

LVL ENERGY FUND PLC



FINANCIAL STATEMENTS
For the period ended 30 June 2019

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LVL ENERGY FUND PLC

Review of provisional financial results for the 3-month period ended 30th June 2019

The Group revenue recorded a considerable decline to LKR 51 million from LKR 114 million during the corresponding period last year due to decline in subsidiary company income by LKR 62 million to LKR 34 million from LKR 96 million. Subsidiary company income is attributable to Kadawala, Sapthakanya and Campion hydro power plants whose energy generation during the period April to June 2019 was 2,203 MWh compared to 6,174 MWh during the same period last year. The decline in energy generation in percentage terms was 64% and was due to the extraordinary dry weather conditions that prevailed during the period compared to last year.

Operating expenses during the period was LKR 31 million compared to LKR 34 million during the same period last year. Operating profit was LKR 20 million compared to LKR 81 million last year owing to the decline in subsidiary company income.

Share of profit from associate companies recorded an increase of LKR 7 million to LKR 192 million from LKR 185 million in the corresponding period last year. The improvement was due to higher contribution from wind power plants compared to previous year. The contribution from hydro power plants operated by our associate companies was also less this year with a 59% decline in generation to 4,042 MWh during the period April to June 2019 from 9,796 MWh during the same period in 2018.

On the back of increased borrowings in May 2019 to fund the investment in the new thermal power plant being constructed in Feni, Bangladesh the interest cost for the quarter increased to LKR 72 million from LKR 34 million in the corresponding quarter last year. As a result profit before tax for the period decreased to LKR 141 million compared to LKR 232 million in the same period last year. The new thermal power plant in Bangladesh is expected to commence commercial operation during the second half of the current financial year enabling us to account for share of profit from the entity from then onwards thereby mitigating to some extent the effect of increased borrowings on the bottom line.

The tax charge for the quarter also increased to LKR 30 million from LKR 11 million for the same period last year due to increase in withholding tax attributable to dividend received by the company. Accordingly profit for the period was LKR 110 million compared to LKR 221 million in the corresponding period last year. Profit attributable to equity holders of the company for the period was LKR 113 million compared to LKR 212 million for the same period last year reflecting decline in EPS to LKR 19 cents from LKR 36 cents.

Sgd.

D Sumith Arangala

Chief Executive Officer

01st August 2019

LVL ENERGY FUND PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Unaudited)

(All amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Period ended 30 June		Period ended 30 June	
	2019	2018	2019	2018
Revenue				
Investment income	88	305	-	-
Interest income	16,718	18,294	14,932	17,475
Subsidiary company income	33,906	95,608	-	-
Other income	-	-	645	933
	50,712	114,207	15,577	18,408
Operating expenses				
Administrative expenses	(2,147)	(1,775)	(2,147)	(1,775)
Sales and establishment expenses	(4)	(10)	-	-
Other operating expenses	(3,940)	(3,552)	(1,261)	(933)
Direct expenses - subsidiaries	(24,930)	(28,200)	-	-
Results from operating activities	19,691	80,670	12,169	15,700
Share of profit of equity accounted investees (net of income tax)	192,380	185,618	178,868	210,709
Finance cost	(71,573)	(33,977)	(54,038)	(14,475)
Profit/(loss) before income tax	140,498	232,311	137,000	211,934
Tax expense	(30,276)	(10,995)	(24,374)	-
Profit/(loss) for the period	110,222	221,316	112,626	211,934
Profit/(loss) attributable to:				
Equity holders of the company	112,626	211,939	112,626	211,934
Non-controlling interest	(2,404)	9,377	-	-
Profit/(loss) for the period	110,222	221,316	112,626	211,934
Other comprehensive income, net of income tax				
Items that are or may be re-classified subsequently to profit or loss				
Foreign operations - foreign currency translation difference	(5,203)	28,538	(5,203)	28,538
Total other comprehensive income that are or may be re-classified to profit or loss in subsequent period	(5,203)	28,538	(5,203)	28,538
Items that will not be re-classified subsequently to profit or loss	-	-	-	-
Total other comprehensive income that will not be re-classified to profit or loss in subsequent period	-	-	-	-
Total other comprehensive income for the period	(5,203)	28,538	(5,203)	28,538
Total comprehensive income for the period	105,019	249,854	107,423	240,472
Total comprehensive income attributable to:				
Equity holders of the company	107,423	240,477	107,423	240,472
Non-controlling interest	(2,404)	9,377	-	-
Total comprehensive income for the period	105,019	249,854	107,423	240,472
Basic earnings per share (Rs.)	0.19	0.36	0.19	0.36

