



LVL ENERGY FUND LIMITED

ANNUAL
— 2016/17 —
REPORT

Contents

Page 01	Financial Highlights
Page 02	Chairman's Review
Page 06	Board of Directors
Page 09	Annual Report of the Board of Directors
Page 13	Financial Reports
Page 14	Independent Auditors' Report
Page 15	Statement of Profit or Loss and Other Comprehensive Income
Page 16	Statement of Financial Position
Page 17	Statement of Changes in Equity
Page 19	Statement of Cash Flows
Page 20	Notes to the Financial Statements
Page 65	Notice of Meeting

Enclosed - Form of Proxy

Back Inner Cover - Corporate Information

FINANCIAL HIGHLIGHTS

For the year ended 31st March

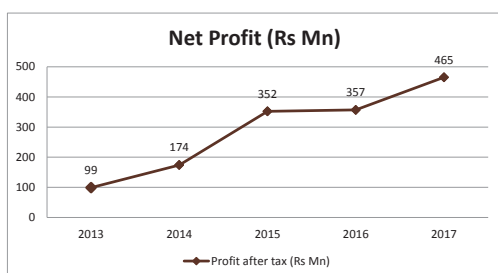
	2017	2016
Total Income (Rs. million)	237	279
Investment Income (Rs. million)	0.3	24
Interest Income (Rs. million)	12	7
Subsidiary Company Income	224	248
Share of Profit from Associates (Rs. million)	423	304
Profit / (Loss) before Tax (Rs. million)	510	397
Profit / (Loss) after Tax (Rs. million)	465	357
Shareholders' Funds (Rs. million)	2,264	1,882
(Stated Capital and Reserves)		
Redeemable Preference Shares (Rs. million)	763	685
Interest Bearing Borrowings (Rs. million)	717	537
Total Assets (Rs. million)	3,962	3,435
Earnings per Share (Rs.)	0.94	0.71
Dividend per Share (Rs.)	0.60	0.55
Net Assets per Share (Rs.)	4.90	4.48
Ratios		
Return on Equity	20%	16%

CHAIRMAN'S REVIEW

I welcome you to the sixth Annual General Meeting of the Company and on behalf of the Board of Directors take pleasure in presenting to you the Annual Report and Audited Accounts of the Company for the year ended 31st March 2017.

Financial Results

This review addresses the performance of the Group during the financial year ended 31st March 2017. The Group recorded a post-tax profit of Rs. 465 million compared to Rs. 357 million in the previous year reflecting an increase of 30%. Pre-tax profit for the year increased by 28% to Rs. 510 million from Rs. 397 million in the previous year.



Although the tax charge increased by a smaller margin of 12% to Rs. 45 million from Rs. 41 million in the previous year, Group finance cost increased by a significant proportion of 63% to Rs. 154 million from Rs. 94 million in the previous year.

Amidst higher interest rates and the increased borrowed fund base, the Company's finance cost also increased to Rs. 110 million from Rs. 63 million in the previous year. The total borrowed fund base of the Company representing cumulative redeemable preference shares and long-term loans as at 31st March 2017 amounted to Rs. 930 million compared to Rs. 870 million as at 31st March 2016. Accordingly, the average borrowed fund base in 2016/17 stood at to Rs. 900 million against Rs. 805 million in 2015/16. The average

borrowing rate in 2016/17 was 11.09% compared to 7.92% in 2015/16.

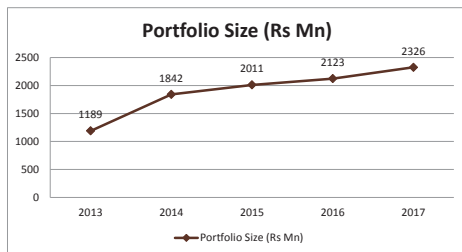
The share of profit from equity accounted investee companies increased to Rs. 423 million from Rs. 304 million in the previous year whilst subsidiary company income declined to Rs. 224 million from Rs. 248 million due to 5.5% reduction in tariff and decline in power generation in one hydropower plant owing to adverse weather conditions.

Total comprehensive income for the year declined to Rs. 366 million from Rs. 418 million in the previous year mainly due to a one-off charge of Rs. 108 million arising from the reclassification of an investment from available-for-sale financial asset to equity accounted investee.

The total dividend net of tax received by the Company from equity accounted investees and subsidiaries during the year amounted to Rs. 324 million reflecting an increase of 21% over the previous year's Rs. 269 million.

Portfolio Highlights

As at 31st March 2017 our investment portfolio stood at Rs. 2,326 million up from Rs. 2,123 million a year earlier. During the year Rs. 199 million was invested in increasing our shareholding in four hydropower plants. Accordingly, we now have an equity stake of 25% (up from 15%) in Belihuloya and Assupiniella hydropower plants of the installed capacity of 2.2 MW and 4.0 MW respectively, 55% equity stake (up from 47%) in Kadawala hydropower plant of 6.0 MW capacity, 84% equity stake (up from 74%) in Campion hydropower plant of 1.2 MW capacity and 85% equity stake (up from 58%) in 1.3 MW Theberton hydropower plant.



The Campion hydropower plant was the most recent addition to our portfolio. The project lies across Kehelgamuwa Oya in Bogawantalawa in Nuwara Eliya district. It was connected to the national grid on 28th April 2017. The project was undertaken by our subsidiary Campion Hydro (Private) Limited.

The Theberton hydropower plant that was commissioned in the middle of the previous financial year operated satisfactorily during the financial year under review supplying 3.339 GWh of electricity to the national grid which was 73% of the targeted generation for the period. Considering the extremely dry weather conditions that prevailed in most parts of the island in 2016, this can be considered as a major achievement.

Whilst the wind power plants recorded power generation comparable to previous years, the performance of hydropower plants was less than satisfactory due to poor rainfall in catchment areas.

The two thermal power plants in Bangladesh performed well contributing Rs. 224 million to Group profit compared to Rs. 94 million in the previous year. Lakdhanavi Bangla Power Limited which operates the 52.2 MW power plant in Comilla, Bangladesh made its first distribution in October 2016 and we received USD 313,347 net of tax.

Initial Public Offering

Having obtained approval of the Securities and Exchange Commission of Sri Lanka under Section 28A of the Securities and Exchange Commission Act, the Company made an application to the Colombo Stock Exchange for a listing by way of an Initial Public Offering (IPO) of 120 million ordinary shares at the price of Rs. 10.00 each. At the time of this writing, the application has reached the final stage of approval and it would be reasonable to expect that the IPO could be launched within the next three months. Of the Rs. 1,200 million to be raised at the IPO, Rs. 480 million will be utilized for settlement of debt and the balance Rs. 720 million to invest in projects.

Future Prospects

The 1.2 MW Campion hydropower plant which was commissioned in April 2017 will contribute towards Group profit from this financial year onwards. The plant is operating satisfactorily and as mentioned earlier we have an equity stake of 84% in the project.

The 2.5 MW Bambarapana hydropower plant being built across Uma Oya in the Badulla district is expected to be connected to the national grid in October 2017 and will provide a major boost to Group profit from then onwards. Our investment of Rs. 140 million in the project represents a 40% equity stake. The power purchase agreement with the Ceylon Electricity Board (CEB) is for a period of 20 years.

After commissioning of Bambarapana hydropower plant in October 2017, the total installed capacity of commissioned hydropower plants in our investment portfolio will increase to 19.4 MW from 15.7 MW as of 31st March 2017. Over the period of three years ending 31st March 2018 we would have commissioned three

hydropower plants and added 5.0 MW of hydropower capacity to the national grid which can be considered as a significant achievement.

We are planning to commence construction of the 10 MW Makari Gad hydropower plant in the Darchula district of Far Western Development Region in Nepal towards the latter part of the current financial year which will become the largest hydropower project in our portfolio. We propose to invest USD 3.0 million in the project representing an equity stake of 45%. The plant will be capable of producing 70 million units of electricity a year at a very high plant factor of 80%. The plant is expected to be connected to the national grid in Nepal in 2019. The power purchase agreement with Nepal Electricity Authority covers a period of 30 years.

In last year's Review, I mentioned that one of our project partners had submitted bids in respect of two 100 MW Heavy Fuel Oil (HFO) based power plants in Bangladesh in response to a call for bids for the establishment of such plants in ten designated areas by the Bangladesh Power Development Board (BPDB). Our partners, namely Lakdhanavi Limited was successful in winning the bid for the plant at Feni in Chittagong area and a Letter of Intent in connection therewith was issued by BPDB in May 2017. We propose to invest USD 11.5 million in the project in the form of equity reflecting a 40% stake. The capacity of the plant will be 114 MW and it will commence commercial operation within 18 months of signing the relevant agreements which task is expected to be completed by end 2017. The power purchase agreement will be for a period of 15 years like in the case of our two existing plants in Bangladesh.

I also mentioned in last year's Review that one of our partners had submitted bids for the establishment of two 10 MW wind power plants in Chunnakam in Jaffna

peninsula in response to the request for proposals by the CEB and that if the bids were to be successful we would have the opportunity to invest in a 40% equity stake in both projects. The bids submitted by our partner Ceylex Engineering (Private) Limited were successful and we will now be in a position to invest in these two projects. Upon completion, these plants are expected to be connected to the national grid in 2018.

The proposed new power plants i.e. the thermal power plant in Bangladesh, wind power plants in Jaffna peninsula and the hydropower plant in Nepal will provide a considerable contribution to Group profit from year 2019 onwards and will further strengthen the diversification of our project portfolio in terms of geographic location and energy source thereby mitigating most industry related risks.

Dividend

Dividend received by the Company from its subsidiaries and equity accounted investees during the year under review amounted to Rs. 324 million. In keeping with the declared policy, the entirety of this dividend was distributed to ordinary and preference shareholders in the form of dividend. Ordinary shareholders were paid two interim dividends aggregating to 60 cents per share (55 cents per share in the previous year) of which 34 cents was paid in October 2016 and the balance 26 cents in February 2017. Accordingly, ordinary shareholders were paid a total of Rs. 277 million as interim dividend for the year ended 31st March 2017 while Rs. 47 million was paid as dividend on cumulative redeemable preference shares out of dividend received by the Company during the year.

Therefore no further dividend can be paid to ordinary shareholders in respect of the financial year ended 31st March 2017 and it is proposed that the interim

dividend of 26 cents per share paid in February 2017 be treated as the final dividend for the year.

Conclusion

Mr. Arjun Fernando who functioned as a Director of the Company since December 2015 will be stepping down from the Board with effect from 15th August 2017 consequent to relinquishing duties as the Chief Executive Officer of DFCC Bank PLC. Mr. Lakshman Silva, the incoming Chief Executive Officer of DFCC Bank PLC was appointed to the Board with effect from 15th August 2017 to fill the vacancy arising from Mr. Fernando's departure. I wish to place on record our deep appreciation of the valuable contribution made by Mr. Fernando during his tenure as a Director. We wish him all the very best in the future. On behalf of the Board I welcome Mr. Silva to the Board.

Our investee companies and business partners are the cornerstone of our success and I take this opportunity to thank them for their support towards achieving our goals. The ultimate foundation of our success in terms of financial performance, stability and operational growth is anchored in our staff led by the Chief Executive, Mr. Sumith Arangala and I thank them for their dedication, commitment and professional conduct. I am grateful to all my colleagues on the Board for their able guidance and unstinted co-operation extended at all times.



Jonathan Alles
Chairman
01st August 2017

BOARD OF DIRECTORS

1. Jonathan Alles

Mr. Jonathan Alles is the Managing Director/Chief Executive Officer of Hatton National Bank PLC who has held the position since July 2013. He counts over 30 years of banking experience having served international banks and HSBC, Sri Lanka and also Hatton National Bank during the period September 2002 – June 2005. Having returned to Sri Lanka from the UAE in September 2010, Mr. Alles re-joined Hatton National Bank in the capacity of Chief Operating Officer.

Mr. Alles is the Chairman of Lanka Financial Services Bureau Limited, HNB Grameen Finance Limited, and Lanka Ventures PLC. He also serves as a Director of Acuity Partners (Private) Limited.

Mr. Alles holds an MBA in Finance from the University of Stirling, UK and is a Member of the Institute of Bankers of Sri Lanka. He is also a Member of the Sri Lanka Institute of Directors and serves as a Member of the Advisory Committee of Sri Lanka Business & Biodiversity Platform.

2. Sunil De Silva

Mr. Sunil De Silva is an Executive Director of WKV Group of companies having interest in operating and developing renewable power projects in Sri Lanka, Nepal and Tanzania. He is also a Director of DFCC Consulting (Private) Limited. He joined DFCC Bank PLC in 1987 and functioned in different positions until retirement in 2004 as a Vice President. Prior to joining the DFCC Bank Mr. De Silva has worked in the copper industry in Zambia and steel industry in Sri Lanka. He has wide experience and considerable exposure to the renewable energy sector. He functions as a Director of several companies operating mini-hydro

power generation plants in Sri Lanka and Uganda. He is also a Director of Lanka Ventures PLC.

