

# LVL ENERGY FUND PLC



## FINANCIAL STATEMENTS

For the period ended 31 December 2018

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

## **LVL ENERGY FUND PLC**

### **Review of provisional financial results for the 9-month period ended 31<sup>st</sup> Dec 2018**

The Group recorded a profit before interest and tax of Rs. 710 million for the period compared to Rs. 628 million in the corresponding period last year reflecting an increase of 13%. Finance cost for the period was Rs. 104 million compared to Rs. 155 million last year. The tax charge however was higher at Rs. 85 million compared to Rs. 26 million last year. Accordingly profit after interest and tax for the period was Rs. 522 million compared to Rs. 447 million last year signifying an increase of 17%.

Group income from subsidiary companies for the period stood at Rs. 309 million compared to Rs. 311 million in the previous year whilst operating expenses stood at Rs. 110 million compared to Rs. 103 million. Operating profit for the period increased to Rs. 257 million from Rs. 217 million in the previous year. Share of profit from equity accounted investees also increased to Rs. 453 million from Rs. 412 million in the previous year.

The contribution from hydro power plants did not vary significantly from last year but thermal power plants in Bangladesh contributed a significantly higher profit compared to last year. The share of profit from Bambabarapana hydro power plant that commenced commercial operation in the last quarter of the previous financial year also contributed towards a higher Group profit for the period. Power generation of wind power plants during the period was less than in the previous year mainly due to less favourable weather conditions and accordingly their contribution to Group profit was lower.

Profit attributable to equity holders of the company for the period was Rs. 483 million compared Rs. 398 million in the previous year, an increase of 21%.

Sgd.  
D Sumith Arangala  
Director/CEO  
1<sup>st</sup> February 2019

## LVL ENERGY FUND PLC

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

	Interim period of 03 Months				Accumulated 09 Months			
	Group		Company		Group		Company	
	Period ended 31 December		Period ended 31 December		Period ended 31 December		Period ended 31 December	
	2018	2017	2018	2017 Restated	2018	2017	2018	2017 Restated
<b>Revenue</b>								
Investment income	393	208	-	-	1,169	556	-	-
Interest income	19,554	4,384	17,736	3,689	56,439	7,713	52,125	6,110
Subsidiary company income	93,689	121,836	-	-	309,164	311,168	-	-
Other income	204	-	1,538	1,003	204	-	3,529	5,074
	<b>113,841</b>	<b>126,428</b>	<b>19,274</b>	<b>4,692</b>	<b>366,977</b>	<b>319,437</b>	<b>55,654</b>	<b>11,184</b>
<b>Operating expenses</b>								
Administrative expenses	(2,054)	(2,016)	(2,054)	(1,916)	(5,581)	(5,643)	(5,581)	(5,543)
Sales and establishment expenses	(214)	-	(94)	-	(224)	(50)	(94)	-
Other operating expenses	(3,006)	(2,490)	(875)	(612)	(9,883)	(7,469)	(2,994)	(2,048)
Direct expenses - subsidiaries	(31,277)	(32,037)	-	-	(94,466)	(89,669)	-	-
<b>Results from operating activities</b>	<b>77,289</b>	<b>89,885</b>	<b>16,252</b>	<b>2,165</b>	<b>256,824</b>	<b>216,606</b>	<b>46,986</b>	<b>3,593</b>
Share of profit of equity accounted investees (net of income tax)	59,018	71,134	49,088	111,120	453,179	411,775	502,340	491,454
Finance cost	(36,096)	(55,536)	(17,216)	(35,062)	(103,616)	(155,419)	(46,124)	(98,166)
<b>Profit/(loss) before income tax</b>	<b>100,210</b>	<b>105,483</b>	<b>48,124</b>	<b>78,223</b>	<b>606,386</b>	<b>472,962</b>	<b>503,202</b>	<b>396,881</b>
Tax expense	(39,797)	(3,948)	(96)	1,981	(84,856)	(25,633)	(19,981)	1,047
<b>Profit/(loss) for the period</b>	<b>60,414</b>	<b>101,535</b>	<b>48,028</b>	<b>80,204</b>	<b>521,530</b>	<b>447,329</b>	<b>483,220</b>	<b>397,927</b>
<b>Profit/(loss) attributable to:</b>								
Equity holders of the company	48,027	80,204	48,028	80,204	483,220	397,927	483,220	397,927
Non-controlling interest	12,387	21,331	-	-	38,310	49,402	-	-
<b>Profit/(loss) for the period</b>	<b>60,414</b>	<b>101,535</b>	<b>48,028</b>	<b>80,204</b>	<b>521,530</b>	<b>447,329</b>	<b>483,220</b>	<b>397,927</b>
<b>Other comprehensive income, net of income tax</b>								
Foreign operations - foreign currency translation difference	151,570	(17,912)	151,570	(17,912)	296,881	(36,809)	296,881	(36,809)
<b>Other comprehensive income for the period, net of income tax</b>	<b>151,570</b>	<b>(17,912)</b>	<b>151,570</b>	<b>(17,912)</b>	<b>296,881</b>	<b>(36,809)</b>	<b>296,881</b>	<b>(36,809)</b>
<b>Total comprehensive income for the period</b>	<b>211,984</b>	<b>83,623</b>	<b>199,598</b>	<b>62,292</b>	<b>818,411</b>	<b>410,520</b>	<b>780,101</b>	<b>361,118</b>
<b>Total comprehensive income attributable to:</b>								
Equity holders of the company	199,598	62,292	199,598	62,292	780,101	361,118	780,101	361,118
Non-controlling interest	12,386	21,331	-	-	38,310	49,402	-	-
<b>Total comprehensive income for the period</b>	<b>211,984</b>	<b>83,623</b>	<b>199,598</b>	<b>62,292</b>	<b>818,411</b>	<b>410,520</b>	<b>780,101</b>	<b>361,118</b>
Basic earnings per share (Rs.)	0.08	0.17	0.08	0.17	0.83	0.86	0.83	0.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

