

LVL ENERGY FUND PLC



FINANCIAL STATEMENTS

For the period ended 31 March 2019

Ocean Lines Building
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LVL ENERGY FUND PLC

Review of provisional financial results for the year ended 31st Mar 2019

The Group recorded a profit before interest and tax of Rs. 798 million for the year compared to Rs. 688 million last year reflecting an increase of 16%. Finance cost for the year was Rs. 140 million compared to Rs. 191 million last year. The tax charge however was higher at Rs. 86 million compared to Rs. 58 million last year mainly owing to withholding tax on dividend. Accordingly profit after interest and tax for the year was Rs. 571 million compared to Rs. 439 million reflecting an increase of 30%.

Group income from subsidiary companies for the year stood at Rs. 355 million compared to Rs. 326 million in the previous year whilst operating expenses stood at Rs. 148 million compared to Rs. 129 million. Operating profit for the year increased to Rs. 282 million from Rs. 220 million in the previous year. Share of profit from equity accounted investees also increased to Rs. 516 million from Rs. 468 million in the previous year.

Profit attributable to equity holders of the company for the year was Rs. 529 million compared Rs. 399 million in the previous year, an increase of 33%.

The contribution from hydro power plants showed an improvement whilst the thermal power plants in Bangladesh contributed a significantly higher profit compared to last year. The share of profit from Bambabarapana 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 year. Power generation of wind power plants during the year was less than in the previous year and accordingly their contribution to Group profit was lower.

Sgd.

D Sumith Arangala

Chief Executive Officer

29th May 2019

LVL ENERGY FUND PLC

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 Period ended 31 March		Company Period ended 31 March		Group Period ended 31 March		Company Period ended 31 March	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue								
Investment income	261	(18)	-	-	1,430	538	-	-
Interest income	16,317	14,561	14,085	13,275	72,756	22,274	66,210	19,385
Subsidiary company income	46,159	15,070	-	-	355,323	326,238	-	-
Other income	21	-	995	878	225	-	4,524	5,952
	62,757	29,613	15,080	14,153	429,734	349,050	70,734	25,337
Operating expenses								
Administrative expenses	(2,054)	(1,561)	(2,054)	(1,661)	(7,634)	(7,204)	(7,634)	(7,204)
Sales and establishment expenses	(47)	(105)	(47)	-	(271)	(155)	(141)	-
Other operating expenses	(6,424)	(2,925)	(3,523)	(383)	(16,307)	(10,394)	(6,517)	(2,431)
Direct expenses - subsidiaries	(29,561)	(21,658)	-	-	(124,027)	(111,327)	-	-
Results from operating activities	24,672	3,364	9,456	12,110	281,495	219,970	56,441	15,702
Share of profit of equity accounted investees (net of income tax)	62,857	56,693	55,178	29,098	516,036	468,468	557,518	520,552
Finance cost	(36,674)	(35,395)	(18,533)	(16,349)	(140,290)	(190,814)	(64,657)	(114,515)
Profit/(loss) before income tax	50,855	24,662	46,101	24,859	657,239	497,624	549,302	421,739
Tax expense	(1,509)	(32,633)	-	(23,553)	(86,365)	(58,266)	(19,981)	(22,506)
Profit/(loss) for the period	49,346	(7,971)	46,101	1,306	570,874	439,358	529,321	399,233
Profit/(loss) attributable to:								
Equity holders of the company	46,101	1,220	46,101	1,306	529,321	399,147	529,321	399,233
Non-controlling interest	3,245	(9,191)	-	-	41,553	40,211	-	-
Profit/(loss) for the period	49,346	(7,971)	46,101	1,306	570,874	439,358	529,321	399,233
Other comprehensive income, net of income tax								
Foreign operations - foreign currency translation difference	(83,601)	10,780	(83,601)	10,780	213,280	(26,029)	213,280	(26,029)
Other comprehensive income for the period, net of income tax	(83,601)	10,780	(83,601)	10,780	213,280	(26,029)	213,280	(26,029)
Total comprehensive income for the period	(34,255)	2,809	(37,500)	12,086	784,154	413,329	742,601	373,204
Total comprehensive income attributable to:								
Equity holders of the company	(37,500)	12,000	(37,500)	12,086	742,601	373,118	742,601	373,204
Non-controlling interest	3,245	(9,191)	-	-	41,553	40,211	-	-
Total comprehensive income for the period	(34,255)	2,809	(37,500)	12,086	784,154	413,329	742,601	373,204
Basic earnings per share (Rs.)	0.08	0.00	0.08	0.00	0.91	0.81	0.91	0.81