Mr. De Silva holds an Honours Degree in Mechanical Engineering and is a Graduate Member of the Institute of Engineers, Australia. He is also an Associate in Development Banking of ADFIAP.

3. Tyrone De Silva

Mr. Tyrone de Silva is the Executive Vice President responsible for Investments, International Relations and Strategic Planning at DFCC Bank PLC. He also oversees the Investment Banking business of the Bank which is carried out through Acuity Partners (Private) Limited. Mr. De Silva joined DFCC Bank in 1989 and has been involved in the Bank's Corporate Finance and Capital Markets businesses throughout his career. He has participated in DFCC Bank's corporate structuring transactions including the set up or acquisition of subsidiaries and associates of the DFCC Group. He is responsible for transaction execution and overseeing the administration and monitoring of the Bank's quoted and unquoted share portfolio. He also has an oversight role in corporate communications and shareholder relations. Mr. De Silva is a member of DFCC Bank's ALCO, Investment Committee and IT Steering Committee. He also participates in various Board Sub-Committees and serves as Director on the Boards of DFCC Group companies including Lanka Ventures PLC and those in which the Bank has a significant interest.

Prior to his career at DFCC Bank, he was employed as a foreign exchange and money broker for a period of seven years.

BOARD OF DIRECTORS

Mr De Silva holds a Master of Business Administration degree from the University of Warwick (UK). He is also a Graduate Member of the Institute of Mechanical Engineers (UK). He has extensive international training in various aspects of management, banking and finance.

4. Mohandas A Wijetunge

Mr. Wijetunge is a Marine Engineer by profession and an entrepreneur.

He is the inventor of highly specialized anti-ballistic composite material for body armour and de-mining vehicle armour.

Mr. Wijetunge is the Chairman of Dinima High Performance Materials (Private) Limited and he serves as a Director on the Boards of Harsha International (Private) Limited and Sawam Holdings (Pte) Ltd.

5. Ray Abeywardena

Mr. Ray Abeywardena is the Managing Director/Group CEO of Acuity Partners (Private) Limited. He has been associated with Sri Lanka's capital markets for over 30 years, primarily as a Stockbroker and since 2009 as an Investment Banker. Mr. Abeywardena is the Chairman of Acuity Stockbrokers (Private) Limited and Acuity Securities Limited and a Director of Guardian Acuity Asset Management Limited and Lanka Ventures PLC. He also serves as an independent non-Executive

Director on the Board of Softlogic Life Insurance PLC and as Chairman of the Colombo Stock Exchange. He is a past Chairman of the Colombo Stockbrokers Association.

Mr. Abeywardena is a member of the Chartered Institute of Marketing, (UK) and holds a Master's Degree in Business Administration from the University of Wales.

6. Ananda Munasinghe

Mr. Ananda Munasinghe has had over three-decades of experience in the manufacturing industry in Sri Lanka. He was the former Director/General Manager of Acme Printing and Packaging Limited. He has also functioned as Works Manager at State Fertilizer Manufacturing Corporation and the Senior Instrument Engineer at Ceylon Petroleum Corporation's Refinery. He has held the position of President, Sri Lanka Energy Managers Association and the Sri Lanka Institute of Packaging in the past. At present he serves as a Director of Lanka Ventures PLC.

Mr. Munasinghe is an Engineering Graduate of the University of Ceylon, Peradeniya and holds a Master's Degree in Business Administration from the University of Sri Jayawardenepura. He also holds Post Graduate Diplomas in Production Engineering and Engineering Design from Colchester College of Technology, England and Enfield College of Technology, England respectively.

7. Sumith Arangala

Mr. Sumith Arangala is the Chief Executive Officer of LVL Energy Fund Limited. He represents the Company on the Boards of its investee companies. He is also a Director of Durdans Heart Centre (Private) Limited and Renuka Agri Foods PLC.

He functioned as the Chief Executive Officer of Lanka Ventures PLC (LVL) from July 2002 to April 2016. Prior to joining LVL in October 2000 he worked at the Capital Development and Investment Company, the pioneer venture capital company in Sri Lanka for over 14 years and at the time of leaving the company held the position of Assistant General Manager. He commands considerable knowledge and experience in investing in private equity, venture capital and capital markets being associated with the industry for over 30 years.

He is a Bachelor of Engineering of the Royal Melbourne Institute of Technology (RMIT), Melbourne, Australia and holds a Graduate Diploma in Quality Technology from the same institute. He is a Graduate member of the Institute of Engineers, Australia.

He is a Director of Synapsys Limited, Acuity Securities (Pvt) Limited, Acuity Partners (Pvt) Limited, DFCC Consulting (Pvt) Limited, Lanka Industrial Estates Limited, Lanka Financial Services Bureau Limited, Sri Lanka Banks' Association (Guarantee) Limited and Lanka Ventures PLC. He is also a Past President of the Association of Professional Bankers of Sri Lanka.

Mr. Silva holds a B.Com (Special) Degree from the University of Kelaniya and an MBA from the Postgraduate Institute of Management of the University of Sri Jayewardenepura. He is also an Associate Member of the Association of Development Financing Institutions in Asia and the Pacific.

8. Lakshman Silva

Mr. Lakshman Silva is Director / Chief Executive Officer of DFCC Bank PLC. He functioned as the Deputy Chief Executive Officer/Executive Director of DFCC Bank PLC since 01 October 2015.

Mr. Silva started his professional career with the Department of Inland Revenue of Sri Lanka and joined the DFCC Banking Group in 1987. He was seconded to the services of DFCC Vardhana Bank in 2003 and functioned as the Chief Operating Officer of DFCC Vardhana Bank from the year 2003 until his appointment as the Chief Executive Officer in January 2010.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of LVL Energy Fund Limited have pleasure in presenting to the members their report together with the Audited Financial Statements of the Company for the year ended 31st March 2017.

Principal Activities

The principal activity of the Company is investing in projects in the energy sector in Sri Lanka and abroad.

Performance Review

A review of the Group's business and its performance during the year is contained in the Chairman's Review on pages 2 to 5 of the Annual Report. This review together with the Financial Statements reflect the state of affairs of the Company and the Group. These reports form an integral part of the Annual Report of the Directors.

Financial Statements

The Financial Statements of the Company and the Group together with the Notes are given on pages 15 to 64.

Auditors' Report

The Auditors' Report on the Financial Statements is given on page 14.

Accounting Policies

The accounting policies including any changes to accounting policies adopted in the preparation of Financial Statements are given on pages 20 to 34.

Directorate

The following Directors held office during the year under review:

Mr. A. J. Alles
Mr. A. R. Fernando (resigned w.e.f. 15th August 2017)
Mr. M.A. Wijetunga
Mr. S. E. De Silva
Mr. T. W. De Silva

Mr. A. R. Munasinghe
Mr. M. R. Abeywardena
Mr. D.S. Arangala
Mr. L.H.A.L. Silva (appointed w.e.f. 15th August 2017)

Mr. A. R. Munasinghe has passed the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 (the Act). His appointment as a Director of the Company requires the approval of a resolution of the Company in a general meeting. A notice is duly given by the Company in terms of Section 211 of the Act, and a resolution will be proposed that the age limit referred to in Section 210 will not apply to Mr. A. R. Munasinghe.

In terms of Article 27(12) of the Articles of association of the Company Mr. T.W. de Silva and Mr. D.S. Arangala retire by rotation, and being eligible, offer themselves for re-election with the unanimous approval of the Board.

Directors' Shareholding

Mr. M. A. Wijetunge held 67,911,668 ordinary shares in the Company as at 31st March 2017.

Mr. D. S. Arangala, Director/CEO of the Company held 4,455,000 ordinary shares in the Company as at 31st March 2017.

Interest Register

The Interest Register is maintained by the Company as per the Act. All Directors have disclosed their interests pursuant to Section 192(2) of the Act.

Directors' interests in contracts and proposed contracts with the Company

Directors' interests in contracts, both direct and indirect are referred to in Note 34 of the Financial Statements. These interests have been declared at the meetings of the Board of Directors. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Directors' Remuneration

Directors' remuneration and other benefits in respect of the Company for the year ended 31st March 2017 is given in Note 10 of the Financial Statements under staff salaries, defined contribution plan cost (EPF,ETF), bonus and Directors' fees.

Donations

No donations have been made by the Company during the financial year 2016/17.

Auditors

The Auditors Messrs. KPMG were paid Rs. 317,214 inclusive of taxes (2015/16 – Rs. 298,471) as audit fees and Rs. 125,918 inclusive of taxes (2015/16 – Rs.109,937) for non-audit work by the Company.

As far as the Directors are aware the Auditors do not have any relationship (other than that of an auditor) with the Company or any subsidiary other than those disclosed above. The Auditors also do not have any interest in the Company or in any subsidiary.

Group Financial Results

	2017 Rs '000	2016 Rs '000
<i>For the year ended 31 March</i>		
Investment Income	279	23,820
Interest Income	12,158	6,934
Subsidiary Company Income	224,457	248,351
Total Income	236,894	279,105
Operating Profit	131,457	187,644
Share of profit from Associates	423,360	303,893
Finance Cost	(153,575)	(94,088)
Profit Before Tax	510,405	397,449
Income Tax	(45,472)	(40,540)
Profit for the Year	464,933	356,909
Non Controlling Interest	40,933	61,090
Profit attributable to Equity Holders	424,000	295,819
Retained profit brought forward	322,161	283,405
Retained profit carried forward	467,644	322,161
Earnings per Share (Rs.)	0.94	0.71
Net Assets per Share (Rs.)	4.90	4.48
Dividend per Share (Rs.)	0.60	0.55

Dividend

The Directors do not propose the payment of a final dividend. Accordingly the Directors recommend that the interim dividends of Rs. 0.60 per share paid in October 2016 (Rs. 0.34 per share) and February 2017 (Rs. 0.26 per share) be treated as the final dividends for the financial year 2016/17 (2015/16 Rs. 0.55).

Property, Plant & Equipment

The movement in property, plant and equipment during the year under review is set out in Note 16 of the Financial Statements.

Stated Capital & Reserves

The stated capital of the Company as at 31st March 2017 comprised ordinary share capital of Rs.1,706,472,020 (2015/16 – Rs.1,370,270,020) and redeemable preference share capital of Rs. 405,000,000 (2015/16 Rs. 570,000,000). The number of ordinary shares and redeemable preference shares in issue as at 31st March 2017 was 462,278,117 (2015/16 – Rs. 420,252,836) and 40,500,000 (2015/16 – 57,000,000) respectively.

Total reserves of the Company as at 31st March 2017 amounted to Rs. 64.8 million (2015/2016 – Rs. 118.5 million) which was the carried forward reserves of the Company. The Group reserves as at 31st March 2017 amounted to Rs. 557.7 million (2015/16 – Rs. 511.4 million). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Taxation

As per Part A of the Second Schedule of the Inland Revenue Act No. 10 of 2006 the Company was liable to income tax at the rate of 12% for the year ended 31st March 2017.

Shareholders' Information

There were 42 registered shareholders as at 31st March 2017 (31 March 2016 – 42).

Events after the Reporting Date

No circumstances have arisen and no material events have occurred since the Balance Sheet date which would require adjustments to, or disclosure in the accounts other than those disclosed in the Financial Statements and this report.

Going Concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and the Directors have adopted the going concern basis in preparing the accounts.

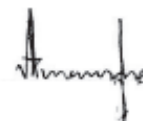
Annual General Meeting

The Sixth Annual General Meeting of the Company will be held at the Board Room of the Ceylon Chamber of Commerce, No. 50, Navam Mawatha, Colombo 02, on the Twenty Second (22nd) day of September 2017 at 2.30 p.m. The Notice of the Sixth Annual General Meeting is on page 65 of the Annual Report.