	Group As at 31 Dec 2018	Company As at 31 Dec 2018	Group As at 31 March 2018 Audited	Company As at 31 March 2018 Audited
<b>Assets</b>				
<b>Non current assets</b>				
Property, plant and equipment	985,786	-	1,017,251	-
Investment in subsidiaries	-	2,448,271	-	1,951,385
Investment in associates	3,238,998	1,405,498	2,843,605	1,298,453
Intangible assets	61,406	-	63,028	-
<b>Total non current assets</b>	<b>4,286,190</b>	<b>3,853,770</b>	<b>3,923,884</b>	<b>3,249,838</b>
<b>Current assets</b>				
Loans and receivables	52,150	-	34,991	-
Amounts due from related parties	5,540	62,947	489	52,675
Income tax receivable	4,234	3,206	2,380	1,590
Other receivables	242,113	41,037	44,494	28,558
Cash and cash equivalents	697,629	609,070	944,342	868,032
<b>Total current assets</b>	<b>1,001,666</b>	<b>716,260</b>	<b>1,026,696</b>	<b>950,855</b>
<b>Total assets</b>	<b>5,287,856</b>	<b>4,570,029</b>	<b>4,950,580</b>	<b>4,200,693</b>
<b>Equity</b>				
Stated capital	2,906,472	2,906,472	2,906,472	2,906,472
Revaluation reserve	8,301	8,301	8,301	8,301
Translation reserve	352,608	359,034	55,727	62,153
Retained earnings	760,132	785,135	480,450	505,454
<b>Total equity attributable to equity holders of the Company</b>	<b>4,027,513</b>	<b>4,058,942</b>	<b>3,450,950</b>	<b>3,482,380</b>
Non controlling interest	173,996	-	158,688	-
<b>Total equity</b>	<b>4,201,509</b>	<b>4,058,942</b>	<b>3,609,638</b>	<b>3,482,380</b>
<b>Liabilities</b>				
<b>Non current liabilities</b>				
Interest bearing borrowings	367,115	257,150	362,241	219,000
Cumulative redeemable preference shares	367,500	37,500	415,000	75,000
Deferred tax liability	48,170	-	42,050	-
<b>Total non current liabilities</b>	<b>782,785</b>	<b>294,650</b>	<b>819,291</b>	<b>294,000</b>
<b>Current liabilities</b>				
Interest bearing borrowings	184,944	136,294	199,463	112,824
Cumulative redeemable preference shares	88,584	78,584	75,000	75,000
Other payables	19,350	1,559	242,709	236,489
Income tax payable	10,685	-	4,479	-
<b>Total current liabilities</b>	<b>303,563</b>	<b>216,437</b>	<b>521,651</b>	<b>424,313</b>
<b>Total liabilities</b>	<b>1,086,348</b>	<b>511,087</b>	<b>1,340,942</b>	<b>718,313</b>
<b>Total equity and liabilities</b>	<b>5,287,856</b>	<b>4,570,029</b>	<b>4,950,580</b>	<b>4,200,693</b>
Net assets per share (Rs.)	6.92	6.97	5.93	5.98

I certify that the financial statements comply with the requirements of the Companies Act No. 07 of 2007.