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

(All amounts in Sri Lanka Rupees thousands)

	Group As at 30 June 2019	Company As at 30 June 2019	Group As at 31 March 2019 Audited	Company As at 31 March 2019 Audited
Assets				
Non current assets				
Property, plant and equipment	975,019	10,198	975,309	-
Right-to-use land on lease	3,508	-	3,554	-
Investment in subsidiaries	-	3,709,114	-	2,404,314
Investment in associates	5,187,987	1,874,180	3,349,239	1,542,623
Intangible assets	55,897	-	56,413	-
Total non current assets	6,222,411	5,593,492	4,384,515	3,946,937
Current assets				
Loans and receivables	27,503	398	57,963	5,404
Amounts due from related parties	-	44,549	-	40,887
Income tax receivable	5,424	4,789	5,425	4,790
Other receivables	93,270	72,651	84,581	63,782
Cash and cash equivalents	329,401	257,150	787,370	521,659
Total current assets	455,598	379,537	935,339	636,522
Total assets	6,678,009	5,973,029	5,319,854	4,583,459
Equity				
Stated capital	2,906,472	2,906,472	2,906,472	2,906,472
Revaluation reserve	9,112	9,112	9,112	9,112
Translation reserve	263,873	270,299	269,076	275,502
Retained earnings	726,391	751,396	794,271	819,276
Total equity attributable to equity holders of the Company	3,905,848	3,937,279	3,978,931	4,010,362
Non controlling interest	160,897	-	176,849	-
Total equity	4,066,745	3,937,279	4,155,780	4,010,362
Liabilities				
Non current liabilities				
Interest bearing borrowings	2,083,281	1,772,400	467,687	284,000
Cumulative redeemable preference shares	100,000	-	250,000	-
Deferred tax liability	46,963	-	47,591	-
Total non current liabilities	2,230,244	1,772,400	765,278	284,000
Current liabilities				
Interest bearing borrowings	277,065	183,140	295,302	210,477
Cumulative redeemable preference shares	77,307	77,307	75,000	75,000
Other payables	15,956	2,903	16,301	3,620
Income tax payable	10,692	-	12,193	-
Total current liabilities	381,020	263,350	398,796	289,097
Total liabilities	2,611,264	2,035,750	1,164,074	573,097
Total equity and liabilities	6,678,009	5,973,029	5,319,854	4,583,459
Net assets per share (Rs.)	6.71	6.76	6.83	6.89

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

Sgd.
D L Wijesekara
Finance Manager

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

Sgd.
J D N Kekulawala
Director

Sgd.
A R Munasinghe
Director

01 August 2019

LVL ENERGY FUND PLC
STATEMENT OF CHANGES IN EQUITY (Unaudited)
(All amounts in Sri Lanka Rupees thousands)

Group	Stated capital	Revaluation reserve	Translation reserve	Retained earnings	Non controlling interest	Total
Balance as at 01 April 2018	2,906,472	8,301	55,727	480,450	158,688	3,609,638
Profit/(loss) for the period	-	-	-	211,939	9,377	221,316
Foreign operations - foreign currency translation difference	-	-	28,538	-	-	28,538
Total comprehensive income for the period	-	-	28,538	211,939	9,377	249,854
Transactions with equity holders recognized directly in equity						
Dividend paid	-	-	-	-	-	-
Balance as at 30 June 2018	2,906,472	8,301	84,265	692,389	168,065	3,859,492
Balance as at 01 April 2019	2,906,472	9,112	269,076	794,271	176,849	4,155,780
Profit/(loss) for the period	-	-	-	112,626	(2,404)	110,222
Foreign operations - foreign currency translation difference	-	-	(5,203)	-	-	(5,203)
Total comprehensive income for the period	-	-	(5,203)	112,626	(2,404)	105,019
Transactions with equity holders recognized directly in equity						
Dividend paid	-	-	-	(180,506)	(13,548)	(194,054)
Balance as at 30 June 2019	2,906,472	9,112	263,873	726,391	160,897	4,066,745

