

LVL ENERGY FUND LIMITED



FINANCIAL STATEMENTS
For the period ended 31 March 2018

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46/12, Nawam Mawatha
Colombo 02.
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LVL ENERGY FUND LIMITED

Review of provisional financial results for the year ended 31st March 2018

The Group recorded a higher profit before interest and tax of Rs. 696 million compared to last year. Last year's figure of Rs. 664 million included a one-off item of Rs. 108 million arising from the reclassification of an available-for-sale financial asset from Other Comprehensive Income to Profit or Loss. However profit after interest and tax was lower at Rs. 447 million compared to Rs. 465 million last year due to increase in finance cost and tax charge by Rs. 37 million and Rs. 13 million respectively. Settlement of part of the debt out of IPO proceeds did not lead to an overall reduction in finance cost for the year compared to the previous year as such saving could only be realized beginning from the last quarter of the financial year.

Group profit before interest and tax for the quarter ended 31st March 2018 was Rs. 68 million compared to Rs. 23 million in the same period last year notwithstanding a higher tax charge of Rs. 33 million mainly owing to dividend tax paid by group companies. Finance cost for the quarter was Rs. 35 million compared to Rs. 44 million in the corresponding period last year. Group loss for the quarter was Rs. 0.2 million compared to the loss of Rs. 4.4 million in the same quarter last year. Loss in the final quarter is due to lesser contribution from renewable energy projects that are subject to seasonality. Last year's loss for the quarter would have been higher if not for the reversal during the quarter of an overprovision of tax in a subsidiary resulting in a positive figure of Rs. 17 million as tax expense.

Group income from subsidiary companies for the year increased by Rs. 102 million to Rs. 326 million from Rs. 224 million in the previous year whilst operating expenses increased to Rs. 128 million from Rs. 105 million in the previous year mainly due to increase in operating expenses of subsidiary companies in line with their increased income. Operating profit increased to Rs. 222 million from Rs. 131 million in the previous year. Share of profit from equity accounted investees also increased to Rs. 475 million from Rs. 423 million in the previous year.

Profit attributable to equity holders of the company for the period was Rs. 401 million compared Rs. 424 million in the previous year. However last year's figure of Rs. 424 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 12 Months			
	Group		Company		Group		Company	
	Period ended 31 March		Period ended 31 March		Period ended 31 March		Period ended 31 March	
	2018	2017	2018	2017	2018	2017	2018	2017
			Restated				Restated	
Revenue								
Investment income	(18)	(6)	-	-	538	279	-	-
Interest income	14,561	3,635	13,275	3,031	22,274	12,158	19,385	10,010
Subsidiary company income	15,070	11,026	-	-	326,238	224,457	-	-
Other income	-	-	878	3,656	-	-	5,952	16,414
	29,613	14,654	14,153	6,687	349,050	236,894	25,337	26,424
Operating expenses								
Administrative expenses	(3,903)	(1,485)	(1,661)	(1,044)	(9,546)	(6,975)	(7,204)	(6,534)
Sales and establishment expenses	(105)	-	-	-	(155)	(40)	-	-
Other operating expenses	(369)	(2,943)	(383)	(659)	(7,838)	(9,655)	(2,431)	(2,775)
Direct expenses - subsidiaries	(20,296)	(12,861)	-	-	(109,965)	(88,767)	-	-
Results from operating activities	4,940	(2,635)	12,109	4,984	221,546	131,457	15,702	17,115
Available for sale financial assets - reclassified from OCI	-	-	-	-	-	108,263	-	108,263
Share of profit of equity accounted investees (net of income tax)	63,057	24,811	62,432	47,671	474,832	423,360	532,402	492,269
Gain on disposal of subsidiary	-	900	-	900	-	900	-	900
Finance cost	(35,249)	(44,462)	(16,349)	(32,140)	(190,668)	(153,575)	(114,515)	(110,325)
Profit/(loss) before income tax	32,748	(21,385)	58,192	21,415	505,710	510,405	433,589	508,222
Tax expense	(33,001)	16,936	(24,246)	(8,467)	(58,634)	(45,472)	(23,199)	(17,053)
Profit/(loss) for the period	(253)	(4,450)	33,946	12,948	447,076	464,933	410,390	491,169
Profit/(loss) attributable to:								
Equity holders of the company	6,332	(13,203)	33,946	12,948	401,267	424,000	410,390	491,169
Non-controlling interest	(6,584)	8,753	-	-	45,809	40,933	-	-
Profit/(loss) for the period	(253)	(4,450)	33,946	12,948	447,076	464,933	410,390	491,169
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)
Share of other comprehensive income from equity accounted	-	8,629	-	8,301	-	8,629	-	8,301
Foreign operations - foreign currency translation difference	8,848	(34,489)	8,848	(34,489)	(27,961)	6,356	(27,961)	6,356
Other comprehensive income for the period, net of income tax	8,848	(25,860)	8,848	(26,188)	(27,961)	(98,894)	(27,961)	(99,222)
Total comprehensive income for the period	8,595	(30,309)	42,794	(13,240)	419,115	366,039	382,429	391,947
Total comprehensive income attributable to:								
Equity holders of the company	15,179	(39,061)	42,794	(13,240)	373,306	325,106	382,429	391,947
Non-controlling interest	(6,584)	8,752	-	-	45,809	40,933	-	-
Total comprehensive income for the period	8,595	(30,309)	42,794	(13,240)	419,115	366,039	382,429	391,947
Basic earnings per share (Rs.)	0.01	(0.03)	0.06	0.03	0.82	0.94	0.83	1.09