LVL ENERGY FUND PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

	Group As at 31 March 2019	Company As at 31 March 2019	Group As at 31 March 2018 Audited	Company As at 31 March 2018 Audited
Assets				
Non current assets				
Property, plant and equipment	975,297	-	1,017,251	-
Investment in subsidiaries	-	2,413,868	-	1,951,385
Investment in associates	3,357,054	1,543,749	2,843,605	1,298,453
Intangible assets	60,826	-	63,028	-
Total non current assets	4,393,177	3,957,618	3,923,884	3,249,838
Current assets				
Loans and receivables	46,679	-	34,991	-
Amounts due from related parties	63,781	104,688	489	52,675
Income tax receivable	6,043	4,789	2,380	1,590
Other receivables	32,082	5,404	44,494	28,558
Cash and cash equivalents	787,538	521,690	944,342	868,032
Total current assets	936,124	636,571	1,026,696	950,855
Total assets	5,329,300	4,594,189	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	269,007	275,434	55,727	62,153
Retained earnings	806,009	831,013	480,450	505,454
Total equity attributable to equity holders of the Company	3,989,789	4,021,221	3,450,950	3,482,380
Non controlling interest	177,239	-	158,688	-
Total equity	4,167,028	4,021,221	3,609,638	3,482,380
Liabilities				
Non current liabilities				
Interest bearing borrowings	467,687	284,000	362,241	219,000
Cumulative redeemable preference shares	250,000	-	415,000	75,000
Deferred tax liability	47,591	-	42,050	-
Total non current liabilities	765,278	284,000	819,291	294,000
Current liabilities				
Interest bearing borrowings	295,302	210,477	199,463	112,824
Cumulative redeemable preference shares	75,000	75,000	75,000	75,000
Other payables	15,624	3,491	242,709	236,489
Income tax payable	11,068	-	4,479	-
Total current liabilities	396,994	288,968	521,651	424,313
Total liabilities	1,162,272	572,968	1,340,942	718,313
Total equity and liabilities	5,329,300	4,594,189	4,950,580	4,200,693
Net assets per share (Rs.)	6.85	6.91	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.

J D N Kekulawala
Director

Sgd.

A R Munasinghe
Director

29 May 2019

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	-	-	-	399,147	40,211	439,358
Foreign operations - foreign currency translation	-	-	(26,029)	-	-	(26,029)
Total comprehensive income for the period	-	-	(26,029)	399,147	40,211	413,329
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)	760,781
Balance as at 31 March 2018	2,906,472	8,301	55,727	480,450	158,688	3,609,638
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	-	-	-	529,321	41,553	570,874
Foreign operations - foreign currency translation	-	-	213,280	-	-	213,280
Total comprehensive income for the period	-	-	213,280	529,321	41,553	784,154
Transactions with equity holders recognized directly in equity						
Preference dividend - equity accounted investees	-	-	-	(3,798)	-	(3,798)
Share issue expenses	-	-	-	(1,990)	-	(1,990)
Dividend paid	-	-	-	(197,975)	(23,002)	(220,977)
	-	-	-	(203,762)	(23,002)	(226,764)
Balance as at 31 March 2019	2,906,472	8,301	269,007	806,009	177,239	4,167,028

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	-	-	-	399,233	399,233
Foreign operations - foreign currency translation	-	-	(26,029)	-	(26,029)
Total comprehensive income for the period	-	-	(26,029)	399,233	373,204
Transactions with equity holders recognized directly in equity					
Issue of shares during the period	1,200,000	-	-	-	1,200,000
Share issue expenses	-	-	-	(46,869)	(46,869)
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	62,153	505,454	3,482,380
Balance as at 01 April 2018	2,906,472	8,301	62,153	505,454	3,482,380
Profit/(loss) for the period	-	-	-	529,321	529,321
Foreign operations - foreign currency translation	-	-	213,280	-	213,280
Total comprehensive income for the period	-	-	213,280	529,321	742,601
Transactions with equity holders recognized directly in equity					
Preference dividend - equity accounted investees	-	-	-	(3,798)	(3,798)
Share issue expenses	-	-	-	(1,990)	(1,990)
Dividend paid	-	-	-	(197,975)	(197,975)
	-	-	-	(203,762)	(203,762)
Balance as at 31 March 2019	2,906,472	8,301	275,434	831,013	4,021,221