For and on behalf of the Board



S. E De Silva
Director



A. R. Munasinghe
Director



**Corporate
Services
(Private) Limited**
Secretary

01 August 2017
Colombo



FINACIAL REPORTS

Page 14 | Independent Auditors' Report

Page 15 | Statement of Profit or Loss and Other Comprehensive Income

Page 16 | Statement of Financial Position

Page 17 | Statement of Changes in Equity

Page 19 | Statement of Cash Flows

Page 20 | Notes to the Financial Statements

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
: +94 - 11 244 6058
: +94 - 11 254 1249
Internet : www.kpmg.com/lk

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LVL ENERGY FUND LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of LVL Energy Fund Limited, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at March 31, 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 15 to 64 of the annual report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company give a true and fair view of its financial position as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

01 August 2017

Colombo, Sri Lanka.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network, of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a SWISS entity

M.R. Mihular FCA
T.J.S. Rajakaner FCA
Ms. S.M.B. Jayasekara ACA
GAU. Karunaratne FCA
RH Rajan ACA
P.Y.S. Perera FCA
W.W. J. C. Perera FCA
W.K. D. C. Abeyrathne FCA
R. M.D. B. Rajapakse FCA
C. P. Jayatilake FCA
Ms. S. Joseph FCA
S. T. D. L. Perera FCA
Ms. B. K. D. T. N. Rodrigo FCA
Principals - S. R. I. Perera FCMA (UK), LLB. Attorney-at-Law, H.S. Goonewardene ACA
Ms C.T.K.N Perera ACA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in Sri Lanka Rupees thousands)

For the year ended 31 March	Notes	Group		Company	
		2017	2016	2017	2016
Revenue					
Investment income	6	279	23,820	323,970	268,493
Interest income	7	12,158	6,934	10,011	3,953
Other income	8	-	-	16,414	1,066
Subsidiary company income	9	224,457	248,351	-	-
		236,894	279,105	350,395	273,512
Operating expenses					
Administrative expenses		(6,975)	(527)	(6,534)	(19)
Sales and establishment expenses		(40)	(293)	-	-
Other operating expenses		(9,655)	(9,142)	(2,775)	(2,930)
Direct expenses - subsidiaries	9	(88,767)	(81,499)	-	-
	10	131,457	187,644	341,086	270,563
Results from operating activities					
Available for sale financial assets reclassified from OCI		108,263	-	108,263	-
Gain on disposal of a subsidiary		900	-	-	-
Finance cost	11	(153,575)	(94,088)	(110,325)	(63,288)
Share of profit of equity accounted investees, net of tax	12	423,360	303,893	-	-
		510,405	397,449	339,024	207,275
Profit before income tax					
Tax expense	13	(45,472)	(40,540)	13	622
		464,933	356,909	339,037	207,897
Profit for the year					
Other comprehensive income, net of income tax					
Net change in fair value of available-for-sale financial assets		(5,616)	(3,571)	(5,616)	(3,571)
Reclassification of available for sale reserve to profit /(loss)		(108,263)	-	(108,263)	-
Share of other comprehensive income from equity accounted investees		8,629	(59)	-	-
Foreign operations - foreign currency translation difference		6,356	64,470	-	-
		(98,894)	60,840	(113,879)	(3,571)
Total comprehensive income for the year		366,039	417,749	225,158	204,326
Profit attributable to:					
Equity holders of the company		424,000	295,819	339,037	207,897
Non-controlling interest		40,933	61,090	-	-
		464,933	356,909	339,037	207,897
Total comprehensive income attributable to:					
Equity holders of the company		325,106	356,659	225,158	204,326
Non-controlling interest		40,933	61,090	-	-
		366,039	417,749	225,158	204,326
Earnings per share on profit					
Basic earnings per share	14	0.94	0.71	0.75	0.50

The notes to the Financial Statements form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

(All amounts in Sri Lanka Rupees thousands)

As at 31 March	Notes	Group		Company	
		2017	2016	2017	2016
Assets					
Non current assets					
Property, plant and equipment	16	1,048,986	825,422	-	-
Investment in subsidiaries	17	-	-	1,490,197	1,409,888
Investment in equity accounted investees	18	2,597,549	2,206,180	989,261	725,350
Intangible assets	19	64,131	88,623	-	-
Available for sale financial assets	20	-	146,860	-	146,860
Total non current assets		3,710,666	3,267,085	2,479,458	2,282,098
Current assets					
Loans and receivables	21	9,962	11,056	-	-
Amounts due from related parties	22	437	437	71,320	40,159
Income tax receivables	31.1	2,106	1,881	1,894	1,881
Other receivables	23	155,534	26,750	124,564	-
Cash & cash equivalents	24	83,316	128,231	47,717	62,868
Total current assets		251,355	168,355	245,495	104,908
Total assets		3,962,021	3,435,440	2,724,953	2,387,006
Equity					
Stated capital	26	1,706,472	1,370,270	1,706,472	1,370,270
Revaluation reserve		8,301	-	-	-
Available for sale reserve		-	113,879	-	113,879
Translation reserve		81,756	75,400	-	-
Retained earnings		467,644	322,161	64,764	4,571
Total equity attributable to equity holders of the company		2,264,173	1,881,710	1,771,236	1,488,720
Non controlling interest		171,355	272,005	-	-
Total equity		2,435,528	2,153,715	1,771,236	1,488,720
Liabilities					
Non current liabilities					
Interest bearing borrowings	27	314,397	370,000	150,000	225,000
Cumulative redeemable preference shares	28	490,000	402,000	150,000	315,000
Deferred tax liability	29	38,169	44,401	-	-
Total non current liabilities		842,566	816,401	300,000	540,000
Current liabilities					
Interest bearing borrowings	27	402,369	166,682	377,408	77,297
Cumulative redeemable preference shares	28	273,311	283,486	273,311	280,395
Other payables	30	6,260	6,546	2,998	594
Income tax payable	31.2	1,987	8,610	-	-
Total current liabilities		683,927	465,324	653,717	358,286
Total liabilities		1,526,493	1,281,725	953,717	898,286
Total equity and liabilities		3,962,021	3,435,440	2,724,953	2,387,006

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No 07 of 2007.

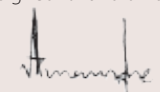

D. L. Wijesekera
Finance Manager

Signed in Colombo on 01 August 2017

The notes to the Financial Statements form an integral part of these Financial Statements.

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board.


A. R. Munasinghe
Director


S. E. De Silva
Director

STATEMENT OF CHANGES IN EQUITY

(All amounts in Sri Lanka Rupees thousands)

Group	Attributable to equity holders of the group					Total	Non contro- lling interest	Total
	Stated capital	Revalu- ation reserve	Available for sale reserve	Transla- tion reserve	Retained earnings			
Balance as at 01 April 2015	1,357,300	-	117,450	10,930	283,405	1,769,085	214,310	1,983,395
Profit for the year	-	-	-	-	295,819	295,819	61,090	356,909
Net change in fair value of available-for-sale financial assets	-	-	(3,571)	-	-	(3,571)	-	(3,571)
Share of other comprehensive income from equity accounted investee	-	-	-	-	(59)	(59)	-	(59)
Foreign operations - foreign currency translation difference	-	-	-	64,470	-	64,470	-	64,470
Total comprehensive income	-	-	(3,571)	64,470	295,760	356,659	61,090	417,749
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders								
Issue of shares during the period	12,970	-	-	-	(1,444)	11,526	48,000	59,526
Cumulative preference dividend - Neluwa Cascade Hydro Power (Private) Limited	-	-	-	-	(24,421)	(24,421)	-	(24,421)
Dividend paid	-	-	-	-	(231,139)	(231,139)	(51,395)	(282,534)
	12,970	-	-	-	(257,004)	(244,034)	(3,395)	(247,429)
Balance as at 31 March 2016	1,370,270	-	113,879	75,400	322,161	1,881,710	272,005	2,153,715
Profit for the year	-	-	-	-	424,000	424,000	40,933	464,933
Net change in fair value of available-for-sale financial assets	-	-	(5,616)	-	-	(5,616)	-	(5,616)
Reclassification of available for sale reserve to profit/(loss)	-	-	(108,263)	-	-	(108,263)	-	(108,263)
Share of other comprehensive income from equity accounted investees	-	8,301	-	-	328	8,629	-	8,629
Foreign operations - foreign currency translation difference	-	-	-	6,356	-	6,356	-	6,356
Total comprehensive income	-	8,301	(113,879)	6,356	424,328	325,106	40,933	366,039
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders								
Issue of shares during the period	336,202	-	-	-	(1,478)	334,724	-	334,724
Acquisition of NCI without change in control	17.3.1	-	-	-	-	-	(86,895)	(86,895)
Dividend paid	-	-	-	-	(277,367)	(277,367)	(54,688)	(332,055)
	336,202	-	-	-	(278,845)	57,357	(141,583)	(84,226)
Balance as at 31 March 2017	1,706,472	8,301	-	81,756	467,644	2,264,173	171,355	2,435,528

The notes to the Financial Statements form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

(All amounts in Sri Lanka Rupees thousands)

Company

	Stated capital	Available for sale reserves	Retained earnings	Total
Balance as at 01 April 2015	1,357,300	117,450	29,257	1,504,007
Profit for the year	-	-	207,897	207,897
Net change in fair value of available-for-sale financial assets	-	(3,571)	-	(3,571)
Total comprehensive income for the year	-	(3,571)	207,897	204,326
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders				
Issue of shares during the period	12,970	-	-	12,970
Share issue expenses	-	-	(1,444)	(1,444)
Dividend paid	-	-	(231,139)	(231,139)
	12,970	-	(232,583)	(219,613)
Balance as at 31 March 2016	1,370,270	113,879	4,571	1,488,720
Profit for the year	-	-	339,037	339,037
Reclassification of available for sale reserve to profit /(loss)	-	(108,263)	-	(108,263)
Net change in fair value of available-for-sale financial assets	-	(5,616)	-	(5,616)
Total comprehensive income for the year	-	(113,879)	339,037	225,158
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders				
Issue of shares during the period	336,202	-	-	336,202
Share issue expenses	-	-	(1,477)	(1,477)
Dividend paid	-	-	(277,367)	(277,367)
	336,202	-	(278,844)	57,358
Balance as at 31 March 2017	1,706,472	-	64,764	1,771,236

The notes to the Financial Statements form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

(All amounts in Sri Lanka Rupees thousands)

For the year ended 31 March	Group		Company	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit before tax	510,405	397,449	339,024	207,275
Adjustments for:				
Interest income	(12,158)	(6,934)	(10,011)	(3,953)
Dividend income	-	(22,936)	(323,970)	(268,493)
Other income	-	-	(16,414)	(1,066)
Interest expense	77,179	41,464	51,709	20,991
Preference dividend	75,171	52,077	58,273	42,271
Depreciation	30,038	17,967	-	-
Amortization	319	188	-	-
Available for sale financial assets reclassified from OCI	(108,263)	-	(108,263)	-
Share of profit of equity accounted investees (net of income tax)	(423,360)	(303,893)	-	-
	149,331	175,382	(9,652)	(2,975)
Changes in				
Loans & receivables	26,635	30,831	-	1,066
Amounts due from related parties	(3,914)	(127)	(18,661)	(16,852)
Other receivables	(104,612)	(7,335)	(124,564)	-
Other payables	(280)	(8,425)	2,403	(141)
Cash generated / (used) from operating activities	67,160	190,327	(150,474)	(18,901)
Interest paid	(75,630)	(40,892)	(51,598)	(19,963)
Taxes paid	(15,561)	(6,693)	-	-
Net cash from operating activities	(24,031)	142,742	(202,072)	(38,864)
Cash flows from investing activities				
Interest received	12,158	6,934	10,011	3,953
Dividend received	210,765	226,982	323,970	279,488
Investment in subsidiaries	-	-	(111,894)	(112,000)
Investment in equity accounted investees	(87,167)	-	(87,167)	-
Cost incurred to obtain approval for power projects	-	(30,504)	-	-
Disposal / acquisition of property plant and equipment	(253,603)	(134,350)	-	-
Net cash generated / (used) from investing activities	(117,847)	69,062	134,920	171,440
Cash flows from financing activities				
Dividend paid	(277,367)	(231,139)	(277,367)	(231,139)
Dividend paid to minority share holders by subsidiary	(54,688)	(51,395)	-	-
Issue of ordinary shares	336,202	12,970	336,202	12,970
Issue of ordinary shares to minority by subsidiaries	-	48,000	-	-
Net proceeds from interest bearing borrowings	178,535	48,220	225,000	100,000
Share issue expenses	(1,478)	(1,444)	(1,477)	(1,444)
Acquisition of non controlling interest	(86,895)	-	-	-
Net proceeds from cumulative redeemable preference shares	85,000	30,000	(165,000)	30,000
Preference dividend paid	(82,346)	(54,110)	(65,357)	(44,317)
Net cash generated/ (used) from financing activities	96,963	(198,898)	52,001	(133,930)
Net increase/(decrease) in cash & cash equivalents	(44,915)	12,906	(15,151)	(1,354)
Cash & cash equivalents at 01 April	128,231	115,325	62,868	64,222
Cash & cash equivalents at 31 March (Note 24)	83,316	128,231	47,717	62,868

The notes to the Financial Statements form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

LVL Energy Fund Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The address of the Company's registered office is No. 46/12, Navam Mawatha, Colombo 02.

The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its equity accounted investees. The Financial Statements of all Companies within the Group are prepared for a common financial year which ends 31 March 2017.

Lanka Ventures PLC is the parent company for LVL Energy Fund Limited, which has 71.79% controlling interest and the ultimate parent is Acuity Partners (Private) Limited. Hatton National Bank PLC and DFCC Bank PLC jointly control Acuity Partners (Private) Limited.

LVL Energy Fund Limited ('the Company') and its subsidiaries (together 'the Group') invest in the equity and equity related financial instruments of new and existing companies of Sri Lanka which undertake projects with potential for high growth.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

2. Basis of preparation

2.1 Statement of compliance

The Consolidated Financial Statements of the Group and the Financial Statements of the Company which comprise the Statement of financial position, Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows and notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) as laid down by the Institute of

Chartered Accountants of Sri Lanka (CA Sri Lanka), and comply with the requirements of Companies Act No. 7 of 2007.

2.2 Approval of Financial Statements by Directors

The consolidated and Company's Financial Statements were authorised for issue by the Board of Directors in accordance with the resolution of the directors on 01 August 2017.