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

(All amounts in Sri Lanka Rupees thousands)

	Group As at 31 March 2018	Company As at 31 March 2018	Group As at 31 March 2017 Audited	Company As at 31 March 2017 Restated
Assets				
Non current assets				
Property, plant and equipment	1,015,488	-	1,048,986	-
Investment in subsidiaries	-	2,017,368	-	1,882,255
Investment in associates	2,849,964	1,275,180	2,597,549	1,158,661
Intangible assets	63,028	-	64,131	-
Total non current assets	3,928,480	3,292,548	3,710,666	3,040,916
Current assets				
Loans and receivables	34,991	-	9,962	-
Amounts due from related parties	488	52,675	437	71,320
Other receivables	42,859	28,559	155,534	124,564
Income tax receivables	1,614	897	2,106	1,894
Cash and cash equivalents	947,474	868,032	83,316	47,717
Total current assets	1,027,426	950,163	251,355	245,495
Total assets	4,955,906	4,242,711	3,962,021	3,286,411
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	53,795	60,221	81,756	88,182
Retained earnings	478,185	549,401	467,644	529,737
Total equity attributable to equity holders of the Company	3,446,753	3,524,394	2,264,173	2,332,692
Non controlling interest	168,672	-	171,355	-
Total equity	3,615,425	3,524,394	2,435,528	2,332,692
Liabilities				
Non current liabilities				
Deferred tax liability	42,050	-	38,169	-
Interest bearing borrowings	362,241	219,000	314,397	150,000
Cumulative redeemable preference shares	415,000	75,000	490,000	150,000
Total non current liabilities	819,291	294,000	842,566	300,000
Current liabilities				
Interest bearing borrowings	199,324	112,824	402,369	377,408
Cumulative redeemable preference shares	75,000	75,000	273,311	273,311
Other payables	242,500	236,493	6,260	3,000
Income tax payables	4,366	-	1,987	-
Total current liabilities	521,190	424,317	683,927	653,719
Total liabilities	1,340,481	718,317	1,526,493	953,719
Total equity and liabilities	4,955,906	4,242,711	3,962,021	3,286,411
Net assets per share (Rs.)	5.92	6.05	4.90	5.05

