,316	146,518	211,934	138,427
Profit/(loss) attributable to:				
Equity holders of the company	211,939	138,427	211,934	138,427
Non-controlling interest	9,377	8,091	-	-
Profit/(loss) for the period	221,316	146,518	211,934	138,427
Other comprehensive income, net of income tax				
Foreign operations - foreign currency translation difference	28,538	7,667	28,538	7,667
Other comprehensive income for the period, net of income tax	28,538	7,667	28,538	7,667
Total comprehensive income for the period	249,854	154,185	240,472	146,094
Total comprehensive income attributable to:				
Equity holders of the company	240,477	146,094	240,472	146,094
Non-controlling interest	9,377	8,091	-	-
Total comprehensive income for the period	249,854	154,185	240,472	146,094
Basic earnings per share (Rs.)	0.36	0.30	0.36	0.30

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

(All amounts in Sri Lanka Rupees thousands)

	Group As at 30 June 2018	Company As at 30 June 2018	Group As at 31 March 2018 Audited	Company As at 31 March 2018 Audited
Assets				
Non current assets				
Property, plant and equipment	1,006,763	-	1,017,251	-
Investment in subsidiaries	-	2,092,624	-	1,951,385
Investment in equity accounted investees	3,057,765	1,396,462	2,843,605	1,298,453
Intangible assets	62,448	-	63,028	-
Total non current assets	4,126,976	3,489,086	3,923,884	3,249,838
Current assets				
Loans and receivables	79,558	-	34,991	-
Amounts due from related parties	489	61,360	489	52,675
Income tax receivable	2,196	1,590	2,380	1,590
Other receivables	13,496	59	44,494	28,558
Cash and cash equivalents	714,769	640,434	944,342	868,032
Total current assets	810,508	703,443	1,026,696	950,855
Total assets	4,937,484	4,192,529	4,950,580	4,200,693
Equity				
Stated capital	2,906,472	2,906,472	2,906,472	2,906,472
Revaluation reserve	8,301	8,301	8,301	8,301
Translation reserve	84,265	90,691	55,727	62,153
Retained earnings	692,389	717,388	480,450	505,454
Total equity attributable to equity holders of the Company	3,691,428	3,722,852	3,450,950	3,482,380
Non controlling interest	168,065	-	158,688	-
Total equity	3,859,492	3,722,852	3,609,638	3,482,380
Liabilities				
Non current liabilities				
Interest bearing borrowings	328,485	200,250	362,241	219,000
Cumulative redeemable preference shares	405,000	75,000	415,000	75,000
Deferred tax liability	49,363	-	42,050	-
Total non current liabilities	782,848	275,250	819,291	294,000
Current liabilities				
Interest bearing borrowings	190,019	112,229	199,463	112,824
Cumulative redeemable preference shares	89,400	79,400	75,000	75,000
Other payables	9,706	2,798	242,709	236,489
Income tax payable	6,018	-	4,479	-
Total current liabilities	295,143	194,427	521,651	424,313
Total liabilities	1,077,991	469,677	1,340,942	718,313
Total equity and liabilities	4,937,484	4,192,529	4,950,580	4,200,693
Net assets per share (Rs.)	6.34	6.39	5.93	5.98

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.

D S Arangala
Director

13 August 2018

Sgd.

A R Munasinghe
Director

LVL ENERGY FUND PLC
STATEMENT OF CHANGES IN EQUITY (Unaudited)
(All amounts in Sri Lanka Rupees thousands)

Group	Stated capital	Revaluation reserve	Translation reserve	Retained earnings	Non controlling interest	Total
Balance as at 01 April 2017	1,706,472	8,301	81,756	472,030	166,969	2,435,528
Profit/(loss) for the period	-	-	-	138,427	8,091	146,518
Foreign operations - foreign currency translation difference	-	-	7,667	-	-	7,667
Total comprehensive income for the period	-	-	7,667	138,427	8,091	154,185
Transactions with equity holders recognized directly in equity						
Issue of shares during the period	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
	-	-	-	-	-	-
Balance as at 30 June 2017	1,706,472	8,301	89,423	610,457	175,060	2,589,713
Balance as at 01 April 2018	2,906,472	8,301	55,727	480,450	158,688	3,609,638
Profit/(loss) for the period	-	-	-	211,939	9,377	221,316
Foreign operations - foreign currency translation difference	-	-	28,538	-	-	28,538
Total comprehensive income for the period	-	-	28,538	211,939	9,377	249,854
Transactions with equity holders recognized directly in equity						
Issue of shares during the period	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
	-	-	-	-	-	-
Balance as at 30 June 2018	2,906,472	8,301	84,265	692,389	168,065	3,859,492

Company	Stated capital	Revaluation reserve	Translation reserve	Retained earnings	Total
Balance as at 01 April 2017	1,706,472	8,301	88,182	496,948	2,299,903
Profit/(loss) for the period	-	-	-	138,427	138,427
Foreign operations - foreign currency translation difference	-	-	7,667	-	7,667
Total comprehensive income for the period	-	-	7,667	138,427	146,094
Transactions with equity holders recognized directly in equity					
Issue of shares during the period	-	-	-	-	-
Dividend paid	-	-	-	-	-
	-	-	-	-	-
Balance as at 30 June 2017	1,706,472	8,301	95,849	635,375	2,445,997
Balance as at 01 April 2018	2,906,472	8,301	62,153	505,454	3,482,380
Profit/(loss) for the period	-	-	-	211,934	211,934
Foreign operations - foreign currency translation difference	-	-	28,538	-	28,538
Total comprehensive income for the period	-	-	28,538	211,934	240,472
Transactions with equity holders recognized directly in equity					
Issue of shares during the period	-	-	-	-	-
Dividend paid	-	-	-	-	-
	-	-	-	-	-
Balance as at 30 June 2018	2,906,472	8,301	90,691	717,388	3,722,852

