

LVL ENERGY FUND PLC



FINANCIAL STATEMENTS
For the period ended 30 June 2020

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LVL ENERGY FUND PLC

Review of provisional financial results for the period ended 30th June 2020

Group revenue increased to LKR 60 million from LKR 51 million during the corresponding period last year mainly due to improvement in subsidiary company income by LKR 22 million to LKR 56 million from LKR 34 million amidst a drop in interest income by LKR 13 million to LKR 4 million from LKR 17 million.

Operating expenses for the period remained static at LKR 31 million compared to the same period last year. Accordingly operating profit for the period was LKR 29 million compared to LKR 20 million last year.

Share of profit from associate companies for the period increased by LKR 67 million to LKR 259 million from LKR 192 million last year mainly due to share of profit from the thermal power plant in Feni, Bangladesh which commenced commercial operation in November 2019. Considerable reduction in share of profit from Pawan Danavi wind power plant was observed due to plant shut down for maintenance.

Profit before interest and tax for the period increased by LKR 77 million to LKR 289 million from LKR 212 million last year. Interest cost for the period increased by LKR 4 million to LKR 76 million from LKR 72 million last year.

Accordingly profit before tax for the period increased to LKR 213 million compared to LKR 140 million during the same period last year.

The tax charge for the period was LKR 2 million compared to LKR 30 million last year mainly due to the absence of dividend tax as no dividend was received by the company during the period. Accordingly profit for the period was LKR 210 million compared to LKR 110 million last year an increase of LKR 100 million. Profit attributable to equity holders of the company for the period was LKR 204 million compared to LKR 113 million during the same period last year reflecting an increase in EPS to LKR 35 cents from LKR 19 cents.

Due to favourable weather conditions that prevailed during the period compared to the same period last year, overall power generation in hydro power plants increased to 11.3 million units from 7.5 million units last year. However power generation in wind power plants during the period recorded a marked decline to 5.7 million units from 12.9 million units last year primarily due the shutdown of Pawan Danavi plant for maintenance. From 25th July 2020 onwards all wind power plants including Pawan Danavi and Nala Danavi plants situated in Kalpitiya peninsula and connected to the Norochcholai grid substation are unable to dispatch electricity to the grid due to an equipment failure at the grid substation. Even at the time of this writing it is unclear when the plants can resume dispatching electricity.

Sgd.

D Sumith Arangala
Chief Executive Officer
12th August 2020

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	
	2020	2019	2020	2019
Revenue				
Investment income	70	88	-	-
Interest income	3,841	16,718	3,316	14,932
Subsidiary company income	56,380	33,906	-	-
Other income	50	-	888	645
	60,341	50,712	4,204	15,577
Operating expenses				
Administrative expenses	(2,174)	(2,147)	(2,174)	(2,147)
Sales and establishment expenses	-	(4)	-	-
Other operating expenses	(3,650)	(3,940)	(1,535)	(1,261)
Direct expenses - subsidiaries	(25,113)	(24,930)	-	-
Results from operating activities	29,403	19,691	496	12,169
Share of profit of equity accounted investees (net of income tax)	259,370	192,380	266,806	178,868
Finance cost	(75,889)	(71,573)	(63,365)	(54,038)
Profit/(loss) before income tax	212,885	140,498	203,936	137,000
Tax expense	(2,423)	(30,276)	-	(24,374)
Profit/(loss) for the period	210,462	110,222	203,936	112,626
Profit/(loss) attributable to:				
Equity holders of the company	203,936	112,626	203,936	112,626
Non-controlling interest	6,526	(2,404)	-	-
Profit/(loss) for the period	210,462	110,222	203,936	112,626
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	-	-	-	-
Foreign operations - foreign currency translation difference	(52,277)	(5,203)	(52,277)	(5,203)
Total other comprehensive income that are or may be re-classified to profit or loss in subsequent period	(52,277)	(5,203)	(52,277)	(5,203)
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	(52,277)	(5,203)	(52,277)	(5,203)
Total comprehensive income for the period	158,186	105,019	151,660	107,423
Total comprehensive income attributable to:				
Equity holders of the company	151,660	107,423	151,660	107,423
Non-controlling interest	6,526	(2,404)	-	-
Total comprehensive income for the period	158,186	105,019	151,660	107,423
Basic earnings per share (Rs.)	0.35	0.19	0.35	0.19

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

(All amounts in Sri Lanka Rupees thousands)

