

LVL ENERGY FUND PLC



FINANCIAL STATEMENTS

For the period ended 31 March 2020

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LVL ENERGY FUND PLC

Review of provisional financial results for the year ended 31st March 2020

The Group revenue recorded a decline to LKR 345 million from LKR 430 million last year due to drop in subsidiary company income by LKR 40 million to LKR 315 million from LKR 355 million and drop in interest income by LKR 43 million to LKR 30 million from LKR 73 million.

Operating expenses for the year amounted to LKR 144 million compared to LKR 150 million last year. Accordingly operating profit for the year was LKR 201 million compared to LKR 280 million last year.

Share of profit from associate companies increased by LKR 118 million to LKR 626 million from LKR 508 million last year mainly due to share of profit from the thermal power plant in Feni, Bangladesh being accounted for since commencement of commercial operation of the plant on 24th November 2019.

Profit before interest and tax for the year increased by LKR 39 million to LKR 827 million from LKR 788 million last year. Following increased borrowings in May 2019 to fund the investment in the aforesaid thermal power plant, the interest cost for the year increased by LKR 165 million to LKR 305 million from LKR 140 million last year.

As a result profit before tax for the year decreased to LKR 522 million compared to LKR 648 million last year.

The tax charge for the year was LKR 78 million compared to LKR 88 million last year. Accordingly profit for the year was LKR 444 million compared to LKR 560 million last year. Profit attributable to equity holders of the company for the year was LKR 406 million compared to LKR 518 million last year reflecting a decline in EPS to LKR 70 cents from LKR 89 cents.

Due to unfavourable weather conditions, overall power generation in hydro power plants declined by 12.7% to 55 million units from 63 million units last year. Power generation in wind power plants recorded a marginal increase of 2% to 35 million units from 34 million units last year.

Sgd.

D Sumith Arangala
Chief Executive Officer
29th May 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 12 Months			
	Group		Company		Group		Company	
	Period ended 31		Period ended 31		Period ended 31		Period ended 31	
	March		March		March		March	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue								
Investment income	22	261	-	-	722	1,430	-	-
Interest income	4,112	16,317	3,049	14,085	29,509	72,756	24,544	66,210
Subsidiary company income	17,412	46,159	-	-	315,048	355,323	-	-
Other income	-	(204)	959	995	-	-	2,993	4,524
	21,545	62,532	4,008	15,080	345,278	429,509	27,537	70,734
Operating expenses								
Administrative expenses	(2,148)	(2,053)	(2,148)	(2,053)	(8,983)	(7,634)	(8,983)	(7,634)
Sales and establishment expenses	-	(47)	-	(47)	(231)	(271)	(77)	(141)
Other operating expenses	(3,516)	(7,965)	(1,435)	(3,670)	(15,146)	(17,848)	(6,501)	(6,664)
Direct expenses - subsidiaries	(19,635)	(29,550)	-	-	(119,662)	(124,016)	-	-
Results from operating activities	(3,752)	22,917	425	9,310	201,258	279,740	11,976	56,295
Share of profit of equity accounted investees (net of income tax)	173,798	55,002	157,086	44,454	626,001	508,181	671,713	546,794
Finance cost	(69,787)	(36,482)	(56,105)	(18,563)	(305,156)	(140,098)	(239,356)	(64,687)
Profit/(loss) before income tax	100,258	41,437	101,406	35,201	522,102	647,823	444,333	538,402
Tax expense	(5,991)	(3,384)	-	-	(78,154)	(88,240)	(38,383)	(19,981)
Profit/(loss) for the period	94,266	38,053	101,406	35,201	443,946	559,583	405,950	518,421
Profit/(loss) attributable to:								
Equity holders of the company	101,409	35,200	101,406	35,201	405,950	518,420	405,950	518,421
Non-controlling interest	(7,143)	2,853	-	-	37,996	41,163	-	-
Profit/(loss) for the period	94,266	38,053	101,406	35,201	443,946	559,583	405,950	518,421
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	(25)	201	(25)	-	(25)	-	(25)
Foreign operations - foreign currency translation difference	143,837	(83,532)	143,837	(83,532)	207,712	213,349	207,712	213,349
Total other comprehensive income that are or may be re-classified to profit or loss in subsequent period	144,038	(83,557)	144,038	(83,557)	207,712	213,324	207,712	213,324
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	144,038	(83,557)	144,038	(83,557)	207,712	213,324	207,712	213,324
Total comprehensive income for the period	238,303	(45,504)	245,444	(48,356)	651,658	772,907	613,662	731,745
Total comprehensive income attributable to:								
Equity holders of the company	245,444	(48,357)	245,444	(48,356)	613,662	731,744	613,662	731,745
Non-controlling interest	(7,141)	2,853	-	-	37,996	41,163	-	-
Total comprehensive income for the period	238,303	(45,504)	245,444	(48,356)	651,658	772,907	613,662	731,745
Basic earnings per share (Rs.)	0.17	0.06	0.17	0.06	0.70	0.89	0.70	0.89