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

30 May 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	-	-	-	-	424,000	40,933	464,933
Available-for-sale financial assets - net change in fair value	-	-	(5,616)	-	-	-	(5,616)
Share of other comprehensive income from equity accounted investees	-	8,301	-	-	328	-	8,629
Reclassification of available for sale reserve to profit/(loss)	-	-	(108,263)	-	-	-	(108,263)
Foreign operations - foreign currency translation difference	-	-	-	6,356	-	-	6,356
Total comprehensive income for the period	-	8,301	(113,879)	6,356	424,328	40,933	366,039
Transactions with equity holders recognized directly in equity							
Acquisition of NCI without change in control	-	-	-	-	-	(86,895)	(86,895)
Issue of shares during the period	336,202	-	-	-	(1,477)	-	334,725
Dividend paid	-	-	-	-	(277,367)	(54,688)	(332,055)
	336,202	-	-	-	(278,844)	(141,583)	(84,225)
Balance as at 31 March 2017	1,706,472	8,301	-	81,756	467,644	171,355	2,435,528
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	-	-	-	-	401,267	45,809	447,076
Foreign operations - foreign currency translation difference	-	-	-	(27,961)	-	-	(27,961)
Total comprehensive income for the period	-	-	-	(27,961)	401,267	45,809	419,115
Transactions with equity holders recognized directly in equity							
Issue of shares during the period	1,200,000	-	-	-	(46,869)	-	1,153,131
Dividend paid	-	-	-	-	(110,947)	(48,492)	(159,439)
Dividend payable	-	-	-	-	(232,911)	-	(232,911)
	1,200,000	-	-	-	(390,727)	(48,492)	760,782
Balance as at 31 March 2018	2,906,472	8,301	-	53,795	478,185	168,672	3,615,425
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	312,841	394,667	
Balance as at 01 April 2016 - as restated	1,370,270	-	113,879	81,826	317,412	1,883,387	
Profit/(loss) for the period	-	-	-	-	491,169	491,169	
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)	
Share of other comprehensive income from equity accounted investees	-	8,301	-	-	-	8,301	
Foreign operations - foreign currency translation difference	-	-	-	6,356	-	6,356	
Total comprehensive income for the period	-	8,301	(113,879)	6,356	491,169	391,947	
Transactions with equity holders recognized directly in equity							
Issue of shares during the period	336,202	-	-	-	(1,477)	334,725	
Dividend paid	-	-	-	-	(277,367)	(277,367)	
Dividend payable	336,202	-	-	-	(278,844)	57,358	
Balance as at 31 March 2017	1,706,472	8,301	-	88,182	529,737	2,332,692	
Balance as at 01 April 2017	1,706,472	8,301	-	88,182	529,737	2,332,692	
Profit/(loss) for the period	-	-	-	-	410,390	410,390	
Foreign operations - foreign currency translation difference	-	-	-	(27,961)	-	(27,961)	
Total comprehensive income for the period	-	-	-	(27,961)	410,390	382,429	
Transactions with equity holders recognized directly in equity							
Issue of shares during the period	1,200,000	-	-	-	(46,869)	1,153,131	
Dividend paid	-	-	-	-	(110,947)	(110,947)	
Dividend payable	-	-	-	-	(232,911)	(232,911)	
	1,200,000	-	-	-	(390,727)	809,273	
Balance as at 31 March 2018	2,906,472	8,301	-	60,221	549,401	3,524,394	