2.3 Basis of measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements except for the following;

- Available-for-sale financial assets are measured at fair value

2.4 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise.

2.5 Use of estimates and judgments

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in the following notes:

- i. Note 3.3 - Identification, measurement and assessment of impairment of financial assets
- ii. Note 3.3 - Recognition and measurement of financial instruments
- iii. Note 3.11.2 - Recognition of deferred tax liabilities

2.6 Changes in accounting policies

No changes in accounting policies have taken place during the year ended 31 March 2017

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated. The accounting policies of the company have been consistently applied by the Group entities where applicable and deviations if any, have been disclosed accordingly.

3.1 Basis of consolidation

3.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognized in profit or loss immediately. Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in statement of profit or loss and other comprehensive income.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date on which control ceases.

3.1.2.1 Critical judgments in applying the entity's accounting policies

The directors have concluded that the group has control and voting rights over its subsidiaries as depicted in Note 3.1.2.2.

3.1.2.2 Interest in subsidiaries

Set out below are the group's principal subsidiaries as at 31 March 2017.

Name of the entity	Place of business / Country of incorporation	Percentage of ownership held by the group	Principal services
LVS Energy (Private) Limited	Kolannawa – Sri Lanka	57.75%	Investment in power generation companies
Unit Energy Lanka (Private) Limited	Ginigathena – Sri Lanka	54.86%	Building and operating of mini hydropower stations and supply of electricity to the National Grid.
Lanka Energy International (Private) Limited	Colombo – Sri Lanka	100.00%	Investing in new and existing companies outside Sri Lanka which undertake projects with potential for high growth
Sapthakanya Hydro Electric Company (Private) Limited	Norton Bridge - Sri Lanka	85.00%	Building and operating of mini hydropower stations and supply of electricity to the National Grid.
Pupulaketiya Mini Hydro Power (Private) Limited	Ratnapura - Sri Lanka	100.00%	Building and operating of mini hydropower stations and supply of electricity to the National Grid.
Campion Hydro (Private) Limited	Bogawantalawa – Sri Lanka	84.29%	Building and operating of mini hydropower stations and supply of electricity to the National Grid.

3.1.3 Non-controlling interest (NCI)

NCI are measured at their proportionate share of acquirer's identifiable net assets at the date of acquisition. Changes in the group interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.4 Loss of control

When the group loses control over a subsidiary, it derecognizes the asset and liabilities of the subsidiary, and any related NCI (if applicable) and other components of equity. Any resulting gain or loss is recognized in the statement of profit or loss and other comprehensive income. Any interest in the former subsidiary is measured at fair value when control is lost.

3.1.5 Interests in equity – accounted investees

The group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

3.1.6 Transactions eliminated on consolidation

Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee against the investment in the investee. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

3.2 Foreign currency translation

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into rupees at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into rupees at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially as such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group

disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.3 Financial instruments

The Group classifies non-derivative financial assets into the following categories: available-for-sale financial assets and loans and receivables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(a) Non-derivative financial assets and financial liabilities – Recognition and de-recognition

The Group initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Group de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(a-i) Non-derivative financial assets – Measurement

Loans and receivable	These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. Loans and receivables comprise cash and cash equivalents and trade and other receivables, including related party receivables.
Available-for-sale financial assets	These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and accumulated in the available for sale reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand form an integral part of the groups cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

Trade and other receivables

Trade and other receivables are stated at their estimated realisable amounts.

(a-ii) Non-derivative financial liabilities - Measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

(a-iii) Fair value measurement

SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

A Fair value measurement requires an entity to determine all the following;

1. the particular asset or liability that is the subject of the measurement
2. for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).
3. the principal (or most advantageous) market for the asset or liability.
4. the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same - to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration,

uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

- Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(a-iv) Reclassification

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurements categories are not permitted following initial recognition.

Held for trading non-derivative financial assets are transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or

repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are transferred out of the available for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognized in shareholder's equity prior to the date of reclassification is amortised to the profit or loss over the remaining life of the financial asset, using the effective interest method.

(b) Impairment

(b-i) Non-derivative financial assets

Financial assets not classified at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;

- adverse changes in the payment status of borrowers or issuers
- the disappearance of an active market for a security; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired asset continues to be recognized. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through the statement of profit or loss and other comprehensive income.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to the statement of profit or loss and other comprehensive income. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in statement of profit or loss and other comprehensive income. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through statement of profit or loss; otherwise, it is reversed through OCI.

Equity accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

(b-ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business

combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in the statement of profit or loss and other comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased

software that is integral to the functionality of the related equipment is capitalised as part of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.4.2 Subsequent costs

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Statement of Income as incurred. Costs incurred in using or redeploying items are not included under carrying amount of an item.

3.4.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. In the year of acquisition depreciation is computed on proportionate basis from the month the asset is put in to use and no depreciation will be charged to the month in which the particular asset was disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

Plant and machinery	30 Years
Building	30 Years
Computer systems	4 Years
Motor vehicle	5 Years
Office equipment	5 Years
Furniture and fittings	8 Years

3.4.4 Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization.

3.4.5 Derecognition

The carrying amount of an item of property, plant & equipment is derecognized on disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in of profit or loss.

When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

3.4.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds

3.5 Intangible assets

Intangible assets that are acquired by the Group include right to use land and cost incurred to obtain approval for power projects, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

3.5.1 Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognized in the statement of profit or loss and other comprehensive income as incurred.

3.5.2 Amortisation

Amortisation is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current periods are as follows:

Right to use lands	-	27 Years
Approval cost	-	15 Years

3.6 Stated capital

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.7 Trade and other Payables

Trade and other payables are stated at their cost.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

3.9 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments of a Subsidiary, Associate for which the Company is also liable severally or otherwise are also included with appropriate disclosures.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

3.10 Income and expenses and basis of measurement

3.10.1 Interest

Interest income is recognized on a time proportion basis using the effective interest rate method as set out in LKAS 39 – Financial Instruments Recognition and Measurement

3.10.2 Dividend income

Dividend income is recognised in profit or loss on an accrual basis when the Company's right to

receive the dividend is established.

This is usually on the ex-dividend date for equity securities. Dividends are presented in net trading income or net income from other financial instruments at fair value through profit or loss based on the underlying classification of the equity investment. Dividends on available-for-sale equity securities are presented in dividend income.

3.10.3 Other income

Other Income is recognized on an accrual basis.

3.10.4 Expenditure

The expenses are recognised on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant & equipment in a state of efficiency is charged against income in arriving at the profit for the year.

3.10.5 Profit / loss from sale of property, plant and equipment

Profit/loss from sale of property, plant and equipment are recognised in the period in which the sale occurs and is classified as other operating income.

3.11 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or other comprehensive income.

3.11.1 Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates specified in Note 13.

Provision for taxation on overseas subsidiaries/ equity accounted investees are made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the relevant statutes in those countries.

3.11.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively

enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax is not recognized for the undistributed profits of subsidiaries as the parent company has control over the dividend policy of its subsidiaries and distribution of those profits.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.11.3 Offsetting

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

3.11.4 Withholding tax on dividends

Dividend distributed out of taxable profit of the local Subsidiaries attracts a 10% deduction at source and is not available for set off against the tax liability of the Company. Thus, the withholding tax deducted at source is added to the tax expense

of the Subsidiaries in the Consolidated Financial Statements as a consolidation adjustment.

Withholding tax that arise from the distribution of dividends by the Company are recognised at the same time as the liability to pay the related dividend is recognised.

3.12 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.13 Comparatives

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the Financial Statements are amended, comparative amounts are reclassified unless it is impracticable.

3.14 Cash flow statement

The Cash Flow Statement has been prepared using the indirect method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS 7) - Statement of Cash Flows. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand, balances with banks and repurchase agreements.

3.15 Events occurring after the reporting period

All material events the reporting date have been considered and where appropriate, adjustments or disclosures have been made in respective notes to the Financial Statements.

3.16 Director's responsibility statement

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements.

4. Financial risk management

4.1 Introduction and overview

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

4.2 Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board consists of Directors with wide financial and commercial knowledge and experience.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management

standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

4.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment in debt securities and amounts due from related parties.

4.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The group ensures its liquidity is maintained by investing in short, medium and long-term financial instruments to support operational and other funding requirements. The group determines its liquidity requirements by the use of both short and long-term cash forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding adequacy for at least a 12-month period and the same is reviewed on an annual basis.

4.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable

parameters, while optimising the return.

4.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- training and professional development
- ethical and business standards

4.7 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor market confidence and to sustain future development of the business.

The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. Company wishes to raise additional capital to invest in more diversified investments to mitigate the future operational risk.

5. New accounting standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the following new Sri Lanka Accounting Standards which will become applicable for financial period after 1st April 2017. Accordingly, these Standards have not been applied in preparing these Financial Statements.

New or amended Standards	Summary of requirements
SLFRS 09 Financial Instruments	SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company currently plans to apply SLFRS 9 initially on 1 January 2018.
SLFRS 15 Revenue from contract with customers	SLFRS 15 establishes a comprehensive framework for determining revenue recognition by a 5 step model and will replace the existing LKAS 18 & LKAS 11. SLFRS 15, will be applicable for the financial periods beginning on or after 1 January 2018.
SLFRS 16 – Leases	SLFRS 16 replaces existing leases guidance including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019.

The extent of the impact of the above standards to the Financial Statements has not been determined as at 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

For the year ended 31 March	Group		Company	
	2017	2016	2017	2016
6 Investment income				
Dividend income	-	22,936	323,970	268,493
Management fee	279	884	-	-
	279	23,820	323,970	268,493
7 Interest income				
Interest on savings	1,483	2,514	-	-
Interest on fixed deposits	1,630	-	1,601	-
Interest on security purchased under resale agreement	9,045	4,420	8,410	3,953
	12,158	6,934	10,011	3,953
8 Other income				
Interest income on advances given to related parties	-	-	16,414	1,066
	-	-	16,414	1,066
9 Subsidiary company income				
Power generation income	224,457	248,351	-	-
Direct expenses	(88,767)	(81,499)	-	-
	135,690	166,852	-	-

Subsidiary company income constitutes power generation income of Unit Energy Lanka (Private) Limited and Sapthaganya Hydro Electric Company (Private) Limited. Income from other sources in these companies are shown under the relevant line item under Revenue.

10 The result from operating activities is after charging all expenses including the following;

Staff salaries	3,728	-	3,728	-
Defined contribution plan cost (EPF,ETF)	559	-	559	-
Bonus	1,604	-	1,604	-
Directors' fees	653	-	653	-
Management fees	1,000	1,000	1,000	1,000
Auditors' remuneration	787	754	317	317
Depreciation	30,038	17,967	-	-
Amortization	319	188	-	-
11 Finance cost				
Borrowing & other charges	78,404	42,011	52,052	21,017
Dividend on cumulative redeemable preference shares	75,171	52,077	58,273	42,271
	153,575	94,088	110,325	63,288

12 Share of profit of equity accounted investees

The Group's share of profit from its equity accounted investees for the year was Rs. 423,360,157/- (2016 - Rs 303,892,247/-).

During the year Company received dividend (net of WHT) of Rs. 131,652,022/-, Rs. 32,744,250/- and Rs. 46,368,603/- from Pawan Danavi (Private) Limited, Nala Dhanavi (Private) Limited and Nividhu (Private) Limited respectively.(2016 - Rs. 129,744,000/- , Rs. 70,339,500/- and Nil) respectively.

Lanka Energy International (Private) Limited received a dividend (net of WHT) of Rs. 45,858,415/- (2016 - Nil) from Lakdhanavi Bangla Power Limited during the financial year.

None of the Group's equity accounted investees are publicly listed entities and consequentially do not have published price quotations.