LVL ENERGY FUND PLC
CONSOLIDATED STATEMENT OF CASHFLOWS (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

For the period ended 31 March	Group		Company	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit/(loss) before income tax	657,239	497,624	549,302	421,739
Adjustments for:				
Depreciation	41,955	41,997	-	-
Amortization of land rights	2,320	2,153	-	-
Share of profit from equity accounted investees	(516,036)	(468,468)	(557,518)	(520,552)
Interest income on investments	(72,756)	(22,274)	(66,210)	(19,385)
Other income	-	-	(4,524)	(5,952)
Dividend on preference shares	68,400	86,469	18,525	37,225
Interest expense	71,131	102,795	45,839	76,547
	252,254	240,296	(14,586)	(10,378)
Changes in				
Loans and receivables	(11,688)	1,934	-	-
Amounts due from related parties	(63,292)	(47)	(47,715)	24,596
Other receivables	(12,065)	122,551	23,155	121,991
Other payables	(227,085)	3,507	(232,998)	578
Cash generated from operating activities	(61,876)	368,241	(272,143)	136,787
Taxes paid	(19,152)	(9,402)	(5,792)	(160)
Interest paid	(74,586)	(104,678)	(45,961)	(77,131)
Net cash from operating activities	(155,613)	254,161	(323,897)	59,496
Cash flows from investing activities				
Interest received	72,756	22,274	66,210	19,385
Dividend received	307,802	255,170	171,880	344,786
Disposal/ (acquisition) of property, plant and equipment	-	(10,262)	-	-
Additions to intangible assets	(117)	(1,050)	-	-
Investment in equity accounted investees	(132,639)	(140,000)	(132,639)	(140,000)
Net cash from investing activities	247,801	126,132	105,451	224,171
Cash flows from financing activities				
Preference dividend paid	(65,766)	(104,780)	(15,932)	(55,536)
Cash repayments of cumulative redeemable preference shares	(165,000)	(255,000)	(75,000)	(255,000)
Cash proceeds of interest bearing borrowings	444,000	577,871	310,000	500,000
Cash repayments of interest bearing borrowings	(239,260)	(731,050)	(147,000)	(695,000)
Dividend paid	(197,975)	(110,947)	(197,975)	(110,947)
Dividend paid to minority share holders by subsidiary	(23,002)	(48,492)	-	-
Issue of shares during the period	-	1,200,000	-	1,200,000
Share issue expenses	(1,990)	(46,869)	(1,990)	(46,869)
Net cash from financing activities	(248,992)	480,733	(127,896)	536,648
Net increase/(decrease) in cash and cash equivalents	(156,804)	861,026	(346,342)	820,315
Cash and cash equivalent as at 01 April	944,342	83,316	868,032	47,717
Cash and cash equivalent as at 31 March	787,538	944,342	521,690	868,032

