

LVL ENERGY FUND PLC



FINANCIAL STATEMENTS

For the period ended 31 December 2019

Ocean Lines Building
46/12, Nawam Mawatha
Colombo 02.
Tel : 2 439 201 Fax : 2 439 203

LVL ENERGY FUND PLC

Review of provisional financial results for the 9-month period ended 31st Dec 2019

The Group revenue recorded a decline to LKR 324 million from LKR 367 million during the corresponding period last year due to drop in subsidiary company income by LKR 11 million to LKR 298 million from LKR 309 million and drop in interest income by LKR 31 million to LKR 25 million from LKR 56 million.

Operating expenses during the period amounted to LKR 119 million compared to LKR 110 million in the same period last year. Accordingly operating profit for the period was LKR 205 million compared to LKR 256 million last year.

Share of profit from associate companies remained static at LKR 452 million compared to LKR 453 million in the corresponding period last year.

On the back of increased borrowings in May 2019 to fund the investment in the new thermal power plant in Feni, Bangladesh the interest cost for the period increased to LKR 235 million from LKR 104 million in the corresponding period last year. As a result profit before tax for the period decreased to LKR 422 million compared to LKR 606 million in the same period last year. The said power plant commenced commercial operation on 24th November 2019 enabling us to account for share of profit from the entity from then onwards thereby mitigating to some extent the effect of increased borrowings on the bottom line.

The tax charge for the period was LKR 72 million compared to LKR 85 million for the same period last year. Accordingly profit for the period was LKR 350 million compared to LKR 522 million in the corresponding period last year. Profit attributable to equity holders of the company for the period was LKR 305 million compared to LKR 483 million for the same period last year reflecting a decline in EPS to LKR 52 cents from LKR 83 cents.

Sgd.

D Sumith Arangala

Chief Executive Officer

30th January 2020

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 09 Months			
	Group		Company		Group		Company	
	Period ended 31 December		Period ended 31 December		Period ended 31 December		Period ended 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue								
Investment income	352	393	-	-	700	1,169	-	-
Interest income	3,182	19,554	2,284	17,736	25,397	56,439	21,495	52,125
Subsidiary company income	150,378	93,689	-	-	297,636	309,164	-	-
Other income	-	204	636	1,538	-	204	2,034	3,529
	153,913	113,841	2,920	19,274	323,734	366,977	23,529	55,654
Operating expenses								
Administrative expenses	(2,147)	(2,054)	(2,147)	(2,054)	(6,835)	(5,581)	(6,835)	(5,581)
Sales and establishment expenses	(150)	(214)	-	(94)	(231)	(224)	(77)	(94)
Other operating expenses	(3,608)	(3,006)	(1,525)	(875)	(11,630)	(9,883)	(5,066)	(2,994)
Direct expenses - subsidiaries	(40,004)	(31,277)	-	-	(100,027)	(94,466)	-	-
Results from operating activities	108,004	77,289	(752)	16,252	205,011	256,824	11,551	46,986
Share of profit of equity accounted investees (net of income tax)	46,167	59,018	86,571	49,088	452,203	453,179	514,627	502,340
Finance cost	(81,435)	(36,096)	(63,210)	(17,216)	(235,369)	(103,616)	(183,251)	(46,124)
Profit/(loss) before income tax	72,736	100,210	22,608	48,124	421,845	606,386	342,926	503,202
Tax expense	(22,036)	(39,797)	(9)	(96)	(72,163)	(84,856)	(38,383)	(19,981)
Profit/(loss) for the period	50,700	60,414	22,598	48,028	349,682	521,530	304,543	483,220
Profit/(loss) attributable to:								
Equity holders of the company	22,598	48,028	22,598	48,028	304,543	483,220	304,543	483,220
Non-controlling interest	28,102	12,386	-	-	45,139	38,310	-	-
Profit/(loss) for the period	50,700	60,414	22,598	48,028	349,682	521,530	304,543	483,220
Other comprehensive income, net of income tax								
Items that are or may be re-classified subsequently to profit or loss								
Share of other comprehensive income from equity accounted investees	(201)	-	(201)	-	(201)	-	(201)	-
Foreign operations - foreign currency translation difference	15,907	151,570	15,907	151,570	63,875	296,881	63,875	296,881
Total other comprehensive income that are or may be re-classified to profit or loss in subsequent period	15,706	151,570	15,706	151,570	63,674	296,881	63,674	296,881
Items that will not be re-classified subsequently to profit or loss								
Total other comprehensive income that will not be re-classified to profit or loss in subsequent period	-	-	-	-	-	-	-	-
Total other comprehensive income for the period	15,706	151,570	15,706	151,570	63,674	296,881	63,674	296,881
Total comprehensive income for the period	66,406	211,984	38,305	199,598	413,356	818,411	368,218	780,101
Total comprehensive income attributable to:								
Equity holders of the company	38,305	199,598	38,305	199,598	368,218	780,101	368,218	780,101
Non-controlling interest	28,102	12,386	-	-	45,139	38,310	-	-
Total comprehensive income for the period	66,406	211,984	38,305	199,598	413,356	818,411	368,218	780,101
Basic earnings per share (Rs.)	0.04	0.08	0.04	0.08	0.52	0.83	0.52	0.83