Summary of financial information for equity accounted investees are as follows.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

	Country of corporation	Ownership	Current assets	Non current assets	Total assets	Current liabilities	Non current liabilities	Total liabilities	Net assets	Income	Expenses	Profit / (loss)	Group's share of profit / (loss)
2016													
	Pawan Danavi (Private) Limited	40.00%	139,772	2,324,086	2,463,858	372,685	641,014	1,013,699	1,450,159	628,957	(287,208)	341,749	136,700
	Hayleys Hydro Energy (Private) Limited	49.00%	1,527	119,100	120,627	202	-	202	120,425	-	(557)	(557)	(273)
	Nala Dhanavi (Private) Limited	49.00%	71,971	1,257,067	1,329,038	198,489	606,016	804,505	524,533	281,150	(173,329)	107,821	52,832
	Neluwa Cascade Hydro Power (Private) Limited	49.00%	19,870	309,058	328,928	47,948	72,053	120,001	208,927	92,257	(50,818)	41,439	20,305
	Raj Lanka Power Company Limited	20.25%	1,498,841	6,621,782	8,120,623	1,805,503	3,756,276	5,561,779	2,558,844	5,390,131	(5,154,518)	235,613	47,712
	Lakdhanavi Bangla Power Limited	33.16%	2,071,800	6,262,077	8,333,877	1,891,054	4,187,143	6,078,197	2,255,680	4,773,224	(4,632,642)	140,582	46,617
			3,803,781	16,893,170	20,696,951	4,315,881	9,262,502	13,578,383	7,118,568	11,165,719	(10,299,072)	866,647	303,893
2017													
	Pawan Danavi (Private) Limited	40.00%	86,209	2,189,525	2,275,734	455,392	394,731	850,123	1,425,611	661,381	(320,229)	341,152	136,461
	Hayleys Hydro Energy (Private) Limited	49.00%	16,933	119,100	136,033	287	-	287	135,746	-	(758)	(758)	(371)
	Nala Dhanavi (Private) Limited	49.00%	53,916	1,185,955	1,239,871	213,520	474,222	687,742	552,129	294,342	(199,920)	94,422	46,267
	Neluwa Cascade Hydro Power (Private) Limited	49.00%	17,957	294,339	312,296	54,687	50,140	104,827	207,469	62,847	(46,859)	15,988	7,834
	Raj Lanka Power Company Limited	20.25%	1,464,652	6,611,456	8,076,108	1,945,639	3,220,555	5,166,194	2,909,915	5,019,474	(4,759,980)	259,494	52,547
	Lakdhanavi Bangla Power Limited	33.16%	1,464,313	6,245,576	7,709,889	1,402,868	3,796,244	5,199,112	2,510,777	3,899,285	(3,381,307)	517,977	171,761
	Parambe Hydro (Private) Limited	43.88%	3,896	77,004	80,900	-	-	-	80,900	-	-	-	-
	Kankiriya - Thambiliya Mini Hydro Power (Private) Limited	43.88%	24,271	10,383	34,654	3,914	-	3,914	30,740	-	-	-	-
	Nividhu (Private) Limited *	25.00%	115,226	147,056	262,282	30,194	-	30,194	232,088	39,527	(37,807)	1,720	7,426
	Nividhu Assupiniella (Private) Limited	25.00%	78,899	95,673	174,572	25,856	1,903	27,759	146,813	58,751	(53,013)	5,738	1,435
			3,326,272	16,976,067	20,302,339	4,132,357	7,937,795	12,070,152	8,232,187	10,035,606	(8,799,873)	1,235,733	423,360

* Group profit share of Nividhu (Private) Limited includes gain on bargain purchase of Rs. 6,995,556/- as mentioned in note 18.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

	Group		Company	
	2017	2016	2017	2016
13 Tax expense				
Income tax (note 13.1)	51,704	34,376	(13)	(622)
Deferred tax (note 29)	(6,232)	6,164	-	-
	45,472	40,540	(13)	(622)

13.1 Income tax expense

Liability to income tax of the Company and its subsidiaries has been computed in accordance with the provisions of Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

Current tax charge	53,136	35,126	1,405	128
Under/(over) provision of previous years	(1,432)	(750)	(1,418)	(750)
	51,704	34,376	(13)	(622)

13.1.1 Reconciliation between accounting profit and taxable income

Profit / (loss) before income tax	510,405	397,449	339,024	207,275
Disallowable expenses	152,214	71,570	59,208	43,609
Allowable expenses	(1,551)	(1,151)	-	-
Income from other sources and exempt income	(552,653)	(322,309)	(450,249)	(269,559)
Taxable business profit/(loss) for the year	108,415	145,559	(52,017)	(18,675)
Other income liable for tax	20,202	3,646	18,014	1,066
Total statutory income	128,617	149,205	18,014	1,066
Tax loss utilized	(45,090)	(51,494)	(6,305)	-
Assessable / taxable income	83,527	97,711	11,709	1,066
Income tax charged at the rate of 12%	10,112	128	1,405	128
Income tax charged at the rate of 10%	-	9,563	-	-
Income tax charged at the rate of 17.5%	-	46	-	-
Income tax charged at the rate of 28%	33	210	-	-
With holding tax on dividend	42,991	25,179	-	-
Tax expense for the year	53,136	35,126	1,405	128

The Company tax rate is 12% and the other companies in the Group are taxed at following rates;

Name of the company	Applicable tax rate	
	2017	2016
Unit Energy Lanka (Private) Limited	12%	10%
Sapthakanya Hydro Electric Company (Private) Limited	12%	17.5%
LVS Energy (Private) Limited	28%	28%
Lanka Energy International (Private) Limited	28%	28%

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

13.1.2 Tax losses

	Group		Company	
	2017	2016	2017	2016
Unutilized tax losses at the beginning of the year	113,249	152,141	18,301	-
Tax losses recognized during the year	52,058	12,602	51,892	18,675
	165,307	164,743	70,193	18,675
Tax losses utilized	(45,090)	(51,494)	(6,305)	(374)
Unutilized tax losses at the end of the year	120,217	113,249	63,888	18,301

14 Basic earnings per share

Basic earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, as per the requirements of the Sri Lanka Accounting Standards LKAS 33 - Earnings per share.

During the period the Company issued 42,025,281 ordinary shares.

	Group		Company	
	2017	2016	2017	2016
Weighted average number of ordinary shares in issue				
Present number of ordinary shares ('000)	462,278	420,253	462,278	420,253
Weighted average number of ordinary shares in issue ('000)	451,772	418,307	451,772	418,307
Profit attributable to equity holders of the company	424,000	295,819	339,037	207,897
Earnings per share	0.94	0.71	0.75	0.50

Diluted earnings per share is same as computed above.

15 Dividend per share

Dividend per share is based on the dividend relevant for the year.

	Company	
	2017	2016
Dividend	277,367	231,139
Number of ordinary shares ('000)	462,278	420,253
Dividend per share	0.60	0.55

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

16 Property, plant and equipment (Group)

	Land	Plant & Machinery	Building	Work in progress	Total
Cost					
Balance as at 01 April 2015	10,383	532,807	2,828	288,756	834,774
Transfers during the year	-	288,756	-	(288,756)	-
Additions/(disposals) during the year	-	63,026	-	71,324	134,350
Balance as at 31 March 2016	10,383	884,589	2,828	71,324	969,124
Accumulated depreciation					
Balance as at 01 April 2015	-	(125,631)	(104)	-	(125,735)
Charge for the year	-	(17,848)	(119)	-	(17,967)
Balance as at 31 March 2016	-	(143,479)	(223)	-	(143,702)
Carrying amounts	10,383	741,110	2,605	71,324	825,422
Cost					
Balance as at 01 April 2016	10,383	884,589	2,828	71,324	969,124
Additions/(disposals) during the year	(10,383)	-	-	263,986	253,603
Balance as at 31 March 2017	-	884,589	2,828	335,310	1,222,727
Accumulated depreciation					
Balance as at 01 April 2016	-	(143,479)	(223)	-	(143,703)
Charge for the year	-	(29,919)	(119)	-	(30,038)
Balance as at 31 March 2017	-	(173,398)	(342)	-	(173,741)
Carrying amounts	-	711,191	2,486	335,310	1,048,986

- (a) On reassessment of fair values of Group's assets, it had been identified that there is no permanent impairment of property, plant and equipment which requires a provision in the Financial Statements.
- (b) During the period there was an addition of Rs. 263,985,644/- to work-in progress in respect of Campion Hydro (Private) Limited which has not commenced its operations yet.
- (c) Refer note no. 27 for information regarding property plant & equipment pledged as securities for liabilities obtained by subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

17 Investment in subsidiaries (Company)

As at 31 March	2017		2016	
	% of holding	Cost of investment	% of holding	Cost of investment
LVS Energy (Private) Limited	57.75%	135,397	52.63%	101,303
Kankiriya - Thambiliya Mini Hydro Power (Private) Limited	-	-	100.00%	31,585
Lanka Energy International (Private) Limited	100.00%	1,085,000	100.00%	1,085,000
Sapthakanya Hydro Electric Company (Private) Limited	85.00%	142,800	58.33%	98,000
Pupulaketiya Mini Hydro Power (Private) Limited	100.00%	9,000	100.00%	9,000
Campion Hydro (Private) Limited	84.29%	118,000	73.91%	85,000
		1,490,197		1,409,888

17.1 LVS Energy (Private) Limited owns 95.00% (2016 - 89.19%) of Unit Energy Lanka (Private) Limited, which is treated as a sub-subsidiary of LVL Energy Fund Limited in the Consolidated Financial Statements.

17.2 Company has lost the control over the Kankiriya-Thambiliya Mini Hydro Power (Private) Limited on 30 March 2017, by transferring its investments of Rs. 31.5 Mn and Receivables of 4 Mn to Parambe (Private) Limited and obtained shares of Rs. 35.5 Mn (43.88%)

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

17.3 Non controlling interest (NCI)

The following table summarizes the information related to each of the Group's subsidiaries that has material NCI, before any intra - group eliminations.

As at 31 March	2017		2016			
	LVS Energy (Private) Limited	Unit Energy Lanka (Private) Limited	LVS Energy (Private) Limited	Unit Energy Lanka (Private) Limited	Campion Hydro (Private) Limited	Sapthakanya Hydro Electric Company (Private) Limited
NCI Percentage	42.25%	45.14%	47.37%	53.06%	26.09%	41.67%
Non current assets	217,000	380,309	192,000	398,709	104,324	351,107
Current assets	85	33,965	6,496	71,826	9,344	14,771
Non - current liabilities	-	151,128	-	131,401	-	175,000
Current liabilities	173	28,037	3,269	72,271	-	15,580
Net assets	216,912	235,109	195,227	266,862	113,668	175,298
Carrying amount of NCI	91,644	106,121	92,479	141,597	29,652	73,041
Revenue	94,286	166,064	87,284	140,199	-	27,619
Profit for the year	93,822	78,031	86,940	104,957	(1,332)	13,125
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	93,822	78,031	86,940	104,957	(1,332)	13,125
Profit allocated to NCI	39,640	38,617	41,184	55,690	(348)	5,469
OCI allocated to NCI	-	-	-	-	-	-
Cash flows from operating activities	90,717	(3,922)	89,917	45,365	(1,977)	23,989
Cash flows from investment activities	(25,000)	-	-	(2,657)	10,676	(49,669)
Cash flows from financing activities	(72,137)	(11,465)	(86,400)	(51,780)	-	36,758
Net cash increase (decrease) in cash equivalent	(6,420)	(15,387)	3,517	(9,072)	8,699	11,078

Campion Hydro (Private) Limited (15.71%) and Sapthakanya Hydro Electric (Private) Limited (15.00%) are not considered as material NCI during the year.

17.3.1 Acquisition of NCI

Investor Company	Investee Company	Investment	Increase in holding %	Number of shares acquired	Cash consideration paid to NCI
LVL Energy Fund Limited	Sapthakanya Hydro Electric Company (Private) Limited	44,800	26.67%	4,480,000	44,800
	Campion Hydro (Private) Limited	8,000	10.37%	800,000	8,000
	LVS Energy (Private) Limited	9,095	5.12%	454,737	9,095
LVS Energy (Private) Limited	Unit Energy Lanka (Private) Limited	25,000	7.92%	1,250,000	25,000
		86,895			

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

18 Investment in equity accounted investees

Company	% of Ownership	2017	2016
Hayleys Hydro Energy (Private) Limited	49.00%	58,800	58,800
Pawan Danavi (Private) Limited	40.00%	424,000	424,000
Nala Dhanavi (Private) Limited	49.00%	242,550	242,550
Nividhu (Private) Limited	25.00%	228,411	-
Parambe Hydro (Private) Limited	43.88%	35,500	-
		989,261	725,350

Group	Effective holding	As at 01 April	Acquisitions	Share of profits	Preference dividend	Share of OCI	Foreign currency adjustment	Dividend distribution	As at 31 March
2016									
Hayleys Hydro Energy (Private) Limited	49.00%	56,131	-	(273)	-	-	-	-	55,858
Neluwa Cascade Hydro Power (Private) Limited	49.00%	51,340	-	20,305	(24,421)	(59)	-	-	47,165
Pawan Danavi (Private) Limited	40.00%	587,524	-	136,700	-	-	-	(144,160)	580,064
Nala Dhanavi (Private) Limited	49.00%	274,527	-	52,832	-	-	-	(70,340)	257,019
Lakdhanavi Bangla Power Limited	33.16%	670,050	-	46,617	-	-	31,236	-	747,903
Raj Lanka Power Company Limited	20.25%	437,225	-	47,712	-	-	33,234	-	518,171
		2,076,797	-	303,893	(24,421)	(59)	64,470	(214,500)	2,206,180
2017									
Hayleys Hydro Energy (Private) Limited	49.00%	55,858	-	(371)	-	3	-	-	55,490
Neluwa Cascade Hydro Power (Private) Limited	49.00%	47,165	-	7,834	-	325	-	-	55,324
Pawan Danavi (Private) Limited	40.00%	580,064	-	136,461	-	-	-	(146,280)	570,245
Nala Dhanavi (Private) Limited	49.00%	257,019	-	46,267	-	-	-	(32,744)	270,542
Lakdhanavi Bangla Power Limited	33.16%	747,903	-	171,761	-	-	(3,881)	(83,210)	832,573
Raj Lanka Power Company Limited	20.25%	518,171	-	52,547	-	8,301	10,237	-	589,256
Nividhu (Private) Limited *	25.00%	-	228,411	7,426	-	-	-	(48,653)	187,184
Nividhu Assupiniella (Private) Limited	25.00%	-	-	1,435	-	-	-	-	1,435
Parambe Hydro (Private) Limited	43.88%	-	35,500	-	-	-	-	-	35,500
Kankiriya - Thambiliya Mini Hydro Power (Private) Limited	43.88%	-	-	-	-	-	-	-	-
		2,206,180	263,911	423,360	-	8,629	6,356	(310,887)	2,597,549

18 Investment in equity accounted investees (Continued.)

*** Acquisition of interest in Nividhu (Private) Limited**

The Company increased its shareholding in Nividhu (Private) Limited on 22 June 2016 from 15% to 25% for Rs. 87,167,215/- . Accordingly the investment which was previously classified as an available for sale financial asset under long term investments is now treated as an equity accounted investee. Cumulative change in fair value in respect of this investment amounting to Rs. 108.3 Mn was transferred from available for sale reserve to Profit or Loss.