Company	Stated capital	Revaluation reserve	Translation reserve	Retained earnings	Total
Balance as at 01 April 2018	2,906,472	8,301	62,153	505,454	3,482,380
Profit/(loss) for the period	-	-	-	211,934	211,934
Foreign operations - foreign currency translation difference	-	-	28,538	-	28,538
Total comprehensive income for the period	-	-	28,538	211,934	240,472
Transactions with equity holders recognized directly in equity					
Dividend paid	-	-	-	-	-
Balance as at 30 June 2018	2,906,472	8,301	90,691	717,388	3,722,852
Balance as at 01 April 2019	2,906,472	9,112	275,502	819,276	4,010,362
Profit/(loss) for the period	-	-	-	112,626	112,626
Foreign operations - foreign currency translation difference	-	-	(5,203)	-	(5,203)
Total comprehensive income for the period	-	-	(5,203)	112,626	107,423
Transactions with equity holders recognized directly in equity					
Dividend paid	-	-	-	(180,506)	(180,506)
Balance as at 30 June 2019	2,906,472	9,112	270,299	751,396	3,937,279

LVL ENERGY FUND PLC
CONSOLIDATED STATEMENT OF CASHFLOWS (Unaudited)

(All amounts in Sri Lanka Rupees thousands)

For the period ended 30 June	Group		Company	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit/(loss) before income tax	140,498	232,311	137,000	211,934
Adjustments for:				
Depreciation	10,888	10,487	352	-
Amortization of intangible assets	515	580	-	-
Share of profit from equity accounted investees	(192,380)	(185,618)	(178,868)	(210,709)
Interest income on investments	(16,718)	(18,294)	(14,932)	(17,475)
Other income	-	-	(645)	(933)
Dividend on preference shares	10,407	16,746	2,307	4,400
Interest expense	57,168	17,136	48,147	10,009
	10,378	73,348	(6,640)	(2,773)
Changes in				
Loans and receivables	30,460	(44,567)	5,006	-
Amounts due from related parties	-	-	(3,662)	(7,751)
Other receivables	(29,247)	30,998	(8,869)	28,499
Other payables	(345)	(233,579)	(717)	(233,690)
Cash generated from operating activities	11,246	(173,800)	(14,882)	(215,717)
Taxes paid	(3,175)	(1,958)	-	-
Interest paid	(37,447)	(17,870)	(19,313)	(10,605)
Net cash from operating activities	(29,376)	(193,628)	(34,195)	(226,322)
Cash flows from investing activities				
Interest received	16,718	18,294	14,932	17,475
Dividend received	-	-	164,709	-
Investment in equity accounted investees	(1,670,700)	-	(1,670,700)	-
Net cash from investing activities	(1,653,982)	18,294	(1,491,059)	17,475
Cash flows from financing activities				
Preference dividend paid	(8,100)	(11,772)	-	-
Cash repayments of cumulative redeemable preference shares	(150,000)	-	-	-
Cash proceeds of interest bearing borrowings	1,636,250	-	1,460,000	-
Cash repayments of interest bearing borrowings	(58,707)	(42,466)	(18,750)	(18,750)
Dividend paid	(180,506)	-	(180,506)	-
Dividend paid to minority share holders by subsidiary	(13,548)	-	-	-
Issue of shares during the period	-	-	-	-
Share issue expenses	-	-	-	-
Net cash from financing activities	1,225,389	(54,238)	1,260,745	(18,750)
Net increase/(decrease) in cash and cash equivalents	(457,969)	(229,573)	(264,509)	(227,598)
Cash and cash equivalent as at 01 April	787,370	944,342	521,659	868,032
Cash and cash equivalent as at 30 June	329,401	714,769	257,150	640,434

Explanatory Notes :

- 1 The interim financial statements are subject to audit.
- 2 The same accounting policies and methods of computation have been followed in interim financial statements as compared with the most recent audited financial statements other than the item disclosed in note no. 2.1 below.

2.1 SLFRS 16 - Leases

SLFRS 16 is applicable for financial periods beginning on or after 01 January 2019. Accordingly this standard is applicable to the Company from 01 April 2019. This standard replaces LKAS 17 - Leases. SLFRS 16 requires the recognition of lease liabilities and right of use of assets for leases previously classified as operating leases in accordance with LKAS 17. There is no impact to the financial statements due to application of SLFRS 16. The comparatives for previous year have not been restated in accordance with modified retrospective method permitted under SLFRS 16.