LVL ENERGY FUND PLC
CONSOLIDATED STATEMENT OF CASHFLOWS (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

For the Period ended 30 June	Group		Company	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit/(loss) before income tax	232,311	149,313	211,934	138,482
Adjustments for:				
Depreciation	10,487	9,485	-	-
Amortization of land rights	580	413	-	-
Share of profit from equity accounted investees	(185,618)	(155,107)	(210,709)	(167,698)
Interest income on investments	(18,294)	(854)	(17,475)	(410)
Other income	-	-	(933)	(1,916)
Dividend on preference shares	16,746	23,833	4,400	12,392
Interest expense	17,136	21,535	10,009	16,701
	73,348	48,618	(2,774)	(2,449)
Changes in				
Loans and receivables	(44,567)	(53,664)	-	-
Amounts due from related parties	-	6,065	(7,751)	(16,827)
Other receivables	30,998	121,011	28,499	124,000
Other payables	(233,579)	3,361	(233,690)	8,241
Cash generated from operating activities	(173,800)	125,391	(215,718)	112,965
Taxes paid	(1,958)	(3,319)	-	-
Interest paid	(17,870)	(23,235)	(10,605)	(16,931)
Net cash from operating activities	(193,628)	98,836	(226,323)	96,034
Cash flows from investing activities				
Interest received	18,294	854	17,475	410
Disposal/ (acquisition)of property, plant and equipment	-	(5,489)	-	-
Investment in equity accounted investees	-	(140,000)	-	(140,000)
Net cash from investing activities	18,294	(144,635)	17,475	(139,591)
Cash flows from financing activities				
Preference dividend paid	(11,772)	(11,440)	-	-
Net change in interest bearing borrowings	(42,466)	122,881	(18,750)	121,250
Net cash from financing activities	(54,238)	111,441	(18,750)	121,250
Net increase/(decrease) in cash and cash equivalents	(229,573)	65,642	(227,598)	77,693
Cash and cash equivalent as at 01 April	944,342	83,316	868,032	47,717
Cash and cash equivalent as at 30 June	714,769	148,958	640,434	125,410

Explanatory Notes :

- 1 The interim financial statements are subject to audit.
- 2 The same accounting policies and methods of computation have been followed in interim financial statements as compared with the most recent audited financial statements.
- 3 SLFRS 9 - Financial Instruments is applicable for financial periods beginning on or after 01 January 2018. Accordingly this standard will be applicable for the Company from 01 April 2018. This Standard replaces LKAS 39 - Financial Instruments: Recognition and Measurement. However the Institute of Chartered Accountants of Sri Lanka has granted the option to prepare interim financial statements continuing the application of LKAS 39 through "Statement of Alternative Treatment" (SoAT). Accordingly these financial statements have been prepared by applying the guidelines of LKAS 39 in accordance with the said option granted.
Company does not expect significant impact to the Statement of Comprehensive Income and net assets with the application of SLFRS 9.
- 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 repaid Rs. 18.8 Mn term loan to Hatton National Bank PLC.
- 8 For the financial year ended 31 March 2017, Company has paid ordinary dividend of Rs. 0.64 per share amounting to Rs. 343,857,995/-.
- 9 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.
- 10 The company is charged Rs. 1.0 Mn per annum as management fees by its parent company, Lanka Ventures PLC.
- 11 There were no contingent liabilities during the period under review that require disclosure in interim financial statements.
- 12 The market price per share:

for the quarter ended 30 June	2018
Highest price	10.00
Lowest price	8.70
Market price as at 30 June	9.10

- 13 Twenty major shareholders of the Company as at 30 June 2018

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	14,831,634	2.55
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 Mr. Colombapatabendige Ranjith Perera	2,537,335	0.44
13 Merchant Bank of Sri Lanka & Finance PLC 01	2,500,000	0.43
14 Mr. Kandiah Tharmalingam Konesh	2,425,000	0.42
15 Peoples Bank	2,205,979	0.38
16 Dinima High Performance Materials (Private) Limited	1,880,004	0.32
17 Mr. Mahal Mathisha Wijetunge	1,866,100	0.32
18 J.B. Cocoshell (Private) Limited	1,697,750	0.29
19 Deutsche Bank AG As Trustee For Guardian Acuity Equity Fund	1,600,000	0.27
20 Softlogic Life Insurance PLC-A/C No. 05 (Non-Participating Fund)	1,561,600	0.27
Total	535,548,239	91.97

14 Percentage of shares held by public as at 30 June 2018 : 30.18%
No. of public shareholders as at 30 June 2018 : 838

15 Float adjusted market capitalization as at 30 June 2018 was Rs. 1,599,156,975/-. In terms of the rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange, the Company complies under option 5 with the minimum public holding requirement.

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
Mr. M. M. Wijetunge	Director	1,866,100

IPO PROCEEDS UTILIZATION AS AT 30 JUNE 2018

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.)
3	Equity investment in following hydro power projects <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 3-month Fixed Deposit at the interest rate of 11.00% p.a. with DFCC Bank PLC
	<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 3-month Fixed Deposit at the interest rate of 11.00% p.a. with DFCC Bank PLC