



LVL ENERGY FUND PLC

2022/2023
Annual Report

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FINANCIAL HIGHLIGHTS

For the year ended 31 March	2023	2022
Interest Income (LKR million)	19	9
Subsidiary Company Income (LKR million)	281	428
Total Income (LKR million)	301	447
Share of Profit from Associates (LKR million)	444	900
Profit / (Loss) before Tax (LKR million)	(171)	895
Profit / (Loss) after Tax (LKR million)	(319)	724
Shareholders' Funds (LKR million)	6,077	8,241
(Stated Capital and Reserves)		
Redeemable Preference Shares (LKR million)	-	-
Interest Bearing Borrowings (LKR million)	3,554	3,447
Total Assets (LKR million)	9,912	12,075
Earnings per Share (LKR)	(0.45)	1.13
Dividend per Share (LKR)	-	-
Net Assets per Share (LKR)	10.44	14.15
Ratios		
Return on Equity	-3.67%	9.88%
Interest Cover Ratio (times)	0.75	4.14
Dividend Payout	0.00%	0.00%

BOARD OF DIRECTORS

1. Mr. Damith Pallewatte

Mr. Damith Pallewatte is the Deputy General Manager – Wholesale Banking Group of Hatton National Bank PLC (HNB), who counts 28 years of experience in the banking sector and held many senior positions with 03 leading local banks. Previously held positions of Deputy General Manager Risk/ Chief Risk Officer (CRO)/Chief Information Security Officer (CISO) at HNB. Prior to joining HNB he was the Chief Risk Officer of Nations Trust Bank PLC.

Mr. Pallewatte is the Chairman of Lanka Ventures PLC. He is also a Director of Acuity Partners (Private) Limited, Acuity Securities (Private) Limited and an alternate Director for Credit Information Bureau of Sri Lanka. He was a past president of Association of Banking Sector Risk Professionals.

Mr. Pallewatte holds an MBA from Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura and earned his B.Sc. Management (Hons) degree from University of London, London School of Economics. Mr. Pallewatte has been admitted as a Certified Financial Risk Manager (FRM) by Global Association of Risk Professionals and a holder of “Sustainability and Climate Risk” (SCR) certificate from GARP. He is also an ACI Operations Certificate Holder from Financial Markets Association, France, a Fellow Member of Chartered Institute of Management Accountants, UK (FCMA) and Chartered Global Management Accountant (CGMA).

Mr. Pallewatte was appointed to MESANA (Middle East South Asia and North Africa), Regional Advisory Panel of Association of International Certified Professional Accountants (AICPA) for year 2020/21 and 2022/23 by CIMA and was elected as Vice Chairman of CIMA Country Network Committee (CNC), Sri Lanka in 2021/22. He is appointed as the Chair of CIMA South Asia Committee for 2022/23.

2. Mr. Thimal Perera

Mr. Thimal Perera is the Chief Executive Officer (CEO) of DFCC Bank PLC. He functioned as the Deputy Chief Executive Officer of the Bank prior to his appointment as the CEO and was appointed to the DFCC Board in July 2019.

He is also the Chairman of Synapsys Limited, Acuity Partners Limited, DFCC Consulting (Pvt) Limited and serves as a Director of Lanka Pay (Private) Limited and Lanka Ventures PLC. He is furthermore, a member of the Board of Directors of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

He has held several senior positions in the banking sector and has over three decades of experience in the financial services and banking sector, both locally and internationally having been with the HSBC Group, both in Sri Lanka and overseas for almost 20 years. He has also worked at Commercial Bank of Qatar and Barclays Bank PLC and was a DGM at HNB prior to joining DFCC.

Mr. Perera is a member of the Institute of Chartered Accountants of Sri Lanka and a passed finalist of the Chartered Institute of Management Accountants UK.

3. Mr. M. Ajitha Wijetunge

Mr. M. Ajitha Wijetunge is a Marine Engineer and also a Ballistic Engineer by profession and an entrepreneur.

He is the inventor and licensed to be the sole manufacturer of bullet proof jackets, body armours, ballistic helmets, de-mining kits and vehicle armours using highly specialized anti-ballistic composite materials with indigenous technology.