LVL ENERGY FUND PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

	Group As at 31 Dec 2019	Company As at 31 Dec 2019	Group As at 31 March 2019 Audited	Company As at 31 March 2019 Audited
Assets				
Non current assets				
Property, plant and equipment	952,986	9,143	975,309	-
Right-to-use land on lease	3,414	-	3,554	-
Investment in subsidiaries	-	3,972,975	-	2,404,314
Investment in associates	5,381,038	1,966,963	3,349,239	1,542,623
Intangible assets	55,617	-	56,413	-
Total non current assets	6,393,055	5,949,081	4,384,515	3,946,937
Current assets				
Loans and receivables	179,353	112	57,963	5,404
Amounts due from related parties	-	61,664	-	40,887
Income tax receivable	6,155	5,235	5,425	4,790
Other receivables	245,318	149,809	84,581	63,782
Cash and cash equivalents	209,591	130,357	787,370	521,659
Total current assets	640,417	347,177	935,339	636,522
Total assets	7,033,472	6,296,258	5,319,854	4,583,459
Equity				
Stated capital	2,906,472	2,906,472	2,906,472	2,906,472
Revaluation reserve	8,911	8,911	9,112	9,112
Translation reserve	332,951	339,377	269,076	275,502
Retained earnings	918,308	943,313	794,271	819,276
Total equity attributable to equity holders of the Company	4,166,643	4,198,074	3,978,931	4,010,362
Non controlling interest	208,440	-	176,849	-
Total equity	4,375,083	4,198,074	4,155,780	4,010,362
Liabilities				
Non current liabilities				
Interest bearing borrowings	2,251,648	1,978,000	467,687	284,000
Cumulative redeemable preference shares	95,000	-	250,000	-
Deferred tax liability	45,708	-	47,591	-
Total non current liabilities	2,392,356	1,978,000	765,278	284,000
Current liabilities				
Interest bearing borrowings	165,116	79,726	295,302	210,477
Cumulative redeemable preference shares	43,514	38,514	75,000	75,000
Other payables	42,561	1,944	16,301	3,620
Income tax payable	14,842	-	12,193	-
Total current liabilities	266,033	120,184	398,796	289,097
Total liabilities	2,658,389	2,098,184	1,164,074	573,097
Total equity and liabilities	7,033,472	6,296,258	5,319,854	4,583,459
Net assets per share (Rs.)	7.16	7.21	6.83	6.89

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

30 January 2020

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 2018	2,906,472	8,301	55,727	480,450	158,688	3,609,638
Profit/(loss) for the period	-	-	-	483,220	38,310	521,530
Foreign operations - foreign currency translation difference	-	-	296,881	-	-	296,881
Total comprehensive income for the period	-	-	296,881	483,220	38,310	818,411
Transactions with equity holders recognized directly in equity						
Preference dividend - equity accounted investees	-	-	-	(3,430)	-	(3,430)
Share issue expenses	-	-	-	(2,134)	-	(2,134)
Dividend paid	-	-	-	(197,975)	(23,002)	(220,977)
	-	-	-	(203,539)	(23,002)	(226,541)
Balance as at 31 December 2018	2,906,472	8,301	352,608	760,132	173,996	4,201,509
Balance as at 01 April 2019	2,906,472	9,112	269,076	794,271	176,849	4,155,780
Profit/(loss) for the period	-	-	-	304,543	45,139	349,682
Foreign operations - foreign currency translation difference	-	-	63,875	-	-	63,875
Share of OCI -Equity Accounted Investees	-	(201)	-	-	-	(201)
Total comprehensive income for the period	-	(201)	63,875	304,543	45,139	413,356
Transactions with equity holders recognized directly in equity						
Dividend paid	-	-	-	(180,506)	(13,548)	(194,054)
	-	-	-	(180,506)	(13,548)	(194,054)
Balance as at 31 December 2019	2,906,472	8,911	332,951	918,308	208,440	4,375,083