	Rs. '000
Fair Value of the shares acquired (2,186,667 shares @ Rs. 43.06)	94,163
Cost of Acquisition	87,167
Gain on bargain purchase	<u>6,996</u>
Transfer of fair value of the investment (Note 25.5.2)	141,244
Additional investment	87,167
Total	<u>228,411</u>

Summarised financial information of the above Companies are disclosed in note 12.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

19 Intangible assets

Group	2017			2016		
	Approval cost	Right to use land	Total	Approval cost	Right to use land	Total
Cost						
As at the beginning of the year	84,505	5,105	89,610	54,001	5,105	59,106
(+) Additions/ (transfers)	(24,172)	-	(24,172)	30,504	-	30,504
As at the end of the year	60,333	5,105	65,438	84,505	5,105	89,610
Accumulated amortization						
As at the beginning of the year	-	(987)	(987)	-	(799)	(799)
(+) Amortization for the period	(132)	(188)	(320)	-	(188)	(188)
As at the end of the year	(132)	(1,175)	(1,307)	-	(987)	(987)
Carrying value	60,201	3,930	64,131	84,505	4,118	88,623

Approval cost consist of expenditure incurred in connection with approvals, Surveys and engineering designs in respect of Pupalaketiya Hydro Power (Private) Limited (Rs. 28,351,537/-) and Campion Hydro (Private) Limited (Rs. 30,000,000/-). These costs are to be amortized with effect from commencement of commercial operations.

Land rights relate to the land in Peragahamulla, Ginigathena on which the power plant owned by Unit Energy Lanka (Private) Limited is located.

There has been no impairment of intangible assets that requires a provision in the Financial Statements. Method used in estimating recoverable amount was based on value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the assets.

20 Available for sale financial assets

Group/ Company	2017			2016		
	No. of shares	Cost of investment	Fair value	No. of shares	Cost of investment	Fair value
Nividhu (Private) Limited	-	-	-	3,280,000	32,980	146,860
		-	-		32,980	146,860

The Company increased its shareholding in Nividhu (Private) Limited on 22 June 2016 from 15% to 25% for Rs. 87,167,215/-. Accordingly the investment which was previously classified as an available for sale financial asset under long term investments is now treated as an equity accounted investee. Cumulative change in fair value in respect of this investment amounting to Rs. 108.3 Mn was transferred from available for sale reserve to Profit or Loss.(Refer Note no. 25.5.2)

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

	Group		Company	
	2017	2016	2017	2016
21 Loans and receivables				
Receivable from Ceylon Electricity Board	9,343	10,437	-	-
Other receivables	619	619	-	-
	9,962	11,056	-	-
22 Amounts due from related parties				
Acuity Partners (Private) Limited	437	437	437	437
Lanka Energy International (Private) Limited	-	-	26	534
Sapthakanya Hydro Electric Company (Private) Limited	-	-	43,925	14,159
Campion Hydro (Private) Limited	-	-	6,138	480
Kankiriya-Thambiliya Mini Hydro Power (Private) Limited	-	-	-	3,847
Pupulaketiya Hydro Power (Private) Limited	-	-	20,794	20,702
	437	437	71,320	40,159
23 Other receivables				
Prepayments	6,076	26,736	-	-
Dividend receivable	24,870	-	-	-
Receivable from Bambarapana Hydro (Private) Limited	124,000	-	124,000	-
Other receivables	588	14	564	-
	155,534	26,750	124,564	-
24 Cash and cash equivalents				
Cash at bank and in hand	32,126	57,423	2,523	818
Short term investments	51,190	70,808	45,194	62,050
	83,316	128,231	47,717	62,868

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

25 Financial risk management and financial instruments

25.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

	Note	Carrying amounts			
		Group		Company	
		2017	2016	2017	2016
Available for sale financial assets	20	-	146,860	-	146,860
Loans and receivables	21	9,962	11,056	-	-
Amounts due from related parties	22	437	437	71,320	40,159
Other receivables	23	155,534	26,750	124,564	-
Cash & cash equivalents	24	83,316	128,231	47,717	62,868
		249,249	313,334	243,601	249,887

Impairment losses

The aging of loans and receivables (Loans and receivables, amounts due from related parties and other receivables) at the reporting date was as follows.

	Carrying amounts			
	Group		Company	
	2017	2016	2017	2016
Below 30 days	29,515	10,512	-	-
30 - 45 days	3,077	-	-	-
46 - 60 days	1,077	981	-	-
Over 61 days	132,264	26,750	195,884	40,159
	165,933	38,243	195,884	40,159

There were no objective evidence of impairment as a result of one or more loss events that occurred subsequent to their initial recognition. Hence no impairment provision made in the financial statements as at 31 March 2017.

(All amounts in Sri Lanka Rupees thousands)

25 Financial risk management and financial instruments (continued.)

25.2 Exposure to liquidity risk

The following are the contractual maturities of financial liabilities:

The maturity analysis of liabilities - 2017

Group	Carrying value	Current	Non current		
		Upto 1 year	1 to 2 years	2 to 5 years	Above 5 years
Cumulative redeemable preference shares	763,311	273,311	75,000	290,000	125,000
Interest bearing borrowings	716,766	402,368	118,697	195,701	-

Company	Carrying value	Current	Non current		
		Upto 1 year	1 to 2 years	2 to 5 years	Above 5 years
Cumulative redeemable preference shares	423,311	273,311	75,000	75,000	-
Interest bearing borrowings	527,408	377,408	75,000	75,000	-

The maturity analysis of liabilities - 2016

Group	Carrying value	Current	Non current		
		Upto 1 year	1 to 2 years	2 to 5 years	Above 5 years
Cumulative redeemable preference shares	685,486	283,486	291,000	111,000	-
Interest bearing borrowings	536,682	166,682	105,000	265,000	-

Company	Carrying value	Current	Non current		
		Upto 1 year	1 to 2 years	2 to 5 years	Above 5 years
Cumulative redeemable preference shares	595,395	280,395	255,000	60,000	-
Interest bearing borrowings	302,297	77,297	75,000	150,000	-

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

25 Financial risk management and financial instruments (continued.)

25.3 Exposure to market risk

25.3.1 Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts

31 March	2017	2016
	BDT	BDT
Investment in equity accounted investees		
Raj Lanka Power Company Limited	234,920	234,920
Lakdhanavi Bangla Power Limited	386,800	386,800
Share of profit of equity accounted investees (net of income tax)		
Raj Lanka Power Company Limited	28,172	26,690
Lakdhanavi Bangla Power Limited	92,030	25,066

The following exchange rates applied on 31 March

Spot rate as at 31 March	2017	2016
Bangladesh Taka (BDT)	1.8909	1.8360

Sensitivity analysis

A strengthening /(weakening) of the LKR and BDT against all other currencies at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and increased /(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016, albeit that the impact of reasonably possible foreign exchange rate variances were nil, as indicated below.

	Equity		Profit or loss	
	Strengthening	Weakening	Strengthening	Weakening
31 March 2017				
BDT (10% movement)	22,729	(22,729)	22,729	(22,729)
31 March 2016				
BDT (10% movement)	9,502	(9,502)	9,502	(9,502)

(All amounts in Sri Lanka Rupees thousands)

25 Financial risk management and financial instruments (continued.)

25.3.2 Interest rate risk

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments were:

As at 31 March	Carrying amounts			
	Group		Company	
	2017	2016	2017	2016
Fixed rate instruments				
Financial assets	51,190	70,742	45,194	62,050
Financial liabilities	-	-	-	-
	51,190	70,742	45,194	62,050
Variable rate instruments				
Financial assets	-	-	-	-
Financial liabilities	1,480,077	1,222,168	950,719	897,691
	1,480,077	1,222,168	950,719	897,691

25.4 Analysis of financial instruments by measurement basis

The fair values of financial assets and liabilities, together with carrying amounts shown in the Statement of Financial Position are as follows.

Group

2017	Note	Fair value through profit or loss	Available for sale financial assets	Loans and receivables	Held to maturity investments	Other financial liabilities	Total
Financial assets							
Available for sale Financial assets	20	-	-	-	-	-	-
Loans and receivables	21	-	-	9,962	-	-	9,962
Amounts due from related parties	22	-	-	437	-	-	437
Other receivables	23	-	-	155,534	-	-	155,534
Cash & cash equivalents	24	-	-	83,316	-	-	83,316
		-	-	249,249	-	-	249,249
Financial liabilities							
Interest bearing borrowings	27	-	-	-	-	716,766	716,766
Cumulative redeemable preference shares	28	-	-	-	-	763,311	763,311
Other payables	30	-	-	-	-	6,260	6,260
		-	-	-	-	1,486,337	1,486,337

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

25 Financial risk management and financial instruments (continued.)

25.4 Analysis of financial instruments by measurement basis (continued.)

Group

2016	Note	Fair value through profit or loss	Available for sale financial assets	Loans and receivables	Held to maturity investments	Other financial liabilities	Total
Financial assets							
Available for sale financial assets	20	-	146,860	-	-	-	146,860
Loans and receivables	21	-	-	11,056	-	-	11,056
Amounts due from related parties	22	-	-	437	-	-	437
Other receivables	23	-	-	26,750	-	-	26,750
Cash & cash equivalents	24	-	-	128,231	-	-	128,231
		-	146,860	166,474	-	-	313,334
Financial liabilities							
Interest bearing borrowings	27	-	-	-	-	536,682	536,682
Cumulative redeemable preference shares	28	-	-	-	-	685,486	685,486
Other payables	30	-	-	-	-	6,546	6,546
		-	-	-	-	1,228,714	1,228,714

Company

2017	Note	Fair value through profit or loss	Available for sale financial assets	Loans and receivables	Held to maturity investments	Other financial liabilities	Total
Financial assets							
Available for sale financial assets	20	-	-	-	-	-	-
Loans and receivables	21	-	-	-	-	-	-
Amounts due from related parties	22	-	-	71,320	-	-	71,320
Other receivables	23	-	-	124,564	-	-	124,564
Cash & cash equivalents	24	-	-	47,717	-	-	47,717
		-	-	243,601	-	-	243,601
Financial liabilities							
Interest bearing borrowings	27	-	-	-	-	527,408	527,408
Cumulative redeemable preference shares	28	-	-	-	-	423,311	423,311
Other payables	30	-	-	-	-	2,998	2,998
		-	-	-	-	953,717	953,717

(All amounts in Sri Lanka Rupees thousands)

25 Financial risk management and financial instruments (continued.)

25.4 Analysis of financial instruments by measurement basis (continued.)

Company

2016	Note	Fair value through profit or loss	Available for sale financial assets	Loans and receivables	Held to maturity investments	Other financial liabilities	Total
Financial assets							
Available for sale financial assets	20	-	146,860	-	-	-	146,860
Loans and receivables	21	-	-	-	-	-	-
Amounts due from related parties	22	-	-	40,159	-	-	40,159
Other receivables	23	-	-	-	-	-	-
Cash & cash equivalents	24	-	-	62,868	-	-	62,868
		-	146,860	103,027	-	-	249,887
Financial liabilities							
Interest bearing borrowings	27	-	-	-	-	302,297	302,297
Cumulative redeemable preference shares	28	-	-	-	-	595,395	595,395
Other payables	30	-	-	-	-	594	594
		-	-	-	-	898,286	898,286

The Company does not anticipate the fair value of the above to be significantly different to their carrying values and consider the impact as non material for disclosure.

25.5 Fair value measurement

25.5.1 The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

Group / Company	Note	Level 1	Level 2	Level 3	Total
2017					
Available for sale financial assets	20	-	-	-	-
2016					
Available for sale financial assets	20	-	-	146,860	146,860

There were no transfers between Level 1, Level 2 and Level 3 during 2016 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

25 Financial risk management and financial instruments (continued.)

25.5 Fair value measurement (continued.)

25.5.2 Movement of the financial assets Available-for-sale, classified as "Level 3" in the fair value hierarchy

Group / Company

2017

Balance as at 01 April 2016	146,860
Net change in fair value	(5,616)
Balance as at 22 June 2016	141,244
Fair value of investment transferred to equity accounted investee	(141,244)
Balance as at 31 March 2017	-

2016

Balance as at 01 April 2015	150,431
Net change in fair value	(3,571)
Balance as at 31 March 2016	146,860

25.5.3 Valuation techniques and significant unobservable inputs

Group / Company

The following table show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used, at the date of transfer of AFS investment to equity accounted investee.