Mr. Wijetunge is the Chairman of Dinima High Performance Materials (Private) Limited and S & N Power Kithulgala Mini Hydro (Private) Limited. He serves as a Director on the Boards of Sawam Holdings (Pte) Ltd BVI, Tilara Hydro (Private) Limited, Rivolka Energy (Private) Limited, Diyatha Pharmaceutical & Health Care (Private) Limited and Lakdhanavi Bangla Power Limited.

BOARD OF DIRECTORS

4. Mr. Ray Abeywardena

Mr. Ray Abeywardena is the Managing Director/Group Chief Executive Officer of Acuity Partners (Private) Limited. He has been associated with Sri Lanka's capital markets for over 38 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. He is a Director of Lanka Ventures PLC, The Colombo Stock Exchange and Central Depository Systems (Private) Limited.

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.

5. Mr. Mahal Wijetunge

Mr. Mahal Wijetunge is a director of Harsha International (Private) Limited, S & N Power Kithulgala Mini Hydro (Private) Limited, Rivolka Energy (Private) Limited and Swam Holdings (Pte) Ltd, BVI.

He holds a Diploma in Law from University College London and LLB (Hons) Degree from the University of Hertfordshire.

6. Mr. Nihal Kekulawala

Mr. Kekulawala counts over 30 years in the banking profession and was appointed as a Director in February 2018. He has held senior positions at Hatton National Bank PLC and played a strategic role in the diversification of HNB from commercial banking to investment banking, venture capital, stock brokering and life/general insurance. Mr. Kekulawala served as the lead consultant and was responsible for setting up a Commercial Banking Operation in the Solomon Islands. He also functioned as the inaugural CEO of the Bank. He presently serves on the Boards of several public companies.

Mr. Kekulawala is a Fellow of the Institute of Chartered Accountants UK and Sri Lanka, Fellow of the Chartered Institute of Bankers in England and has an MBA from the University of Manchester.

7. Mr. Chandana Dharmawardana

Mr. Chandana Dharmawardana functions as a consultant to Maliban Biscuit Manufactories (Private) Limited since January 2014. Prior to that he was attached to DFCC Bank PLC for a period of 27 years from 1986 to 2013 and at the time of retirement held the position Vice President, Corporate Banking. Between the period 1980 – 1986, he was employed at Sri Lanka Ports Authority as a Mechanical Engineer.

Mr. Dharmawardana is a BSc Eng of the University of Moratuwa. He is a member of the Institute of Engineers, Sri Lanka and a Chartered Engineer. He is also an Associate in Development Banking of the Association of Development Financing Institutions in Asia and the Pacific.

8. Mr. Ravi Dassanayake

Mr. Dassanayake is the Vice President, Strategic Investments and Subsidiaries of DFCC Bank PLC. He counts over 30 years of experience in banking, accounting and auditing, consulting and advisory services.

Mr. Dassanayake is a Director of several subsidiaries and associate companies of DFCC and is also a member of several management committees. He has held positions as the Head of Budgeting and Planning of DFCC Vardhana Bank PLC, Chief Executive Officer and Chief Risk and Operations Officer of Lankaputhra Development Bank and Partner, Audit Assurance and Consulting of BDO Partners Sri Lanka. Mr Dassanayake is the Chairman of Lindel Industrial Laboratories Limited and he serves as a Director of Lanka Industrial Estates Limited, DFCC Consulting (Private) Limited, Acuity Securities Limited, National Asset Management Limited, Synapsys Limited and Lanka Ventures PLC.

BOARD OF DIRECTORS

He holds his Masters from PIM, University of Sri Jayewardenepura and his first degree in Accountancy from the same university. He has also qualified as a Fellow member of CA Sri Lanka and an Associate of CIMA UK.

9. Mr. Rajive Dissanayake

Mr. Rajive Dissanayake counts nearly two decades of experience covering banking sector and capital markets. He currently serves as the Deputy General Manager – SME & Micro Finance of Hatton National Bank PLC. In addition to being on the Board of LVL Energy Fund PLC and Lanka Ventures PLC, Mr. Dissanayake is also a Director of HNB Finance PLC and Acuity Partners (Private) Limited.

Mr. Dissanayake is a CFA Charter holder, a Fellow Member of the Chartered Institute of Management Accountants (UK) and a Chartered Global Management Accountant. He also holds a Bachelor's degree in Business Administration from the University of Colombo.