Company	Stated capital	Revaluation reserve	Translation reserve	Retained earnings	Total
Balance as at 01 April 2018	2,906,472	8,301	62,153	505,454	3,482,380
Profit/(loss) for the period	-	-	-	483,220	483,220
Foreign operations - foreign currency translation difference	-	-	296,881	-	296,881
Total comprehensive income for the period	-	-	296,881	483,220	780,101
Transactions with equity holders recognized directly in equity					
Preference dividend - equity accounted investees	-	-	-	(3,430)	(3,430)
Share issue expenses	-	-	-	(2,134)	(2,134)
Dividend paid	-	-	-	(197,975)	(197,975)
	-	-	-	(203,539)	(203,539)
Balance as at 31 December 2018	2,906,472	8,301	359,034	785,135	4,058,942
Balance as at 01 April 2019	2,906,472	9,112	275,502	819,276	4,010,362
Profit/(loss) for the period	-	-	-	304,543	304,543
Foreign operations - foreign currency translation difference	-	-	63,875	-	63,875
Share of OCI Income-Equity Accounted Investees	-	(201)	-	-	(201)
Total comprehensive income for the period	-	(201)	63,875	304,543	368,218
Transactions with equity holders recognized directly in equity					
Dividend paid	-	-	-	(180,506)	(180,506)
	-	-	-	(180,506)	(180,506)
Balance as at 31 December 2019	2,906,472	8,911	339,377	943,313	4,198,074

LVL ENERGY FUND PLC
CONSOLIDATED STATEMENT OF CASHFLOWS (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

For the period ended 31 December	Group		Company	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit/(loss) before income tax	421,845	606,386	342,926	503,202
Adjustments for:				
Depreciation	33,014	31,466	1,407	-
Amortization of intangible assets	796	1,740	-	-
Share of profit from equity accounted investees	(452,203)	(453,179)	(514,627)	(502,340)
Interest income on investments	(25,397)	(56,439)	(21,495)	(52,125)
Other income	-	(204)	(2,034)	(3,529)
Dividend on preference shares	21,385	52,076	6,274	13,893
Interest expense	208,260	51,288	172,378	31,828
	207,699	233,133	(15,171)	(9,072)
Changes in				
Loans and receivables	(121,390)	(17,159)	5,292	-
Amounts due from related parties	-	(5,051)	(20,777)	(6,743)
Other receivables	(36,055)	19,541	(22)	19,852
Other payables	26,260	(220,590)	(1,676)	(231,502)
Cash generated from operating activities	76,515	9,874	(32,354)	(227,464)
Taxes paid	(18,594)	(12,066)	(1,182)	(3,058)
Interest paid	(134,880)	(51,558)	(110,850)	(31,959)
Net cash from operating activities	(76,959)	(53,750)	(144,386)	(262,482)
Cash flows from investing activities				
Interest received	25,397	56,439	21,495	52,125
Dividend received	47,009	69,192	211,718	136,120
Additions to intangible assets	-	(117)	-	-
Investment in equity accounted investees	(1,750,800)	-	(1,750,800)	-
Additions to Property Plant & Equipment	(10,550)	-	(10,550)	-
Net cash from investing activities	(1,688,943)	125,514	(1,528,137)	188,244
Cash flows from financing activities				
Preference dividend paid	(20,370)	(48,492)	(4,524)	(8,866)
Cash repayments of cumulative redeemable preference shares	(187,500)	(37,500)	(37,500)	(37,500)
Cash proceeds of interest bearing borrowings	1,736,250	190,000	1,560,000	190,000
Cash repayments of interest bearing borrowings	(146,202)	(199,375)	(56,250)	(128,250)
Dividend paid	(180,506)	(197,975)	(180,506)	(197,975)
Dividend paid to minority share holders by subsidiary	(13,548)	(23,002)	-	-
Share issue expenses	-	(2,134)	-	(2,134)
Net cash from financing activities	1,188,124	(318,478)	1,281,220	(184,725)
Net increase/(decrease) in cash and cash equivalents	(577,779)	(246,713)	(391,302)	(258,962)
Cash and cash equivalent as at 01 April	787,370	944,342	521,659	868,032
Cash and cash equivalent as at 31 December	209,591	697,629	130,357	609,070

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 item disclosed in note no. 2.1 below.