Sgd.

D L Wijesekara  
Finance Manager

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board.

Sgd.

D S Arangala  
Director

01 February 2019

Sgd.

J D N Kekulawala  
Director

**LVL ENERGY FUND PLC**  
**STATEMENT OF CHANGES IN EQUITY (Unaudited)**

(All amounts in Sri Lanka Rupees thousands)

<b>Group</b>	<b>Stated capital</b>	<b>Revaluation reserve</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Non controlling interest</b>	<b>Total</b>
<b>Balance as at 01 April 2017</b>	1,706,472	8,301	81,756	472,030	166,969	2,435,528
Profit/(loss) for the period	-	-	-	397,927	49,402	447,329
Foreign operations - foreign currency translation difference	-	-	(36,809)	-	-	(36,809)
<b>Total comprehensive income for the period</b>	-	-	(36,809)	397,927	49,402	410,520
<b>Transactions with equity holders recognized directly in equity</b>						
Issue of shares during the period	1,200,000	-	-	(49,477)	-	1,150,523
Dividend paid	-	-	-	(110,947)	(27,062)	(138,009)
	1,200,000	-	-	(160,424)	(27,062)	1,012,514
<b>Balance as at 31 December 2017</b>	<b>2,906,472</b>	<b>8,301</b>	<b>44,947</b>	<b>709,534</b>	<b>189,309</b>	<b>3,858,563</b>
<b>Balance as at 01 April 2018</b>	2,906,472	8,301	55,727	480,450	158,688	3,609,638
Profit/(loss) for the period	-	-	-	483,220	38,310	521,530
Foreign operations - foreign currency translation difference	-	-	296,881	-	-	296,881
<b>Total comprehensive income for the period</b>	-	-	296,881	483,220	38,310	818,411
<b>Transactions with equity holders recognized directly in equity</b>						
Preference dividend - equity accounted investees	-	-	-	(3,430)	-	(3,430)
Share issue expenses	-	-	-	(2,134)	-	(2,134)
Dividend paid	-	-	-	(197,975)	(23,002)	(220,977)
	-	-	-	(203,539)	(23,002)	(226,541)
<b>Balance as at 31 December 2018</b>	<b>2,906,472</b>	<b>8,301</b>	<b>352,608</b>	<b>760,132</b>	<b>173,996</b>	<b>4,201,509</b>

<b>Company</b>	<b>Stated capital</b>	<b>Revaluation reserve</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance as at 01 April 2017</b>	1,706,472	8,301	88,182	496,948	2,299,903
Profit/(loss) for the period	-	-	-	397,927	397,927
Foreign operations - foreign currency translation difference	-	-	(36,809)	-	(36,809)
<b>Total comprehensive income for the period</b>	-	-	(36,809)	397,927	361,118
<b>Transactions with equity holders recognized directly in equity</b>					
Issue of shares during the period	1,200,000	-	-	(49,477)	1,150,523
Dividend paid	-	-	-	(110,947)	(110,947)
	1,200,000	-	-	(160,424)	1,039,576
<b>Balance as at 31 December 2017</b>	<b>2,906,472</b>	<b>8,301</b>	<b>51,373</b>	<b>734,452</b>	<b>3,700,598</b>
<b>Balance as at 01 April 2018</b>	2,906,472	8,301	62,153	505,454	3,482,380
Profit/(loss) for the period	-	-	-	483,220	483,220
Foreign operations - foreign currency translation difference	-	-	296,881	-	296,881
<b>Total comprehensive income for the period</b>	-	-	296,881	483,220	780,101
<b>Transactions with equity holders recognized directly in equity</b>					
Preference dividend - equity accounted investees	-	-	-	(3,430)	(3,430)
Share issue expenses	-	-	-	(2,134)	(2,134)
Dividend paid	-	-	-	(197,975)	(197,975)
	-	-	-	(203,539)	(203,539)
<b>Balance as at 31 December 2018</b>	<b>2,906,472</b>	<b>8,301</b>	<b>359,034</b>	<b>785,135</b>	<b>4,058,942</b>

**LVL ENERGY FUND PLC**  
**CONSOLIDATED STATEMENT OF CASHFLOWS (Unaudited)**

(All amounts in Sri Lanka Rupees thousands)