10. Mr. Kusal Jayawardana

Mr. Kusal Jayawardana is presently the Deputy Managing Director of Alliance Finance Co. PLC. He counts over 25 years of experience in investment banking, corporate finance, investment management and financial services in Sri Lanka and Bangladesh. He was instrumental in introducing several innovative

capital market products and executing a number of landmark capital market transactions in Sri Lanka and Bangladesh.

Some of his key previous appointments include Managing Director/CEO of NDB Capital Limited, Bangladesh and Chief Operating Office of NDB Capital Holdings Limited. Presently Mr. Jayawardana serves as a Director of Lanka Ventures PLC. He was a director of several listed and private entities including Resus Energy PLC, Panasia Power PLC, Lanka Communication Services Limited and NDB Capital Limited, Bangladesh.

Mr. Jayawardana is a Chartered Financial Analyst, an Associate Member of the Chartered Institute of Management Accountants and the Chartered Global Management Accountants. He is also an Associate Member of the Association of Chartered Certified Accountants – UK. He holds an MBA from the Open University of Sri Lanka in collaboration with the Commonwealth of Learning, Canada.

CHAIRMAN'S MESSAGE

I welcome you to the twelfth Annual General Meeting of the Company and on behalf of the Board present to you the Annual Report of the board of directors and audited accounts of Company for the year ended 31 March 2023.

Group Financial performance

The year 2022/23 was a very difficult and turbulent year for our Company as explained in detail in the Management Discussion and Analysis. Our Company was adversely affected by number of factors beyond our control. Subsidiary income was down due to one of the hydro power plants being out of generation for six months due to breakdowns and repairs. Share of profits from associate companies was down since our investee companies in Bangladesh were affected by significant depreciation of Bangladesh Taka against USD. As a result, the Group profit before interest and tax declined by 55% from the previous year to LKR 526 million from LKR 1,180 million.

Further the Group finance cost steeply increased to LKR 697 million from LKR 285 million in the previous year amidst surging interest rates. The Group tax charges reduced to LKR 147 million from LKR 170 million recorded last year. The post-tax profit turned to a negative LKR 319 million from LKR 724 million.

Post-tax profit attributable to equity holders of the Company was LKR (263) million compared to LKR 658 million in the previous year.

Outlook

Economic activity remained subdued thus far in 2023 reflecting the severe economic stresses in 2022 and the tight monetary and fiscal policies adopted by CBSL and GOSL. Economy is projected to rebound in late 2023, supported by easing of monetary conditions and improvements in business and investor sentiments. On the external front, trade deficit has narrowed reflecting mainly the subdued import expenditure. The significant revival of the workers' remittances and earnings from tourism continue to build resilience in the external sector.

However, the unprecedented surge in interest rates which could continue to prevail for some time will create significant pressure on the cost of debt and margins of the

Group. Incomes of the investee companies are fixed by the Standardized Power Purchase Agreements with CEB and they are unable to pass on these additional costs. On the other hand the inordinate delay in receiving payments for the supply of electricity by our local investee companies has caused significant challenges for managing cash flows of these companies.

The Company has made significant investments in Bangladesh. Bangladesh economy is expected to grow by 5.3% in 2023 and 6.5% in 2024 slower than 7.1% in 2022. The main risk to this growth projection is a greater economic slowdown in Bangladesh's major export destinations driven by global uncertainty over the prolonged political tensions.

Despite these headwinds we remain confident to serve the best interests of our stakeholders.

Acknowledgements

I thank my fellow directors for the confidence they have placed in me and support extended to me in the performance of my responsibilities as Chairman of the Company. I wish to record board's appreciation of the contributions made by Mr. A. R. Munasinghe who resigned from the board in September 2022. I welcome Mr. Kusal Jayawardena who was appointed to the board in January 2023.

I would also like to thank our business partners for their loyalty and support. The co-operation extended to us by other financial institutions is also acknowledged and appreciated. Let me conclude by thanking Mr. Sumith Arangala, the Chief Executive Officer who resigned from the Company in August 2022 and rest of the staff, for their commitment and hard work in managing and sustaining the affairs of the Company during an extremely challenging year. I welcome our new Chief Executive Officer Mr. Palitha Gamage who joined the Company in February 2023.



Damith Pallewatte

Chairman

31st August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Group and the Company for the year ended 31st March 2023.