2.1 SLFRS 16 - Leases

SLFRS 16 is applicable for financial periods beginning on or after 01 January 2019. Accordingly this standard is applicable to the Company from 01 April 2019. This standard replaces LKAS 17 - Leases. SLFRS 16 requires the recognition of lease liabilities and right of use of assets for leases previously classified as operating leases in accordance with LKAS 17. There is no impact to the financial statements due to application of SLFRS 16.

The comparatives for previous year have not been restated in accordance with modified retrospective method permitted under SLFRS 16.

- 3 The interim financial statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting.
- 4 Where items have been regrouped, comparative information in relation to previous year have been presented in line with information pertaining to the current period.
- 5 The stated capital comprises 582,278,117 ordinary shares.
- 6 During the period the company obtained term loans of Rs. 585 Mn, Rs. 375 Mn, Rs. 600 Mn from DFCC Bank PLC , Hatton National Bank PLC and National Development Bank PLC respectively and repaid Rs. 56.25 Mn to Hatton National Bank PLC.
- 7 During the period preference shares amounting to Rs. 37.5 Mn were redeemed. Preference dividend of Rs. 4,523,438/- was paid on 30 September 2019.
- 8 For the financial year ended 31 March 2019, Company has paid ordinary dividend of Rs. 0.65 per share amounting to Rs. 378,480,776/-.
- 9 The Company made a disbursement of Rs. 327.6 Mn during the period in respect of its investment in Makari Gad Hydro Power project in Nepal.
- 10 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.
- 11 The company is charged Rs. 1.0 Mn per annum as management fees by its parent company, Lanka Ventures PLC.
- 12 There were no contingent liabilities during the period under review that require disclosure in interim financial statements.
- 13 The market price per share:

for the quarter ended 31 December	2019	2018
Highest price	7.90	8.50
Lowest price	7.30	7.40
Last traded price	7.50	8.40

- 14 Twenty major shareholders of the Company as at 31 December 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	14,831,284	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	4,255,257	0.73
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	2,562,800	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 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
19 Mr. J. D. N. Kekulawala	1,375,000	0.24
20 Rubber Investment Trust Limited A/C No.01	1,257,100	0.22
Total	537,159,161	92.25

- 15 Percentage of shares held by public as at 31 December 2019 : 30.26%
- No. of public shareholders as at 31 December 2019 : 1,062

- 16 Float adjusted market capitalization as at 31 December 2019 was Rs. 1,321,480,186.53. In terms of the rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange relating to Main Board Listing, the Company complies with the minimum public holding pertaining to option 5.

- 17 Shareholding of Directors/CEO as at 31 December 2019

		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. J. D. N. Kekulawala	Director	1,375,000
Mr. M. M. Wijetunge	Director	1,866,100
Mr. D. S. Arangala	CEO	4,455,000

IPO PROCEEDS UTILIZATION AS AT 31 DECEMBER 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.)
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 Sep 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%	Not applicable
	<u>Revision of objective as per ordinary resolution passed at the AGM on 27.09.2019</u> <u>Makari Gad Hydro Power Project (Nepal)</u> Equity investment in LTL Energy (Private) Limited	70,000,000		70,000,000	5.83%	-	0.00%	As of 30 January 2020, LKR 11.1 Mn (15.86%) has been disbursed. Of the balance LKR 37.5 Mn invested in 3-month fixed deposit at the interest rate of 9.50% p.a. with DFCC Bank PLC and LKR 21.4 Mn invested in 01-month TB Repo at the interest rate of 7.80% p.a. with Acuity Securities Limited.
	Redemption of cumulative redeemable preference shares issued to DFCC Bank PLC	45,000,000		45,000,000	3.75%	37,500,000	83.33%	As of 30 January 2020, the balance LKR 7.5 Mn invested in 3-month fixed deposit at the interest rate of 9.50% 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%	444,600,000	95.61%	As of 30 January 2020, LKR 465 Mn (100.00%) has been disbursed.