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 other than the items disclosed in note no. 2.1 and 2.2 below.
 - 2.1 SLFRS 9 - Financial Instruments
SLFRS 9 is applicable for financial periods beginning on or after 01 January 2018. Accordingly this standard is applicable to 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 financial statements for the first three quarters of the financial year 2018/19 have been prepared by applying the guidelines of LKAS 39 in accordance with the said option granted.
However, the financial statements for the 12 months ended 31 March 2019 have been prepared by applying SLFRS 9 guidelines. There is no impact to the financial statements due to application of SLFRS 9.
 - 2.2 SLFRS 15 - Revenue from Contracts with Customers
SLFRS 15 is applicable for financial periods beginning on or after 01 January 2018. Accordingly this standard is applicable for the Company from 01 April 2018. This Standard replaces LKAS 18 - Revenue and LKAS 11 - Construction Contracts. There is no impact to the financial statements due to application of SLFRS 15.
- 3 SLFRS 16 - Leases is applicable for financial periods beginning on or after 01 January 2019. Accordingly this standard will be applicable for the Company from 01 April 2019.
Company is in the process of analysing the impact to the financial statements and does not expect significant impact to the financial statements with the application of SLFRS 16.
- 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. 310.0 Mn in the form of loans from DFCC Bank PLC and repaid Rs. 72.0 Mn to DFCC Bank PLC. Rs. 75.0 Mn of term loan was repaid to Hatton National Bank PLC.
- 8 During the period preference shares amounting to Rs. 75.0 Mn were redeemed. Preference dividend of Rs. 8,866,250/- was paid on 28 September 2018 and Rs. 7,065,469/- was paid on 29 March 2019.
- 9 For the financial year ended 31 March 2018, Company has paid ordinary dividend of Rs. 0.64 per share amounting to Rs. 343,857,995/-.
For the financial year ended 31 March 2019, an interim dividend of Rs. 0.34 per ordinary share was declared on 02 November 2018 amounting to Rs. 197,974,560/- and paid on 26 November 2018.
- 10 The Company made a disbursement of Rs. 117.0 Mn during the period in respect of its investment in Makari Gad Hydro Power project in Nepal.
- 11 Events occurring after the reporting date: On 09 May 2019 through its fully owned subsidiary Lanka Energy International (Private) Limited, Company made an investment of USD 8.0 Mn in Feni Lanka Power Limited, a company incorporated in Bangladesh which will undertake the construction of 114 MW thermal power plant. 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	2019	2018
Highest price	8.40	10.50
Lowest price	7.50	9.00
Last traded price	7.90	9.90

- 15 Twenty major shareholders of the Company as at 31 March 2019

Name of shareholder/company name	No. of shares	% of issued capital
1 Lanka Ventures PLC	331,885,609	57.00
2 Mr. M. A. 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. D. S. Arangala	4,455,000	0.77
9 J.B. Cocoshell (Private) Limited	3,155,257	0.54
10 Mr. K. Maheshwaran	3,000,000	0.52
11 Ms. M. M. F. Zareena	2,970,000	0.51
12 Mr. C. R. Perera	2,537,800	0.44
13 Merchant Bank of Sri Lanka & Finance PLC 01	2,500,000	0.43
14 Mr. K. T. Konesh	2,425,000	0.42
15 Peoples Bank	2,305,979	0.40
16 Dinima High Performance Materials (Private) Limited	1,880,004	0.32
17 Mr. M. M. Wijetunge	1,866,100	0.32
18 Softlogic Life Insurance PLC-A/C No. 05 (Non-Participating Fund)	1,561,600	0.27
19 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. 4 (HNB Retirement Pension Fund)	1,378,900	0.24
20 Mr. J. D. N Kekulawala	1,375,000	0.24
Total	536,339,011	92.11

- 16 Percentage of shares held by public as at 31 March 2019 : 30.72%
- No. of public shareholders as at 31 March 2019 : 938

17 Float adjusted market capitalization as at 31 March 2019 was Rs. 1,413,119,116.58. In terms of the rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange, the Company qualifies under option 5 with the minimum public holding requirement.

18 Shareholding of Directors/CEO:

		No. of Shares
Mr. L. H. A. L. Silva	Director	10,000
Mr. A. R. Munasinghe	Director	160,300
Mr. M. A. Wijetunge	Director	67,911,668
Mr. M. M. Wijetunge	Director	1,866,100
Mr. J. D. N. Kekulawala	Director	1,375,000
Mr. D. S. Arangala	CEO	4,455,000

IPO PROCEEDS UTILIZATION AS AT 31 MARCH 2019

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%	Renewal of approval of Central Environmental Authority is awaited. Temporarily invested in 3-month Fixed Deposit at the interest rate of 12.75% 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%	117,000,000	25.16%	Access road construction to the project site was delayed due to adverse weather and complex process that had to be followed in the use of blasting material. Accordingly, full amount to be disbursed by Dec 2020. Temporarily invested in 1-month TB Repo at the interest rate of 10.00% p.a. with Acuity Securities Limited.