1.1 Revenue

Total revenue of the Group for the year under review was LKR 301 million compared to LKR 447 million in the previous year. While interest income increased by LKR 10 million to LKR 19 million from LKR 9 million in the previous year, subsidiary company income reduced by LKR 147 million to LKR 281 million from LKR 428 million in the previous year.

Reduction in subsidiary company income was largely attributable to Unit Energy plant been completely out of generation from June'22 to November'22. In May'22 it was affected by a water leakage in the turbines and thereafter by flash floods in the area which damaged the headrace channel and part of the penstock. Repair work was completed in the month of December. This loss was partly compensated by full year generation from the two solar power projects in Pallekele and Maho which were connected to the grid in last quarter of previous financial year.

Subsidiary Company	Revenue Rs.Mn	
	FY 2022/23	FY 2021/22
Unit Energy Lanka (Private) Ltd	23.0	235.5
Sapthakanya Hydro Electric Company (Private) Ltd	48.1	84.1
Campion Hydro (Private) Ltd	70.7	78.0
Solar Energy Investments (Private) Ltd	139.0	30.5
	280.8	428.1

1.2 Operating Profit

Direct expenses of subsidiaries increased to LKR 181 million compared to LKR 135 million last year. This increase is attributable to the full year operation of solar power projects whose expenses increased to LKR 55 million from LKR 10 million in the previous year.

Due to the combined effect of subsidiary income going down and the increased expenses, Operating Profit dropped to LKR 81 million from LKR 280 million during the previous year.

1.3 Share of Profit from Equity Accounted Investees (Associate Companies)

Share of profit from associate companies decreased by 51% to LKR 444 million from LKR 900 million in the previous year. Contribution from thermal power plants in Bangladesh reduced to LKR 439 million from LKR 800 million. Financial performance of these plants in Bangladesh was adversely affected by the depreciation of Bangladesh Taka [BDT] against USD during the year as their oil imports were priced in USD. Contribution from renewable energy projects in Sri Lanka improved from a loss of LKR 4 million to a profit of LKR 36 million. Whilst Hydro power companies were profitable, two Wind power companies made losses due to high interest charges despite increased turnover. The hydro power project in Nepal commenced commercial operations only March'23.

1.4 Profit before Interest and Tax

As the net result of the above changes, Profit before Interest and Tax declined by 55% to LKR 526 million from LKR 1,180 million in the previous year.

1.5 Finance and Tax Charges

On the back of rising interest rates, group finance cost increased exponentially to LKR 697 million from LKR 285 million in the previous year. Total borrowings of the group increased marginally to LKR 3,554 million by 31st March

MANAGEMENT DISCUSSION AND ANALYSIS

2023 from LKR 3,447 million at the end of the previous year, an increase of LKR 107 million due to borrowings by subsidiaries.

The group tax charge decreased to LKR 147 million from LKR 170 million in the previous year. LKR 106 million or 71% of this tax represented dividend tax paid by two associate companies in Bangladesh.

1.6 Profit after Tax

The group's bottom line turned to a negative of LKR 319 million from a Profit of LKR 724 million in the previous year. Main contributory factors were reduction of revenue and the drastic increase in interest rates during the year. Accordingly the loss attributable to equity holders of the Company is LKR 263 million.

1.7 Other Comprehensive Income

Other comprehensive income for the year was a negative of LKR 2,229 million consisting of foreign currency translation of investments amounting to a negative of LKR 775 million and share of OCI from equity accounted investees amounting to a negative of LKR 1,135 million. During the year SL Rupee appreciated against BDT from LKR.3.47 per BDT in April 2022 to LKR.3.05 per BDT in March 2023 resulting in the negative foreign currency translation.

Negative OCI is a result of two of our investee companies in Bangladesh having USD borrowings and BDT depreciating 24% against USD during the year. Both companies have USD denominated revenues and as such this negative OCI will get set-off as these USD loans are paid off over the tenure of the loans.

1.8 Total Assets

Total assets of the Group as at 31st March 2023 amounted to LKR 9,912 million compared with LKR 12,075 million a year ago, a reduction of LKR 2,163 million. This reduction is a direct result of the negative OCI emanating from two of the investee companies in Bangladesh described in the paragraph above.