	Group As at 30 June 2020	Company As at 30 June 2020	Group As at 31 March 2020 Unaudited	Company As at 31 March 2020 Unaudited
Assets				
Non current assets				
Property, plant and equipment	930,955	8,088	941,970	8,616
Right-to-use land on lease	3,320	-	3,367	-
Investment in subsidiaries	-	4,421,602	-	4,248,777
Investment in associates	5,981,113	2,083,627	5,774,020	2,041,922
Intangible assets	56,123	-	55,351	-
Total non current assets	6,971,511	6,513,317	6,774,708	6,299,315
Current assets				
Loans and receivables	82,214	365	111,207	118
Amounts due from related parties	-	51,391	3,009	57,831
Income tax receivable	6,470	5,235	6,470	5,235
Other receivables	186,698	92,461	186,718	91,424
Cash and cash equivalents	146,233	101,692	320,953	283,963
Total current assets	421,615	251,144	628,357	438,570
Total assets	7,393,126	6,764,461	7,403,065	6,737,885
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	424,511	430,937	476,788	483,214
Retained earnings	1,118,841	1,143,846	1,019,715	1,044,720
Total equity attributable to equity holders of the Company	4,458,937	4,490,368	4,412,087	4,443,518
Non controlling interest	186,513	-	179,987	-
Total equity	4,645,449	4,490,368	4,592,074	4,443,518
Liabilities				
Non current liabilities				
Interest bearing borrowings	1,484,132	1,251,429	2,324,605	2,069,763
Cumulative redeemable preference shares	85,000	-	95,000	-
Deferred tax liability	44,296	-	44,923	-
Total non current liabilities	1,613,427	1,251,429	2,464,529	2,069,763
Current liabilities				
Interest bearing borrowings	1,101,243	1,019,354	264,110	182,220
Cumulative redeemable preference shares	15,000	-	44,452	39,452
Other payables	14,538	3,311	28,760	2,932
Income tax payable	3,468	-	9,139	-
Total current liabilities	1,134,250	1,022,664	346,462	224,604
Total liabilities	2,747,677	2,274,093	2,810,991	2,294,367
Total equity and liabilities	7,393,126	6,764,461	7,403,065	6,737,885
Net assets per share (Rs.)	7.66	7.71	7.58	7.63

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

12 August 2020

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 2019	2,906,472	9,112	269,076	794,271	176,849	4,155,780
Profit/(loss) for the period	-	-	-	112,626	(2,404)	110,222
Foreign operations - foreign currency translation difference	-	-	(5,203)	-	-	(5,203)
Total comprehensive income for the period	-	-	(5,203)	112,626	(2,404)	105,019
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 30 June 2019	2,906,472	9,112	263,873	726,391	160,897	4,066,745
Balance as at 01 April 2020	2,906,472	9,112	476,788	1,019,715	179,987	4,592,074
Profit/(loss) for the period	-	-	-	203,936	6,526	210,462
Foreign operations - foreign currency translation difference	-	-	(52,277)	-	-	(52,277)
Share of OCI -Equity Accounted Investees	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(52,277)	203,936	6,526	158,185
Transactions with equity holders recognized directly in equity						
Dividend paid	-	-	-	(104,810)	-	(104,810)
	-	-	-	(104,810)	-	(104,810)
Balance as at 30 June 2020	2,906,472	9,112	424,511	1,118,841	186,513	4,645,449

Company	Stated capital	Revaluation reserve	Translation reserve	Retained earnings	Total
Balance as at 01 April 2019	2,906,472	9,112	275,502	819,276	4,010,362
Profit/(loss) for the period	-	-	-	112,626	112,626
Foreign operations - foreign currency translation difference	-	-	(5,203)	-	(5,203)
Total comprehensive income for the period	-	-	(5,203)	112,626	107,423
Transactions with equity holders recognized directly in equity					
Dividend paid	-	-	-	(180,506)	(180,506)
	-	-	-	(180,506)	(180,506)
Balance as at 30 June 2019	2,906,472	9,112	270,299	751,396	3,937,279
Balance as at 01 April 2020	2,906,472	9,112	483,214	1,044,720	4,443,518
Profit/(loss) for the period	-	-	-	203,936	203,936
Foreign operations - foreign currency translation difference	-	-	(52,277)	-	(52,277)
Share of OCI Income-Equity Accounted Investees	-	-	-	-	-
Total comprehensive income for the period	-	-	(52,277)	203,936	151,660
Transactions with equity holders recognized directly in equity					
Dividend paid	-	-	-	(104,810)	(104,810)
	-	-	-	(104,810)	(104,810)
Balance as at 30 June 2020	2,906,472	9,112	430,937	1,143,846	4,490,368