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

(All amounts in Sri Lanka Rupees thousands)

	Group As at 31 March 2020	Company As at 31 March 2020	Group As at 31 March 2019 Audited	Company As at 31 March 2019 Audited
Assets				
Non current assets				
Property, plant and equipment	941,970	8,616	975,309	-
Right-to-use land on lease	3,367	-	3,554	-
Investment in subsidiaries	-	4,248,777	-	2,404,314
Investment in associates	5,774,020	2,041,922	3,349,239	1,542,623
Intangible assets	55,351	-	56,413	-
Total non current assets	6,774,708	6,299,315	4,384,515	3,946,937
Current assets				
Loans and receivables	111,207	118	57,963	5,404
Amounts due from related parties	3,009	57,831	-	40,887
Income tax receivable	6,470	5,235	5,425	4,790
Other receivables	186,718	91,424	84,581	63,782
Cash and cash equivalents	320,953	283,963	787,370	521,659
Total current assets	628,357	438,570	935,339	636,522
Total assets	7,403,065	6,737,885	5,319,854	4,583,459
Equity				
Stated capital	2,906,472	2,906,472	2,906,472	2,906,472
Revaluation reserve	9,112	9,112	9,112	9,112
Translation reserve	476,788	483,214	269,076	275,502
Retained earnings	1,019,715	1,044,720	794,271	819,276
Total equity attributable to equity holders of the Company	4,412,087	4,443,518	3,978,931	4,010,362
Non controlling interest	179,987	-	176,849	-
Total equity	4,592,074	4,443,518	4,155,780	4,010,362
Liabilities				
Non current liabilities				
Interest bearing borrowings	2,324,605	2,069,763	467,687	284,000
Cumulative redeemable preference shares	95,000	-	250,000	-
Deferred tax liability	44,923	-	47,591	-
Total non current liabilities	2,464,529	2,069,763	765,278	284,000
Current liabilities				
Interest bearing borrowings	264,110	182,220	295,302	210,477
Cumulative redeemable preference shares	44,452	39,452	75,000	75,000
Other payables	28,760	2,932	16,301	3,620
Income tax payable	9,139	-	12,193	-
Total current liabilities	346,462	224,604	398,796	289,097
Total liabilities	2,810,991	2,294,367	1,164,074	573,097
Total equity and liabilities	7,403,065	6,737,885	5,319,854	4,583,459
Net assets per share (Rs.)	7.58	7.63	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

29 May 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	-	-	-	518,420	41,163	559,583
Foreign operations - foreign currency translation difference	-	-	213,349	-	-	213,349
Share Of OCI -Equity Accounted Investees	-	811	-	(836)	-	(25)
Total comprehensive income for the period	-	811	213,349	517,584	41,163	772,907
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)
	-	-	-	(203,763)	(23,002)	(226,765)
Balance as at 31 March 2019	2,906,472	9,112	269,076	794,271	176,849	4,155,780
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	-	-	-	405,950	37,996	443,946
Foreign operations - foreign currency translation difference	-	-	207,712	-	-	207,712
Share of OCI -Equity Accounted Investees	-	-	-	-	-	-
Total comprehensive income for the period	-	-	207,712	405,950	37,996	651,658
Transactions with equity holders recognized directly in equity						
Dividend paid	-	-	-	(180,506)	(34,858)	(215,364)
	-	-	-	(180,506)	(34,858)	(215,364)
Balance as at 31 March 2020	2,906,472	9,112	476,788	1,019,715	179,987	4,592,074

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	-	-	-	518,421	518,421
Foreign operations - foreign currency translation difference	-	-	213,349	-	213,349
Share Of OCI -Equity Accounted Investees	-	811	-	(836)	(25)
Total comprehensive income for the period	-	811	213,349	517,585	731,745
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)
	-	-	-	(203,763)	(203,763)
Balance as at 31 March 2019	2,906,472	9,112	275,502	819,276	4,010,362
Balance as at 01 April 2019	2,906,472	9,112	275,502	819,276	4,010,362
Profit/(loss) for the period	-	-	-	405,950	405,950
Foreign operations - foreign currency translation difference	-	-	207,712	-	207,712
Share of OCI Income-Equity Accounted Investees	-	-	-	-	-
Total comprehensive income for the period	-	-	207,712	405,950	613,662
Transactions with equity holders recognized directly in equity					
Dividend paid	-	-	-	(180,506)	(180,506)
	-	-	-	(180,506)	(180,506)
Balance as at 31 March 2020	2,906,472	9,112	483,214	1,044,720	4,443,518