Type	Valuation technique	Significant unobservable data	
Equity instruments (Preference shares)	The fair value of equity is measured using the discounted cash flow approach considering the Free Cash Flow to Equity (FCFE).	Tariff growth	0%
Nividhu (Private) Limited		Terminal values (LKR)	
		Belihul Oya	86,517,036
		Assupini Ella	245,971,574
		Projected generation	
		Belihul Oya	88.00%
		Assupini Ella	92.00%
		Inflation	6.10%
		Cost of equity	15.60%
		Discount for lack of control	5%
	Discount for lack of marketability	10%	

(All amounts in Sri Lanka Rupees thousands)

25 Financial risk management and financial instruments (continued.)

25.5.4 Sensitivity analysis

For the fair values of equity instruments, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have following effects.

Group / Company

	Fair value	Change in OCI
Projected generation (10% decrease)	130,368	(10,876)
Tariff growth (2% increase)	149,436	8,192
Cost of equity @ 25%	118,786	(22,458)
Cost of equity @ 15%	150,143	8,898
Inflation @ 10%	119,916	(21,328)
Terminal value (20% decrease)	135,877	(5,367)

26 Stated capital

	Group		Company	
	2017	2016	2017	2016
Balance as at 1 April	1,370,270	1,357,300	1,370,270	1,357,300
Issued during the year	336,202	12,970	336,202	12,970
Balance as at 31 March	1,706,472	1,370,270	1,706,472	1,370,270
Number of shares				
As at 1 April	420,252,836	412,470,836	420,252,836	412,470,836
Issued during the year	42,025,281	7,782,000	42,025,281	7,782,000
As at 31 March	462,278,117	420,252,836	462,278,117	420,252,836

During the year the Company issued ordinary shares to the value of Rs. 336,202,248/- in a form of rights issue at a rate of Rs. 8/- per share.

The holders of ordinary shares are entitled to recover dividends as declared from time to time, and are entitled to one vote per individual at meetings of shareholders or one vote per share in case of poll.

Outstanding value of redeemable preference shares as at 31 March 2017 was Rs. 405 Mn which are classified as a financial liability. According to the Companies Act No. 07 of 2007, redeemable preference shares form a part of the stated capital.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

26 Stated capital (continued.)

Stated capital as per the requirements of the Companies Act No. 07 of 2007.

	Note	Group		Company	
		2017	2016	2017	2016
Ordinary share capital	26	1,706,472	1,370,270	1,706,472	1,370,270
Redeemable preference shares	28	745,000	660,000	405,000	570,000
Stated capital as per the Companies Act No. 07 of 2007		2,451,472	2,030,270	2,111,472	1,940,270

27 Interest bearing borrowings

As at 01 April	536,682	487,891	302,297	201,269
Repayments during the year	(311,465)	(51,780)	(75,000)	-
Obtained during the period	490,000	100,000	300,000	100,000
Interest payable/ overpaid at the end of the year	1,549	571	111	1,028
As at 31 March	716,766	536,682	527,408	302,297
Repayments due within one year	402,369	166,682	377,408	77,297
Repayments due after one year	314,397	370,000	150,000	225,000
	716,766	536,682	527,408	302,297

Financial institution	Security	Repayment terms and maturity	Nominal interest rate	Principal value	Amount outstanding
LVL Energy Fund Limited					
Hatton National Bank PLC	Unsecured	48 equal monthly installments commenced in April 2016.	AWPLR of the preceding month plus 1.25% p.a.	300,000	227,408
DFCC Bank PLC	Unsecured	Repayable in one installment on or before 29 December 2017.	AWPLR of the preceding month plus 1.20% p.a.	300,000	300,000
Sub total					527,408
Unit Energy Lanka (Private) Limited					
Commercial Bank of Ceylon PLC	Machinery and equipment in Carolina Estate, Watawala, Gampola.	Repayment is in 35 monthly installments commenced in March 2017.	AWPLR of the preceding month plus 2.50% p.a.	50,000	47,920
Sub total					47,920
Campion Hydro (Private) Limited					
Commercial Bank of Ceylon PLC	Leasehold right of land and immovable project assets in Campion Tea Estate, Bogawanthalawa.	77 equal monthly installments commencing in September 2018.	AWPLR of the preceding month plus 2.00% p.a.	140,000	141,438
Sub total					141,438
Total interest bearing borrowings					716,766

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

28 Cumulative redeemable preference shares

Date	Security	Repayment terms and maturity	No. of shares	Dividend rate	Balance as at 01 April 2016	Issued during the year	Redeemed during the year	Balance as at 31 March 2017
LVL Energy Fund Limited								
31-Dec-12	Unsecured	Redemption of these preference shares are in 05 equal annual installments that commenced on 30 September 2013.	30,000,000	AWPLR of the preceding quarter plus 0.5% p.a.	120,000	-	(60,000)	60,000
2-Mar-15	Unsecured	Redemption of these preference shares are in 03 equal annual installments that commenced on 30 September 2015.	36,000,000	AWPLR of the preceding month plus 0.5% p.a.	240,000	-	(120,000)	120,000
22-Sep-15	Unsecured	Redemption of these preference shares will be in 08 equal bi-annual installments commencing from 30 September 2016.	80,000	AWPLR of the preceding month plus 0.5% p.a.	80,000		(75,000)	225,000
18-Nov-15			100,000		100,000	-		
26-Feb-16			30,000		30,000	-		
31-May-16			90,000		-	90,000	-	
Sub Total					570,000	90,000	(255,000)	405,000
Unit Energy Lanka (Private) Limited								
6-Feb-15	Unsecured	Redemption of these preference shares will be in 09 consecutive equal quarterly installments commencing from 30 June 2019.	9,000,000	AWPLR of the preceding month plus 3.5% p.a.	90,000	-	-	90,000
Sub Total					90,000	-	-	90,000

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

28 Cumulative redeemable preference shares (Continued)

Date	Security	Repayment terms and maturity	No. of shares	Dividend rate	Balance as at 01 April 2016	Issued during the year	Redeemed during the year	Balance as at 31 March 2017
Campion Hydro (Private) Limited								
30-Dec-16	Unsecured	Redemption of these preference shares will be commencing from 31 December 2020 in twenty consecutive equal quarterly installments.	10,000,000	AWPLR of the preceding month plus 3.0% p.a.	-	100,000	-	100,000
Sub Total					-	100,000	-	100,000
Sapthakanya Hydro Electric Company (Private) Limited								
31-Jan-17	Unsecured	Redemption of these preference shares will be commencing from 31 December 2020 in twenty consecutive equal quarterly installments.	15,000,000	AWPLR of the preceding month plus 3.0% p.a.	-	150,000	-	150,000
Sub Total						150,000	-	150,000
Total					660,000	340,000	(255,000)	745,000

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

28 Cumulative redeemable preference shares (continued)

	Group		Company	
	2017	2016	2017	2016
Balance as at 01 April	685,486	657,519	595,395	567,441
Preference shares issued during the year	340,000	210,000	90,000	210,000
Preference shares redeemed during the year	(255,000)	(180,000)	(255,000)	(180,000)
	770,486	687,519	430,395	597,441
Preference dividend recognized during the year	75,171	52,077	58,273	42,271
Preference dividend paid during the year	(82,346)	(54,110)	(65,357)	(44,317)
	763,311	685,486	423,311	595,395
Non current liabilities				
Redeemable after one year	490,000	402,000	150,000	315,000
Current liabilities				
Redeemable within one year	273,311	283,486	273,311	280,395
	763,311	685,486	423,311	595,395

29 Deferred tax liability - Group

Deferred tax (assets) and liabilities are calculated on all taxable and deductible temporary differences arising from differences between accounting bases and tax bases of assets and liabilities.

The amount shown in the statement of financial position represents the following:

As at 31 March	2017	2016
Liabilities		
Property, plant and equipment	44,854	58,566
Assets		
Tax losses	(6,685)	(14,165)
Net deferred tax liability	38,169	44,401

The taxable and deductible temporary differences mainly arise from Property, plant & equipment and tax losses.

	Balance as at 31st March 2016	Recognized in profit or loss	Balance as at 31st March 2017
Plant and equipment	58,566	(13,712)	44,854
Tax losses	(14,165)	7,480	(6,685)
	44,401	(6,232)	38,169

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

29.1 Unrecognized deferred tax assets

As at 31 March 2017, a deferred tax asset of Rs. 7,666,551/- (2016 - Rs. 2,196,147/-) was not recognized since it is not probable that adequate taxable profits will be available in the foreseeable future to absorb these amounts.

	Company	
	2017	2016
Taxable temporary differences	-	-
Deductible temporary differences		
Tax losses	7,667	2,196
	<u>7,667</u>	<u>2,196</u>

30 Other payables

Dividend payable	-	3,069	-	-
Other payables	6,260	3,477	2,998	594
	6,260	6,546	2,998	594

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

	Group		Company	
	2017	2016	2017	2016
31 Income tax (receivable)/ payable				
31.1 Income tax receivable				
Balance as at 01 April	1,881	1,259	1,881	1,259
Provision for the year	(1,437)	(128)	(1,405)	(128)
WHT deduction	50	-	-	-
Under/(over) provision in the previous years	1,418	750	1,418	750
Payments during the year	194	-	-	-
Balance receivable as at 31 March	2,106	1,881	1,894	1,881
31.2 Income tax payable				
Balance as at 01 April	8,610	5,483	-	-
Provision for the year	51,699	34,998	-	-
WHT deduction	(119)	(706)	-	-
WHT on associate company dividends	(42,991)	(25,179)	-	-
Under/(over) provision in the previous years	(14)	-	-	-
Payments during the year	(15,198)	(5,986)	-	-
Balance payable as at 31 March	1,987	8,610	-	-

The tax receivables and payables are from separate group companies and do not have a right to set off.

32 Capital commitments and contingencies

Contingencies and commitment – Group

As per the Power Purchase Agreement (PPA), the following Companies (Equity accounted investees) shall secure Bangladesh Power Development Board (BPDB) an irrecoverable and unconditional bank guarantee as a security for compliance with Company's performance obligations. The amounts of bank guarantees as at 31 March 2017 are as follows :

	Amount (Rs.)	Banks
Lakdhanavi Bangla Power Limited	222,832,847	City Bank
Raj Lanka Power company Limited	219,730,143	Standard Bank

The above Companies are obliged to pay this bank guarantee amount to BPDB on demand in case of liquidity damage or other damage, interest or other amounts that the Company shall be required to pay BPDB.

The impact to the Group will be limited to the Company's shareholding in the respective equity accounted investees. There were no other commitments and contingencies as at the reporting date for the Company.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

33 Events after the reporting date

There are no events that occurred since the reporting date which would require adjustment to or disclosure in the Financial Statements.

34 Related parties

Lanka Ventures PLC (LVL) is the parent company for LVL Energy Fund Limited, which has 71.79% controlling interest and the ultimate parent is Acuity Partners (Private) Limited. Hatton National Bank PLC and DFCC Bank jointly control Acuity Partners (Private) Limited.

34.1 Transactions with key management personnel

Key management personnel include all the members of the Board of Directors of the Company, the acting CEO of Lanka Ventures PLC, Finance Manager and the Investment analyst of Lanka Ventures PLC, having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

Board of Directors of the Company are as follows;

Mr. A. J. Alles

Mr. A. R. Fernando

Mr. T. W. De Silva

Mr. S. E. De Silva

Mr. A. R. Munasinghe

Mr. M. R. Abeywardena

Mr. M. A. Wijetunge

Mr. D. S. Arangala

Mr. A. J. Alles is the Managing Director/Chief Executive Officer of Hatton National Bank PLC. He is a director of Acuity Partners (Private) Limited and Lanka Ventures PLC.

Mr. A. R. Fernando is a director and Chief Executive Officer of the DFCC Bank PLC. He is the Chairman of Acuity Partners (Private) Limited and director of Acuity Stockbrokers (Private) Limited and Lanka Ventures PLC.

Mr. T. W. De Silva is the Executive Vice President - Investment, International Relations and Strategic planning of DFCC Bank PLC. He is a director of Lanka Ventures PLC, Acuity Partners (Private) Limited, Acuity Stockbrokers (Private) Limited and alternate director of Acuity Securities Limited.

(All amounts in Sri Lanka Rupees thousands)

34 Related parties (Continued)

34.1 Transactions with key management personnel (Continued)

Mr. S. E. De Silva is a director of Lanka Ventures PLC.

Mr. A. R. Munasinghe is a director of Lanka Ventures PLC.

Mr. M. R. Abeywardena is the Managing Director/Chief Executive Officer of Acuity Partners (Private) Limited. He is the chairman of Acuity Stockbrokers (Private) Limited and Acuity Securities Limited. He is a director of Lanka Ventures PLC.

Mr. M. A. Wijetunge is a director of Lakdhanavi Bangla Power Limited.