- 3 The interim financial statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting.
- 4 Where items have been regrouped, comparative information in relation to previous year have been presented in line with information pertaining to the current period.
- 5 The stated capital comprises 582,278,117 ordinary shares.
- 6 During the period the company obtained term loans of Rs. 485 Mn, Rs. 375 Mn, Rs. 600 Mn from DFCC Bank PLC , Hatton National Bank PLC and National Development Bank PLC respectively and repaid Rs. 18.75 Mn to Hatton National Bank PLC.
- 7 For the financial year ended 31 March 2019, Company has paid ordinary dividend of Rs. 0.65 per share amounting to Rs. 378,480,776/-.
- 8 Through its fully owned subsidiary Lanka Energy International (Private) Limited, Company made an investment of USD 8.0 Mn in Feni Lanka Power Limited, a company incorporated in Bangladesh which will undertake the construction of 114 MW thermal power plant.
- 9 Events occurring after the reporting date: No circumstances have arisen since the reporting date which would require adjustment to or disclosure in the interim financial statements other than those disclosed in these notes.
- 10 The company is charged Rs. 1.0 Mn per annum as management fees by its parent company, Lanka Ventures PLC.
- 11 There were no contingent liabilities during the period under review that require disclosure in interim financial statements.
- 12 The market price per share:

for the quarter ended 30 June	2019	2018
Highest price	9.70	10.00
Lowest price	6.90	8.70
Last traded price	7.50	9.10

- 13 Twenty major shareholders of the Company as at 30 June 2019

Name of shareholder/company name	No. of shares	% of issued capital
1 Lanka Ventures PLC	331,885,609	57.00
2 Mr. M. A. Wijetunge	67,911,668	11.66
3 Sri Lanka Insurance Corporation Limited-General Fund	50,000,000	8.59
4 Phoenix Ventures (Private) Limited	24,001,460	4.12
5 Equity Investments Lanka Limited	14,831,634	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 J.B. Cocoshell (Private) Limited	3,155,257	0.54
10 Mr. K. Maheshwaran	3,000,000	0.52
11 Ms. M. M. F. Zareena	2,970,000	0.51
12 Mr. C. R. Perera	2,537,800	0.44
13 Merchant Bank of Sri Lanka & Finance PLC 01	2,500,000	0.43
14 Mr. K. T. Konesh	2,425,000	0.42
15 Peoples Bank	2,305,979	0.40
16 Dinima High Performance Materials (Private) Limited	1,880,004	0.32
17 Mr. M. M. Wijetunge	1,866,100	0.32
18 Softlogic Life Insurance PLC-A/C No. 05 (Non-Participating Fund)	1,548,777	0.27
19 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
20 Mr. J. D. N. Kekulawala	1,375,000	0.24
Total	536,326,188	92.11

- 14 Percentage of shares held by public as at 30 June 2019 : 30.24%
No. of public shareholders as at 30 June 2019 : 960
- 15 Float adjusted market capitalization as at 30 June 2019 was Rs. 1,320,606,769.36. In terms of the rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange relating to Main Board Listing, the Company complies with the minimum public holding pertaining to option 5.
- 16 Shareholding of Directors/CEO as at 30 June 2019

		No. of Shares
Mr. L. H. A. L. Silva	Director	10,000
Mr. A. R. Munasinghe	Director	160,300
Mr. M. A. Wijetunge	Director	67,911,668
Mr. J. D. N. Kekulawala	Director	1,375,000
Mr. D. S. Arangala	CEO	4,455,000

IPO PROCEEDS UTILIZATION AS AT 30 JUNE 2019

Objective number	Objective as per prospectus	Amount allocated as per prospectus in LKR	Proposed date of utilization as per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g. whether lent to related party/s etc.)
3	Equity investment in following hydro power projects <u>Pupulaketiya Hydro Power Project</u>	115,000,000	Apr 2018 to Oct 2019	115,000,000	9.58%	-	0.00%	Renewal of approval of Central Environmental Authority is awaited.
	Equity investment in Pupulaketiya Hydro Power (Private) Limited							As of 01 August 2019, invested in 1-month TB Repo at the interest rate of 8.8% p.a. with Acuity Securities Limited.
	<u>Makari Gad Hydro Power Project (Nepal)</u>	465,000,000	Sept 2017 to Jun 2019	465,000,000	38.75%	364,500,000	78.39%	As of 01 August 2019, LKR 409,500,000/- (88.06%) has been disbursed.
Equity investment in LTL Energy (Private) Limited	As of 01 August 2019, invested in 1-month TB Repo at the interest rate of 8.8% p.a. (LKR 33,000,000/-) and 8.5% p.a. (LKR 22,500,000/-) with Acuity Securities Limited.							