1.9 Debt Capital

Rs.Mn	LEF	Subsidiaries
Non Current Borrowings	2,149	918
Current Borrowings	279	207

1.10 Equity Capital

Group equity as at 31.3.2023 was LKR 6,233 million including non-controlling interest funding 63% of total assets. This group equity is after deducting the negative Cash Flow Hedge Reserve of LKR 1,135 million which will get set-off when the two of the investee companies in Bangladesh pays off their USD borrowings.

2. PORTFOLIO HIGHLIGHTS

Our investment portfolio in operational projects as at 31st March 2023 in terms of cost stood at LKR 4,742 million Portfolio diversification in terms of energy source, capacity, ownership and geography is given below:

Number of Projects	Local	Overseas
Hydro	7	1
Wind	2	-
Solar	3	-
Thermal	-	3

Generation Capacity in MWs	Local	Overseas
Hydro	17.6	10.0
Wind	15.3	-
Solar	6.0	-
Thermal	-	218.4

LEF Investment (Rs.Mn)	Local	Overseas
Hydro	730.8	664.7
Wind	666.5	-
Solar	216.9	-
Thermal	-	2,462.7

MANAGEMENT DISCUSSION AND ANALYSIS

Number of Projects	Local	Overseas
Subsidiaries	6	-
Associates	7	4

Our investment portfolio is diversified not only in terms of energy source but also in terms of geographic location. In Sri Lanka, the hydro power plants are spread across Ratnapura, Nuwara Eliya, Kegalle, Galle and Badulla districts thereby benefitting from rainfall patterns attributable to each district. The new hydro power plant in Nepal would further strengthen the diversification of the portfolio in terms of geographic location.

The solar power plants in Matugama in Kalutara district, Palkelele in Kandy district and Maho in Kurunegala district have further diversified the portfolio in terms of energy source and geographic location.

Our two wind power plants are located in Kalpitiya peninsula which area is renowned for good wind resource.

Since energy generation based on hydro and wind resources is seasonal by nature, by investing in three thermal power plants in Bangladesh and solar power projects in Sri Lanka we were able to avoid major fluctuations in revenue across the year.

The expansion of our footprint beyond the shores of Sri Lanka has ensured that we will not be dependent entirely on a single buyer for our sales.

A summary of energy generation during financial year 2022/23 is given below:

Electricity Generation in MWhs	Local	Overseas
Hydro	51,224	1,757
Wind	34,871	-
Solar	4,391	-
Thermal	-	424,001

3. OPERATING ENVIRONMENT

3.1 Macro-economic Environment

The Sri Lankan economy faced extreme headwinds and heightened uncertainties during first half of 2022. The real economy fell into a contraction during this period owing to fuel shortages, power outages, widespread scarcity of imported raw materials and other essentials and soaring cost of production among other factors. Since the second half of 2022, the economy has shown signs of stability helped by myriad of policy interventions taken by the government.

3.1.1 Interest Rates

The interest rate of all borrowings of the company and project companies operating in Sri Lanka were linked to AWPLR, and as such were exposed to interest rate movements in the market. CBSL in April 2022 significantly tightened its monetary policy stance and increased their policy rates SDFR from 6.5% to 13.5% and SLFR from 7.5% to 14.5%. In July 2022, CBSL further tightened their monetary policy stance by increasing SDFR and SLFR by 100 basis points to 14.5% and 15.5% respectively. AWPLR in response increased from around 9%p.a at the beginning of the FY2022/23 to 28%p.a. by October 2022 and remained at that level till the end of 2022. In Q1 of 2023, it has shown some signs of relaxing and reached 22%p.a by the end of the FY22/23. As a result of these unprecedented increases in interest rates, the finance cost of the company as well as project companies increased to an almost unbearable level eroding their profitability.

The US Dollar (USD) borrowings of project companies in Bangladesh are linked to 3-month LIBOR which had fluctuated between a low of 0.32% and a high of 4.7% during the financial year 2022/23 impacting the interest attributable to such debt.

MANAGEMENT DISCUSSION AND ANALYSIS

3.1.2 Exchange Rates

In relation to the investments in Bangladesh, where borrowing had been in USD, the exchange rate between BDT and USD has an impact on financial results of those entities. However, the USD denominated feed-in tariff of those projects helps to cushion the adverse effect of depreciation of BDT against the USD. At our end the exchange rate between BDT and LKR has an impact on translation of the carrying value of the investments from BDT to LKR.

During the financial year 2022/23, the BDT depreciated 24% against the USD while LKR appreciated by 11% against the BDT. Impact of these exchange rate movements is explained under "Other Comprehensive Income" section given above.