LVL ENERGY FUND PLC
CONSOLIDATED STATEMENT OF CASHFLOWS (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

For the period ended 31 March	Group		Company	
	2020	2019	2020	2019
Cash flows from operating activities				
Profit/(loss) before income tax	522,102	647,823	444,333	538,402
Adjustments for:				
Depreciation	43,889	41,943	1,934	-
Amortization of intangible assets	1,248	333	-	-
Share of profit from equity accounted investees	(626,001)	(508,181)	(671,713)	(546,794)
Interest income on investments	(29,509)	(72,756)	(24,544)	(66,210)
Other income	-	-	(2,993)	(4,524)
Dividend on preference shares	25,547	68,400	7,211	18,525
Intangible Assets Written off	-	2,846	-	-
Interest expense	273,857	71,131	227,533	45,839
	211,133	251,539	(18,239)	(14,762)
Changes in				
Loans and receivables	(53,244)	(6,355)	5,286	(5,316)
Amounts due from related parties	(3,009)	489	(16,944)	16,086
Other receivables	(17,696)	(81,179)	18,358	(35,312)
Other payables	12,459	(226,408)	(688)	(232,869)
Cash generated from operating activities	149,644	(61,915)	(12,227)	(272,173)
Taxes paid	(21,492)	(16,694)	(1,182)	(3,199)
Interest paid	(199,558)	(74,656)	(155,026)	(45,962)
Net cash from operating activities	(71,407)	(153,264)	(168,435)	(321,334)
Cash flows from investing activities				
Interest received	29,509	72,756	27,537	66,210
Dividend received	102,062	307,802	292,281	171,880
Investment in equity accounted investees	(1,841,000)	(132,639)	(1,841,000)	(132,639)
Additions to Property Plant & Equipment	(10,550)	-	(10,550)	-
Net cash from investing activities	(1,719,979)	247,919	(1,531,733)	105,451
Cash flows from financing activities				
Preference dividend paid	(23,595)	(68,400)	(4,523)	(18,525)
Cash repayments of cumulative redeemable preference shares	(187,500)	(165,000)	(37,500)	(75,000)
Cash proceeds of interest bearing borrowings	1,936,250	444,000	1,760,000	310,000
Cash repayments of interest bearing borrowings	(184,823)	(239,260)	(75,000)	(147,000)
Dividend paid	(180,506)	(197,975)	(180,506)	(197,975)
Dividend paid to minority share holders by subsidiary	(34,858)	(23,002)	-	-
Share issue expenses	-	(1,990)	-	(1,990)
Net cash from financing activities	1,324,968	(251,626)	1,462,472	(130,490)
Net increase/(decrease) in cash and cash equivalents	(466,417)	(156,972)	(237,696)	(346,373)
Cash and cash equivalent as at 01 April	787,370	944,342	521,659	868,032
Cash and cash equivalent as at 31 March	320,953	787,370	283,963	521,659

Explanatory Notes :

- The interim financial statements are subject to audit.
- 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.

- The interim financial statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting.
- Where items have been regrouped, comparative information in relation to previous year have been presented in line with information pertaining to the current period.
- The stated capital comprises 582,278,117 ordinary shares.
- During the period the company obtained term loans of Rs. 785 Mn, Rs. 375 Mn, Rs. 600 Mn from DFCC Bank PLC, Hatton National Bank PLC and National Development Bank PLC respectively and repaid Rs. 75 Mn to Hatton National Bank PLC.
- 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. A further amount of Rs. 37.5 Mn in the form of preference shares together with Rs. 2,305,959/- preference dividend that was planned to be redeemed on 31 March 2020 was settled on 01 April 2020.
- 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/-. For the financial year ended 31 March 2020, Company has declared ordinary dividend of Rs. 0.18 per share amounting to Rs. 104,810,061/- on 14 May 2020 and will be paid on 04 June 2020.
- The Company made a disbursement of Rs. 397.8 Mn during the period in respect of its investment in Makari Gad Hydro Power project in Nepal.
- 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.
- The company is charged Rs. 1.0 Mn per annum as management fees by its parent company, Lanka Ventures PLC.
- There were no contingent liabilities during the period under review that require disclosure in interim financial statements.
- The market price per share:

for the quarter ended 31 March	2020	2019
Highest price	7.70	8.40
Lowest price	4.20	7.50
Last traded price	4.20	7.90

- Twenty major shareholders of the Company as at 31 March 2020

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 Mrs. F. S. Sabry	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

- Percentage of shares held by public as at 31 March 2020 : 29.94%
No. of public shareholders as at 31 March 2020 : 1,058

- Float adjusted market capitalization as at 31 March 2020 was Rs. 732,203,086.57. 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.

- Shareholding of Directors/CEO as at 31 March 2020

	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 MARCH 2020

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%	49,800,000	71.14%	As of 29 May 2020, the balance LKR 20.2 Mn is invested in 01-week TB Repo at the interest rate of 6.10% 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%	The balance LKR 7.5 Mn was utilized for redemption of preference shares on 01 April 2020.
	<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%	465,000,000	100.00%	Not applicable