LVL ENERGY FUND LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

For the period ended 31 March	Group		Company	
	2018	2017	2018	2017
Cash flows from operating activities				Restated
Profit/(loss) before income tax	505,710	510,405	433,589	508,222
Adjustments for:				
Depreciation	40,935	30,038	-	-
Amortization of land rights	2,153	319	-	-
Share of profit from equity accounted investees	(474,832)	(423,360)	(532,402)	(492,269)
Interest income on investments	(22,272)	(12,158)	(19,384)	(10,011)
Other income	-	-	(5,952)	(16,414)
Available for sale financial assets - reclassified from OCI	-	(108,263)	-	(108,263)
Dividend on preference shares	86,469	75,171	37,225	58,273
Interest expense	102,795	77,179	76,547	51,709
	240,958	149,331	(10,377)	(8,753)
Changes in				
Loans and receivables	1,934	26,635	-	-
Amounts due from related parties	(51)	(3,914)	24,597	(18,661)
Other receivables	122,763	(104,612)	121,990	(124,564)
Other payables	3,085	(280)	578	2,403
Cash generated from operating activities	368,689	67,160	136,788	(149,575)
Taxes paid	(9,402)	(15,561)	(160)	-
Interest paid	(104,817)	(75,630)	(77,131)	(51,598)
Net cash from operating activities	254,470	(24,031)	59,497	(201,173)
Cash flows from investing activities				
Interest received	22,272	12,158	19,384	10,011
Dividend received	255,169	210,765	344,786	323,970
Acquisition of property, plant and equipment	(7,437)	(253,603)	-	-
Additions to intangible assets	(1,050)	-	-	-
Investment in subsidiary	-	-	-	(112,792)
Investment in equity accounted investees	(140,000)	(87,167)	(140,000)	(87,167)
Net cash from investing activities	128,954	(117,847)	224,170	134,021
Cash flows from financing activities				
Preference dividend paid	(104,779)	(82,346)	(55,536)	(65,357)
Net change in cumulative redeemable preference shares	(255,000)	85,000	(255,000)	(165,000)
Net change in interest bearing borrowings	(153,179)	178,535	(195,000)	225,000
Dividend paid	(110,947)	(277,367)	(110,947)	(277,367)
Dividend for the minority holders	(48,492)	(54,688)	-	-
Acquisition of NCI without change in control	-	(86,895)	-	-
Share issue expenses	(46,869)	(1,478)	(46,869)	(1,477)
Issue of shares during the period	1,200,000	336,202	1,200,000	336,202
Net cash from financing activities	480,734	96,963	536,648	52,001
Net increase/(decrease) in cash and cash equivalents	864,158	(44,915)	820,315	(15,151)
Cash and cash equivalent as at 01 April	83,316	128,231	47,717	62,868
Cash and cash equivalent as at 31 March	947,474	83,316	868,032	47,717

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. 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. 500.0 Mn in the form of loans from DFCC Bank PLC and repaid Rs. 620.0 Mn in the form of loans to DFCC Bank PLC. Rs. 75.0 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 During the financial year a 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 and a dividend of Rs. 0.40 per ordinary share was declared on 27 March 2018 amounting to Rs. 232,911,247/- and paid on 11 April 2018.
- 10 During the period preference shares amounting to Rs. 255 Mn were redeemed. Preference dividend of Rs. 43,213,772/- was paid on 30 September 2017 and Rs. 12,321,181/- was paid on 29 March 2018.
- 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 The market price per share:

for the quarter ended 31 March	2018
Highest price	10.50
Lowest price	9.00
Market price as at 31 March	9.90

- 15 Twenty major shareholders of the Company as at 31 March 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
13 Mr. Colombapatabendige Ranjith Perera	2,532,900	0.43
12 Merchant Bank of Sri Lanka & Finance PLC	2,500,000	0.43
15 Mr. Kandiah Tharmalingam Konesh	2,425,000	0.42
16 Dinima High Performance Materials (Private) Limited	1,880,004	0.32
17 Mr. Mahal Mathisha Wijetunge	1,866,100	0.32
14 J.B. Cocoshell (Private) Limited	1,697,750	0.29
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 Guardian Fund Management Limited/ The Aitken Spence and Associated Companies Executive Staff Provident Fund	1,378,900	0.24
Hatton National Bank PLC A/C No. 04 (HNB Retirement Pension Fund)	1,378,900	0.24
Total	537,657,225	92.34

16 Percentage of shares held by public as at 31 March 2018 : 30.18%
No. of public shareholders as at 31 March 2018 : 827

17 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 31st MARCH 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 11.10% 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 11.10% p.a. with DFCC Bank PLC