LVL ENERGY FUND PLC
CONSOLIDATED STATEMENT OF CASHFLOWS (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

For the period ended 30 June	Group		Company	
	2020	2019	2020	2019
Cash flows from operating activities				
Profit/(loss) before income tax	212,885	140,498	203,936	137,000
Adjustments for:				
Depreciation	11,062	10,888	527	352
Amortization of intangible assets	(772)	515	-	-
Share of profit from equity accounted investees	(259,370)	(192,380)	(266,806)	(178,868)
Interest income on investments	(3,841)	(16,718)	(3,316)	(14,932)
Other income	(50)	-	(888)	(645)
Dividend on preference shares	3,121	10,407	-	2,307
Interest expense	72,367	57,168	63,001	48,147
	35,402	10,378	(3,545)	(6,640)
Changes in				
Loans and receivables	28,993	30,460	(247)	5,006
Amounts due from related parties	3,009	-	6,440	(3,662)
Other receivables	20	(29,247)	(1,037)	(8,869)
Other payables	(14,222)	(345)	379	(717)
Cash generated from operating activities	53,202	11,246	1,990	(14,882)
Taxes paid	(8,721)	(3,175)	-	-
Interest paid	(54,497)	(37,447)	(43,849)	(19,313)
Net cash from operating activities	(10,016)	(29,376)	(41,859)	(34,195)
Cash flows from investing activities				
Interest received	3,891	16,718	4,204	14,932
Dividend received	-	-	-	164,709
Investment in equity accounted investees	-	(1,670,700)	-	(1,670,700)
Net cash from investing activities	3,891	(1,653,982)	4,204	(1,491,059)
Cash flows from financing activities				
Preference dividend paid	(5,427)	(8,100)	(2,306)	-
Cash repayments of cumulative redeemable preference shares	(37,500)	(150,000)	(37,500)	-
Cash proceeds of interest bearing borrowings	-	1,636,250	-	1,460,000
Cash repayments of interest bearing borrowings	(20,856)	(58,707)	-	(18,750)
Dividend paid	(104,810)	(180,506)	(104,810)	(180,506)
Dividend paid to minority share holders by subsidiary	-	(13,548)	-	-
Net cash from financing activities	(168,594)	1,225,389	(144,616)	1,260,745
Net increase/(decrease) in cash and cash equivalents	(174,720)	(457,969)	(182,270)	(264,509)
Cash and cash equivalent as at 01 April	320,953	787,370	283,963	521,659
Cash and cash equivalent as at 30 June	146,233	329,401	101,692	257,150

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 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 paid on 04 June 2020.
- 7 The Company made a disbursement of Rs. 26.1 Mn on 10 July 2020 in respect of its investment in Makari Gad Hydro Power project in Nepal.
- 8 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.
- 9 The company is charged Rs. 1.0 Mn per annum as management fees by its parent company, Lanka Ventures PLC.
- 10 There were no contingent liabilities during the period under review that require disclosure in interim financial statements.
- 11 The market price per share:

for the quarter ended 30 June	2020	2019
Highest price	7.10	9.70
Lowest price	4.50	6.90
Last traded price	6.90	7.50

- 12 Twenty major shareholders of the Company as at 30 June 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. M. M. Wijetunge	3,746,104	0.64
11 Mr. K. Maheshwaran	3,000,000	0.52
12 Mrs. F. S. Sabry	2,970,000	0.51
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 Mr. C. R. Perera	2,341,000	0.40
16 Peoples Bank	2,305,979	0.40
17 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
18 Mr. J. D. N. Kekulawala	1,375,000	0.24
19 Rubber Investment Trust Limited A/C No.01	1,257,100	0.22
20 Bank Of Ceylon A/C Ceybank Unit Trust	1,116,653	0.19
Total	538,054,014	92.40

- 13 Percentage of shares held by public as at 30 June 2020 : 29.62%
- No. of public shareholders as at 30 June 2020 : 1,068

- 14 Float adjusted market capitalization as at 30 June 2020 was Rs. 1,190,048,369.96. 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.

- 15 Shareholding of Directors/CEO as at 30 June 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. M. M. Wijetunge	Director	3,746,104
Mr. J. D. N. Kekulawala	Director	1,375,000
Mr. D. S. Arangala	CEO	4,455,000

IPO PROCEEDS UTILIZATION AS AT 30 JUNE 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%	On 10 July 2020, the balance LKR 20.2 Mn was fully disbursed.
	Redemption of cumulative redeemable preference shares issued to DFCC Bank PLC	45,000,000		45,000,000	3.75%	45,000,000	100.00%	Not applicable
	<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