During 2022/23, LKR marginally depreciated against Nepalese Rupee[NR] from Rs. 2.4616 per NR in April'22 to Rs. 2.4841 per NR in March'23.

3.1.3 Taxation

In terms of Inland Revenue (Amendment) Act No.24 of 2017 and amendments thereto, the company was subject to corporate tax at the rate of 24% for financial year 2021/22. However the corporate tax has now been increased to 30%. Dividend was taxed at the rate of 14% but has now been increased to 15%.

The concessionary rate of corporate tax of 14% granted to entities engaged in the generation of renewable energy under the Sixth Schedule of the Inland Revenue Act No. 24 of 2017(the Act) has expired and our investee companies engaged in renewable energy generation are now liable to pay corporate tax at 30%.

The withholding tax (WHT) rate applicable to dividend distributed by companies in Bangladesh is 20%. However in terms of the Double Taxation Agreement dated 24th

July 1986 entered into between the governments of Sri Lanka and Bangladesh, dividend paid by our Bangladeshi investee companies is subject to WHT at a concessionary rate of 15%. In terms of the Act, foreign dividend received by a resident company is exempt from tax subject to substantial participation as defined in the Third Schedule of the Act. Accordingly the dividend received from our investee companies in Bangladesh is exempt from tax. The re-distribution of such dividend is not subject to any further tax in terms of Inland Revenue (Amendment) Act No. 10 of 2021.

3.2 Feed-in Tariff

The feed-in tariff attributable to Kadawala and Lower Neluwa hydro power plants are currently under the avoided cost based tariff announced by the CEB on a yearly basis.

The revised avoided cost based tariff per unit announced by CEB with effect from 01st January 2022 are as follows:

Dry Season	-	Rs.18.67 (Rs.20.59 in 2021)
(01st February to 30th April)		
Wet Season	-	Rs.18.19 (Rs.19.11 in 2021)
(01st to 31st January, 01st May to 31st December)		

The 2.2 MW Belihuloya hydro power plant of which the original 15-year power purchase agreement expired in May 2017 is presently operating on a new 20 year power purchase agreement effective till May 2037. The feed-in tariff attributable to the plant for the calendar years 2022 and 2023 is LKR.9.19 and 9.46 per unit respectively. The tariff is escalated at the rate of 3% annually.

The 15-year power purchase agreement attributable to the 4.0 MW Assupiniella hydro power plant expired on 10th November 2020. The new 5-year power purchase agreement extendable for 20 years was executed on 6th July 2021. In terms of the new agreement the feed-in tariff attributable to the plant for the one-year period ended 10th November 2022 was Rs.7.62 per unit and the tariff attributable to the following one year period ending 10th November 2023 is Rs.7.84 per unit. The tariff will be escalated at the rate of 3% annually for the remaining period.

MANAGEMENT DISCUSSION AND ANALYSIS

Pawan Dhanavi wind power plant which is operating under the second tier of the three-tier tariff regime since 9th August 2020 is presently subject to a tariff of Rs.12.79 per unit and Nala Dhanavi wind power plant which is operating under the second tier of the tariff regime since 25th June 2021 is presently subject to a tariff of Rs.12.62 per unit.

Theberton, Campion and Bambarapana hydro power plants are operating under the first tier of the 20-year three-tier tariff regime and the feed in tariff applicable to the plants in calendar year 2023 is Rs.18.48, Rs.18.22 and Rs.18.13 respectively.

The 20-year fixed feed-in tariff attributable to the solar power plants in Mathugama, Pallekele and Maho is Rs.17.48, Rs.16.93 and Rs.15.93 respectively.

3.3 Weather Conditions

Changing weather patterns have an impact on the performance of renewable energy projects. The changing rainfall patterns and increased incidence of extreme weather events such as droughts and floods have a direct bearing on renewable energy generation. Solar power is to a great extent insulated from major seasonality variations experienced in hydro and wind power.

The diversification into thermal power was principally aimed at mitigating the seasonality risk. The total installed capacity of thermal power plants in Bangladesh is 218.4 MW and our total investment in them is USD 16.0 million. Overall contribution of thermal power sector to group Profit before Interest and Tax was 78% in financial year 2022/23. By diversifying into thermal energy sector in Bangladesh we have also achieved the objective of reducing our reliance on CEB as the sole energy purchaser.