Mr. D. S. Arangala is the Chief Executive Officer of the Company. He is a director of Nividhu (Private) Limited, LVS Energy (Private) Limited, Unit Energy Lanka (Private) Limited, Lanka Energy International (Private) Limited, Kankiriya Thambiliya Mini Hydro Power (Private) Limited, Pawan Danavi (Private) Limited, Hayleys Hydro Energy (Private) Limited, Nala Dhanavi (Private) Limited, Sapthakanya Hydro Electric Company (Private) Limited and Campion Hydro (Private) Limited.

Mr. K. Maheshwaran who is the Acting Chief Executive Officer of Lanka Ventures PLC is a director of LVS Energy (Private) Limited, Unit Energy Lanka (Private) Limited, Pawan Danavi (Private) Limited, Lanka Energy International (Private) Limited, Kankiriya- Thambiliya Mini Hydro Power (Private) Limited , Nala Dhanavi (Private) Limited , Raj Lanka Power Company Limited, Lakdhanavi Bangla Power Limited, Pupalaketiya Mini Hydro Power (Private) Limited, Sapthakanya Hydro Electric Company (Private) Limited, Campion Hydro (Private) Limited and he is an alternate director of Nividhu (Private) Limited.

Mr. D. L. Wijesekara who is the Finance Manager of Lanka Ventures PLC is a director of LVS Energy (Private) Limited, Unit Energy Lanka (Private) Limited and Kankiriya-Thambiliya Mini Hydro Power (Private) Limited and Campion Hydro (Private) Limited. He was appointed as a director of Sapthakanya Hydro Electric Company (Private) Limited 08 July 2016.

Ms. Ayoma Nanayakkara who is the Investment Analyst of Lanka Ventures PLC was appointed as a director in Campion Hydro (Private) Limited with effect from 08 August 2016.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

34.2 Transactions with key management personnel

(i) Key management personnel compensation

Compensation paid to / on behalf of key management personnel of the company are as follows.

	Group		Company	
	2017	2016	2017	2016
Director's remuneration	653	-	653	-
Short term employee benefits	4,819	-	4,819	-
Post employment benefits	-	-	-	-

(ii) Loans given to directors

Company has not given any loans for the directors of the company during the year ended 31 March 2017.

34.3 Other related party transactions

Company enters into transactions with related parties in the ordinary course of business on an arm's length basis on terms similar to comparable transactions with unrelated parties.

Outstanding balances at year end are unsecured and settlement occurs in cash. No guarantees were given or received in respect of the outstanding balances. Company did not recognize any provision for doubtful debt related to the amount of outstanding balances and did not recognize any expenses during the year in respect of bad or doubtful debts from related parties.

Name of the related party	Relationship	Nature of transaction	2017		2016	
			Amounts (paid)/ received	Balance 31 March	Amounts (paid)/ received	Balance 31 March
DFCC Bank PLC	Joint holder of the ultimate parent company	Redeemable preference shares	(165,000)	405,000	30,000	570,000
		Preference dividend	(65,357)	18,311	(44,317)	25,394
		Term loan	300,000	300,000	-	-
Hatton National Bank PLC	Joint holder of the ultimate parent	Term loan	(75,000)	225,000	100,000	300,000
		Interest on term loan	(31,383)	2,408	(19,962)	2,297
Acuity Securities Limited	Subsidiary of ultimate parent company	TB repurchase interest	6,431	19	1,185	-
		TB repurchase - Investment	-	45,194	-	-
Acuity Partners (Private) Limited	Subsidiary of ultimate parent company	Placement fee	-	-	310	-
		Audit fees	-	437	-	437
Lanka Ventures PLC	Parent company	Management fees	(750)	250	(1,000)	-
Lanka Energy International (Private) Limited	Subsidiary company	Current account	508	26	(244)	534
Kankiriya - Thambiliya Mini Hydro Power (Private) Limited	Subsidiary company	Current account	3,847	-	(148)	3,847
Unit Energy Lanka (Private) Limited	Subsidiary company	Interest income	1,818	-	-	-
Pupulaketiya Hydro Power (Private) Limited	Subsidiary company	Current account	(92)	20,794	(1,694)	20,702
Sapthakanya Hydro Electric Company (Private) Limited	Subsidiary company	Current account	29,766	43,925	(14,159)	14,159
Campion Hydro (Private) Limited	Subsidiary company	Current account	5,658	6,138	(480)	480

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of L V L Energy Fund Limited will be held at the Board Room of the Ceylon Chamber of Commerce, No. 50, Navam Mawatha, Colombo 02, on the Twenty Second (22nd) day of September 2017 at 2.30 p.m. for the following purposes:

- 1) To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2017 together with the Report of the Auditors thereon.
- 2) To re-elect Mr.T.W. de Silva who retires by rotation in terms of Article 27(12) of the Articles of Association of the Company, and being eligible has offered himself for re-election.
- 3) To re-elect Mr. D.S. Arangala who retires by rotation in terms of Article 27(12) of the Articles of Association of the Company, and being eligible has offered himself for re-election.
- 4) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A. R. Munasinghe who has reached the age of 73 years.

IT IS HEREBY RESOLVED that age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. A.R. Munasinghe who has reached the age of 73 years prior to this Annual General Meeting and that he be re-appointed as a Director of the Company

- 5) To re-appoint Messrs.KPMG, Chartered Accountants, as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed with by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31st March 2018.

- 6) To authorize the Directors to determine contributions to charities for the ensuing year.

By order of the Board



Director

Corporate Services (Private) Limited

Secretaries

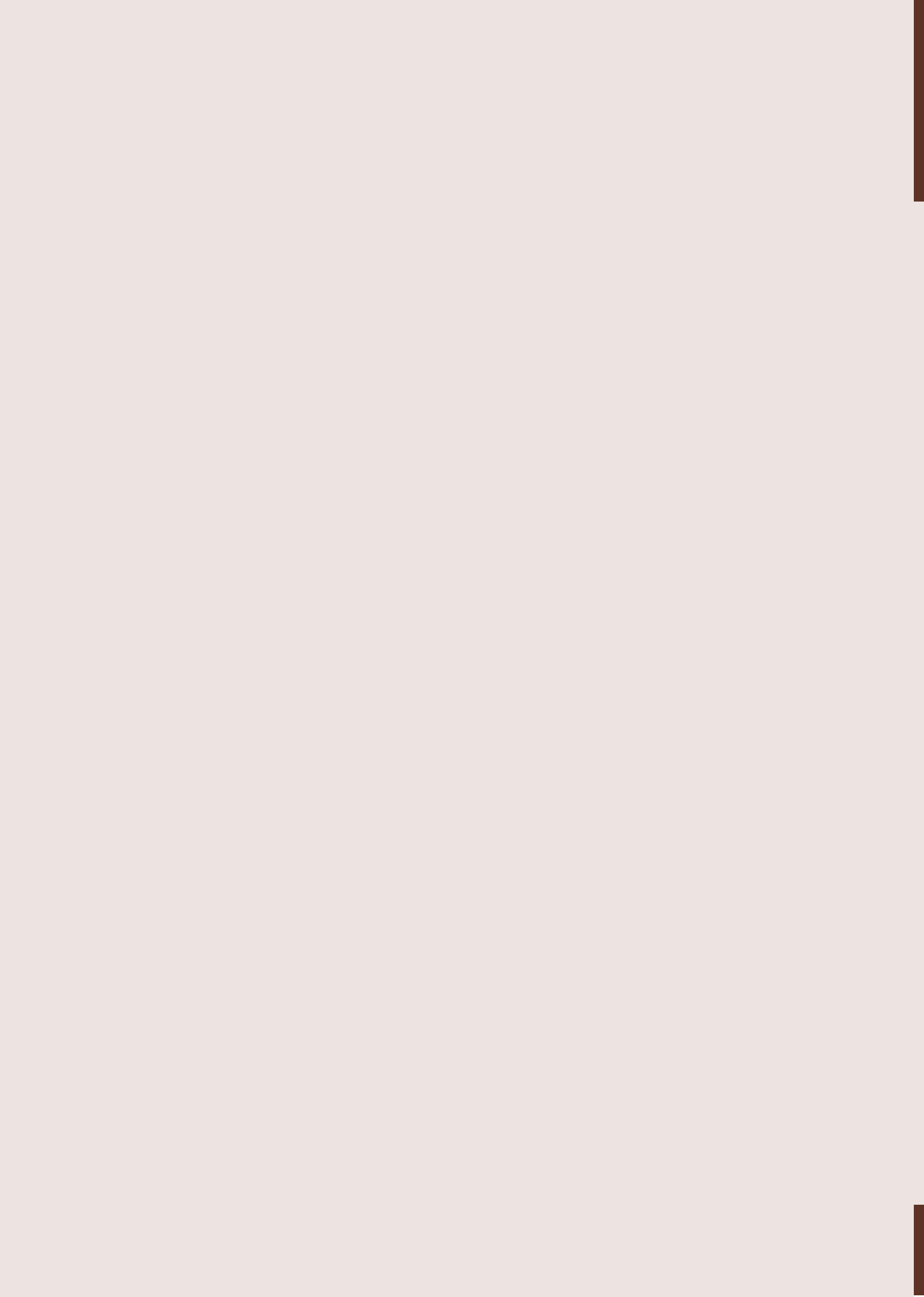
LVL Energy Fund Limited

01 August 2017

Colombo

Note:

- I. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder to attend instead of him/her.
- II. The Form of Proxy is attached herewith.
- III. The completed Form of Proxy should be deposited at the office of the Company at "Sayuru Sevana", 2nd Floor, No.46/12, Navam Mawatha, Colombo 02 not less than 48 hours before the meeting.



FORM OF PROXY

*I/We.....of.....
 being * a shareholder /shareholders of LVL ENERGY FUND LIMITED, do hereby appointof.....
 (whom failing)

Mr. A.J. Alles	of Colombo or failing him
Mr. M.A. Wijetunge	of Colombo or failing him
Mr. S. E. De Silva	of Colombo or failing him
Mr. T. W. De Silva	of Colombo or failing him
Mr. A. R. Munasinghe	of Colombo or failing him
Mr. M. R. Abeywardena	of Colombo or failing him
Mr. D.S. Arangala	of Colombo or failing him
Mr. L.H.A.L. Silva	of Colombo

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held at the Board Room of Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02 at 2.30 p.m. on the Twenty Second (22nd) day of September 2017 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 st March 2017 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. T.W. de Silva who retires by rotation In terms of Article 27(12) of the Articles of Association of the Company, and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. D.S. Arangala who retires by rotation in terms of Article 27(12) of the Articles of Association of the Company, and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4) To pass an ordinary resolution for re-appointment of Mr. A.R. Munasinghe who has reached the age of 73 years.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-appoint Messrs. KPMG, Chartered Accountants, as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed with by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31 st March 2018.	<input type="checkbox"/>	<input type="checkbox"/>
6) To authorize the Directors to determine contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of Two Thousand and Seventeen

.....

*Signature/s

Note:

- 1) *Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and signing in the space provided and filling in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy for registration, if such power of attorney has not already been registered with the Company.
4. In the case of a Corporate Member, the Form of Proxy must be executed in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be lodged with the Company not less than forty eight (48) hours before the Meeting.

Corporate Information

Date of Incorporation	26 June 2006
Name of Company & Registration Number	LVL Energy Fund Limited PV 1966PB
Subsidiary Companies	LVS Energy (Private) Limited Lanka Energy International (Private) Limited Unit Energy Lanka (Private) Limited Sapthakanya Hydro Electric Company (Private) Limited Campion Hydro (Private) Limited Pupulaketiya Hydro Power (Private) Limited
Associate Companies	Hayleys Hydro Energy (Private) Limited Neluwa Cascade Hydro Power (Private) Limited Pawan Danavi (Private) Limited Nala Dhanavi (Private) Limited Raj-Lanka Power Company Limited Lakdhanavi Bangla Power Limited Nividhu (Private) Limited Parambe Hydro (Private) Limited
Registered Office	"Sayuru Sevana", 2nd Floor, No. 46/12, Navam Mawatha, Colombo 02 Telephone : +94 11 2 439201 Facsimile : +94 11 2 439203 E-Mail : lvl@sltnet.lk
Directors	Mr. A.J. Alles (Chairman) Mr. A. R. Fernando (resigned with effect from 15 August 2017) Mr. L. H. A. L. Silva (appointed with effect from 15 August 2017) Mr. S. E. De Silva Mr. T. W. De Silva Mr. A. R. Munasinghe Mr. M. R. Abeywardena Mr. M.A. Wijetunge Mr. D.S. Arangala
Secretaries	Corporate Services (Private) Limited No. 216, de Saram Place, Colombo 10
Auditors	KPMG No. 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03
Bankers	Hatton National Bank PLC Nawam Mawatha Branch, No. 46/38, Forbes and Walker Building, Nawam Mawatha, Colombo 02. DFCC Bank PLC City Office, No. 73/5, Galle Road, Colombo 03
Lawyers	F J & G De Saram Corporate Law Office, No. 216, de Saram Place, Colombo 10