For the Period ended 31 December	Group		Company	
	2018	2017	2018	2017
				<b>Restated</b>
<b>Cash flows from operating activities</b>				
Profit/(loss) before income tax	606,386	472,962	503,202	396,881
<b>Adjustments for:</b>				
Depreciation	31,466	30,447	-	-
Amortization of land rights	1,740	1,573	-	-
Share of profit from equity accounted investees	(453,179)	(411,775)	(502,340)	(491,454)
Interest income on investments	(56,439)	(7,713)	(52,125)	(6,110)
Other income	(204)	-	(3,529)	(5,074)
Dividend on preference shares	52,076	67,497	13,893	30,502
Interest expense	51,288	86,620	31,828	66,991
	<b>233,133</b>	<b>239,611</b>	<b>(9,072)</b>	<b>(8,264)</b>
<b>Changes in</b>				
Loans and receivables	(17,159)	(94,362)	-	-
Amounts due from related parties	(5,051)	(340)	(6,743)	25,250
Other receivables	19,541	152,040	19,852	124,564
Other payables	(220,590)	45,708	(231,502)	28,400
<b>Cash generated from operating activities</b>	<b>9,874</b>	<b>342,656</b>	<b>(227,464)</b>	<b>169,950</b>
Taxes paid	(12,066)	(7,017)	(3,058)	(160)
Interest paid	(51,558)	(88,549)	(31,959)	(67,763)
<b>Net cash from operating activities</b>	<b>(53,750)</b>	<b>247,091</b>	<b>(262,482)</b>	<b>102,027</b>
<b>Cash flows from investing activities</b>				
Interest received	56,439	7,713	52,125	6,110
Dividend received	69,192	22,613	136,120	112,230
Disposal/ (acquisition) of property, plant and equipment	-	(7,437)	-	-
Additions to intangible assets	(117)	(340)	-	-
Investment in equity accounted investees	-	(140,000)	-	(140,000)
<b>Net cash from investing activities</b>	<b>125,514</b>	<b>(117,451)</b>	<b>188,244</b>	<b>(21,660)</b>
<b>Cash flows from financing activities</b>				
Preference dividend paid	(48,492)	(80,209)	(8,866)	(43,214)
Net change in cumulative redeemable preference shares	(37,500)	(217,500)	(37,500)	(217,500)
Net change in interest bearing borrowings	(9,375)	(205,849)	61,750	(236,250)
Dividend paid	(220,977)	(138,009)	(197,975)	(110,947)
Share issue expenses	(2,134)	(49,477)	(2,134)	(49,477)
Issue of shares during the period	-	1,200,000	-	1,200,000
<b>Net cash from financing activities</b>	<b>(318,478)</b>	<b>508,956</b>	<b>(184,725)</b>	<b>542,612</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(246,713)</b>	<b>638,596</b>	<b>(258,962)</b>	<b>622,979</b>
<b>Cash and cash equivalent as at 01 April</b>	<b>944,342</b>	<b>83,316</b>	<b>868,032</b>	<b>47,717</b>
<b>Cash and cash equivalent as at 31 December</b>	<b>697,629</b>	<b>721,912</b>	<b>609,070</b>	<b>670,696</b>

**Explanatory Notes :**

- 1 The interim financial statements are subject to audit.
- 2 The same accounting policies and methods of computation have been followed in interim financial statements as compared with the most recent audited financial statements.
- 3 SLFRS 9 - Financial Instruments is applicable for financial periods beginning on or after 01 January 2018. Accordingly this standard will be applicable for the Company from 01 April 2018. This Standard replaces LKAS 39 - Financial Instruments: Recognition and Measurement. However the Institute of Chartered Accountants of Sri Lanka has granted the option to prepare interim financial statements continuing the application of LKAS 39 through "Statement of Alternative Treatment" (SoAT). Accordingly these financial statements have been prepared by applying the guidelines of LKAS 39 in accordance with the said option granted.  
Company does not expect significant impact to the Statement of Comprehensive Income and net assets with the application of SLFRS 9.
- 4 The interim financial statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting.
- 5 Where items have been regrouped, comparative information in relation to previous year have been presented in line with information pertaining to the current period.
- 6 The stated capital comprises 582,278,117 ordinary shares.
- 7 During the period the company obtained Rs. 190.0 Mn in the form of loans from DFCC Bank PLC and repaid Rs. 72.0 Mn to DFCC Bank PLC. Rs. 56.3 Mn of term loan was repaid to Hatton National Bank PLC.
- 8 During the period preference shares amounting to Rs. 37.5 Mn were redeemed. Preference dividend of Rs. 8,866,250/- was paid on 28 September 2018.
- 9 For the financial year ended 31 March 2018, Company has paid ordinary dividend of Rs. 0.64 per share amounting to Rs. 343,857,995/-. For the financial year ending 31 March 2019, an interim dividend of Rs. 0.34 per ordinary share was declared on 02 November 2018 amounting to Rs. 197,974,560/- and paid on 26 November 2018.
- 10 Events occurring after the reporting date: The Company made a disbursement of Rs. 117.0 Mn on 17 January 2019 in respect of its investment in Makari Gad Hydro Power project in Nepal. No circumstances have arisen since the reporting date which would require adjustment to or disclosure in the interim financial statements other than those disclosed in these notes.
- 11 The company is charged Rs. 1.0 Mn per annum as management fees by its parent company, Lanka Ventures PLC.
- 12 There were no contingent liabilities during the period under review that require disclosure in interim financial statements.
- 13 The market price per share:

<b>for the quarter ended 31 December</b>	<b>2018</b>
Highest price	8.50
Lowest price	7.40
Market price as at 31 December	8.40

- 14 Twenty major shareholders of the Company as at 31 December 2018

<b>Name of shareholder/company name</b>	<b>No. of shares</b>	<b>% of issued capital</b>
1 Lanka Ventures PLC	331,885,609	57.00
2 Mr. M. A. Wijetunge	67,911,668	11.66
3 Sri Lanka Insurance Corporation Limited-General Fund	50,000,000	8.59
4 Phoenix Ventures (Private) Limited	24,001,460	4.12
5 Equity Investments Lanka Limited	14,831,634	2.55
6 Guardian Capital Partners PLC	10,312,500	1.77
7 National Savings Bank	4,606,600	0.79
8 Mr. D. S. Arangala	4,455,000	0.77
9 AWIS Holdings (Private) Limited	3,299,875	0.57
10 J.B. Cocoshell (Private) Limited	3,065,672	0.53
11 Mr. K. Maheshwaran	3,000,000	0.52
12 Ms. M. M. F. Zareena	2,970,000	0.51
13 Mr. C. R. Perera	2,537,800	0.44
14 Merchant Bank of Sri Lanka & Finance PLC 01	2,500,000	0.43
15 Mr. K. T. Konesh	2,425,000	0.42
16 Peoples Bank	2,305,979	0.40
17 Dinima High Performance Materials (Private) Limited	1,880,004	0.32
18 Mr. M. M. Wijetunge	1,866,100	0.32
19 Softlogic Life Insurance PLC-A/C No. 05 (Non-Participating Fund)	1,561,600	0.27
20 Guardian Fund Management Limited / The Aitken Spence and Associated Companies Executive Staff Provident Fund	1,378,900	0.24
Hatton National Bank PLC A/C No. 4 (HNB Retirement Pension Fund)	1,378,900	0.24
<b>Total</b>	<b>538,174,301</b>	<b>92.43</b>

- 15 Percentage of shares held by public as at 31 December 2018 : 29.95%  
No. of public shareholders as at 31 December 2018 : 881
- 16 Float adjusted market capitalization as at 31 December 2018 was Rs. 1,464,895,286.75. In terms of the rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange, the Company complies under option 5 with the minimum public holding requirement.

17 Shareholding of Directors/CEO:

		<b>No. of Shares</b>
Mr. A. R. Munasinghe	Director	221,800
Mr. M. A. Wijetunge	Director	67,911,668
Mr. D. S. Arangala	Director/CEO	4,455,000
Mr. M. M. Wijetunge	Director	1,866,100
Mr. J. D. N. Kekulawala	Director	1,375,000



**IPO PROCEEDS UTILIZATION AS AT 31 DECEMBER 2018**

<b>Objective number</b>	<b>Objective as per prospectus</b>	<b>Amount allocated as per prospectus in LKR</b>	<b>Proposed date of utilization as per prospectus</b>	<b>Amount allocated from proceeds in LKR (A)</b>	<b>% of total proceeds</b>	<b>Amount utilized in LKR (B)</b>	<b>% of utilization against allocation (B/A)</b>	<b>Clarification if not fully utilized including where the funds are invested (e.g. whether lent to related party/s etc.)</b>
3	Equity investment in following hydro power projects  <b><u>Pupulaketiya Hydro Power Project</u></b>  Equity investment in Pupulaketiya Hydro Power (Private) Limited	115,000,000	Apr 2018 to Oct 2019	115,000,000	9.58%	-	0.00%	Temporarily invested in 3-month Fixed Deposit at the interest rate of 12.30% p.a. with DFCC Bank PLC
	<b><u>Makari Gad Hydro Power Project (Nepal)</u></b>  Equity investment in LTL Energy (Private) Limited	465,000,000	Sept 2017 to Jun 2019	465,000,000	38.75%	-	0.00%	Temporarily invested in 3-month Fixed Deposit at the interest rate of 12.30% p.a. with DFCC Bank PLC