4. Plant & Equipment

Subject to financial viability, our commitment to rely on leading and well established suppliers of plant and equipment with the view to ensuring their reliability, availability and efficiency is evident from the following list of machinery suppliers to our projects:

Hydro Power

Project Name	Source
Belihuloya	Wasserkraft, Germany
Assupiniella	VA Tech, Germany
Kadawala	Voith Siemens, Germany
Lower Neluwa	Gugler Hydro Energy, Austria
Theberton	Fuchun Industry Development Co, China Hongya Power Generating Equipment, China
Campion	Hongya Power Generating equipment, China
Bambarapana	Global Hydro Energy, Austria
Makari Gad	Wasserkraft Volk, Germany

Wind Power

Project Name	Source
Pawan Danavi	Gamesa, Spain
Nala Dhanavi	Gamesa, Spain

Solar Power

Company Name	Source
SEI Mathugama (Pvt) Ltd	Solar modules: Q Cells, South Korea Inverters: Sungrow, China
SEI Maho (Pvt) Ltd	Solar modules: JA Solar, China Inverters: Ingeteam, Spain
Solar Energy Investments Pallekele (Pvt) Ltd	Solar modules: JA Solar, China Inverters: Ingeteam, Spain

Thermal Power

Company Name	Source
Raj Lanka Power Co Ltd	Wartsila, Finland
Lakdhanavi Bangla Power Ltd	Wartsila, Finland
Feni Lanka Power Limited	Wartsila, Finland

MANAGEMENT DISCUSSION AND ANALYSIS

5. FUTURE OUTLOOK and DISTRIBUTIONS

The contribution from thermal power plants in Bangladesh provided a considerable boost to group profit in financial year 2022/23. However depreciation of BDT against both USD and SLR affected our profitability and Comprehensive Income. BDT now appears to have stabilized on relative terms and adverse impact on 2023/24 performance is expected to be moderate. Increased cost of working capital due to increasing cost of oil prices and delay in receiving payment for electricity sales from Bangladesh Power Development Board was also having a negative impact on profitability of Bangladeshi companies. Management in Bangladesh has now adopted different procurement methodologies to mitigate possible losses from BDT depreciation against USD.

Construction of the 10 MW Makari Gad hydro power plant in Nepal which was hampered by Covid-19 pandemic, flash floods and landslides is now complete and commercial operations started in March 2023. We will be able to account for its full year's share of profit from financial year 2023/24 onwards.

Company's high debt position affected cash-flows and consequently distribution to shareholders. With AWPLR exceeding 28% by October 2022 compared to a low of 5.43% recoded in financial year 2021/22, loan interest is consuming the major part of dividend income of the Company. In order to manage the cash flow position, some of bank loans are being restructured.

The considerable delay encountered in collecting payments from CEB for electricity sales has severely affected the cash-flows of our local investee companies. At the time of this writing they have received payment for electricity sales for up to March to May 2022 only. As a result, these companies are facing difficulty in meeting debt service obligations and absorbing other overheads such as staff costs and plant maintenance costs. In addition increasing interest cost and operational costs are having a negative effect on their profit. Their inability to make distributions under such circumstances is seriously affecting our cash flows restricting our ability to pay dividend. At present our debt servicing cost and operational expenses are being met solely by dividend from our investee companies in Bangladesh. Our expectation that CEB will clear up arrears payments after they increased their consumer tariff has not materialized yet.

In 2023/24 up to now, inflation has moderated significantly and CBSL has relaxed their monetary policy stance by reducing policy rates by 250 basis points in June 2023. AWPLR has started to come down albeit rather slowly. This reduction in market interest rates will have a favorable impact on our debt servicing and profitability.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of LVL Energy Fund PLC have pleasure in presenting to the members their report together with the Audited Financial Statements of the Company for the year ended 31 March 2023.

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 Message and Management Discussion and Analysis on pages 5 to 11 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 26 to 82

Auditor's Report

The Auditors' Report on the Financial Statements is given on pages 23 to 25

Accounting Policies

The accounting policies including any changes to accounting policies adopted in the preparation of Financial Statements are given on pages 31 to 45

Directorate

The following Directors held office during the year under review:

Mr. P.G.D.B. Pallewatte

Mr. M.A. Wijetunge

Mr. M.R. Abeywardena

Mr. M.M. Wijetunge

Mr. J.D.N. Kekulawala*

Mr. K.C.S. Dharmawardana*

Mr. R.A. Dassanayake

Mr. A.G.R. Dissanayake

Mr. N.H.T.I. Perera

Mr. K. Jayawardana* (appointed w.e.f. 27th January 2023)

Mr. A.R. Munasinghe* (resigned w.e.f. 24th September 2022)

*Independent Director

As required by Listing Rule 7.10.3 of the Colombo Stock Exchange, the Board has determined that Messrs. J.D.N. Kekulawala, K.C.S. Dharmawardana and K. Jayawardana to be independent non-executive Directors. Further details are given on page 15 under Corporate Governance.

In terms of Article 27(12) of the Articles of Association of the Company Mr. P.G.D.B. Pallewatte and Mr. A.G.R. Dissanayake retire by rotation, and being eligible, offer themselves for re-election with the unanimous approval of the Board.

Directors' Shareholding

The relevant interest of Directors in the shares of the Company as at 31 March 2023 and 31 March 2022 is as follows:

Director	31 March 2023	31 March 2022
Mr. P.G.D.B. Pallewatte	Nil	NA
Mr. M.A. Wijetunge	67,911,668	67,911,668
Mr. A.R. Munasinghe	N/A	Nil
Mr. M.R. Abeywardene	Nil	Nil
Mr. M.M. Wijetunge	3,746,104	3,746,104
Mr. J.D.N. Kekulawala	500,000	500,000
Mr. K.C.S. Dharmawardana	Nil	Nil
Mr. R.A. Dassanayake	01	Nil
Mr. A.G.R. Dissanayake	Nil	Nil
Mr. N.H.T.I. Perera	Nil	Nil
Mr. W.P.K. Jayawardana	Nil	N/A

Mr. J. P. Gamage, the Chief Executive Officer of the Company does not hold any shares in the Company as at 31 March 2023.

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 30 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Directors' Remuneration

Directors' remuneration in respect of the Company and the Group for the financial year 2022/23 is given in Note 10 of the Financial Statements.

Donations

No donations have been made by the Company during the financial year 2022/23.

Auditors

The Auditors Messrs. KPMG were paid 490,000 exclusive of taxes (2021/22 - LKR 430,000) as audit fees. Neither there were audit related other services (2021/22 - LKR 82,404) nor non-audit related professional services rendered to the Company during the financial year 2022/23 (2021/22 - Nil).

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.

Audit Committee

The Audit Committee of the parent namely Lanka Ventures PLC which is also a listed entity, functions as the Audit Committee of the Company and comprises the following members:

Mr. J.D.N. Kekulawala - Chairman

Mr. R.A. Dassanayake

Mr. W.P.K. Jayawardana

Remuneration Committee

The Remuneration Committee of the parent namely Lanka Ventures PLC which is also a listed entity, functions as the Remuneration Committee of the Company and comprises the following members:

Mr. J.D.N. Kekulawala – Chairman

Mr. W.P.K. Jayawardana

Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the parent namely Lanka Ventures PLC which is also a listed entity, functions as the Related Party Transactions Review

Committee of the Company and comprises the following members:

Mr. W.P.K. Jayawardana - Chairman

Mr. J.D.N. Kekulawala

The Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to related party transactions.

There were no non-recurrent related party transactions during the year that are required to be disclosed in compliance with Section 9.3.2.(a) of the Listing Rules of the Colombo Stock Exchange and there were no recurrent related party transactions during the year that are required to be disclosed in compliance with Section 9.3.2.(b) of the Listing Rules of the Colombo Stock Exchange.

Group Financial Results

For the year ended 31 March	2023	2022
	LKR '000	LKR '000
Total Income	300,709	446,509
Profit before Interest and Tax	525,738	1,179,786
Interest	(697,230)	(285,097)
Tax Expense	(147,207)	(170,407)
Profit for the Year	(318,699)	724,282
Other Comprehensive Income	(1,910,563)	2,724,320
Retained profit brought forward	1,878,891	1,427,254
Retained profit carried forward	1,625,274	1,878,891

Dividend

There has been no dividend declared for financial year 2022/23 (2021/22 - Nil).

Property, Plant and Equipment

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

The Directors are of the opinion that the carrying amount of properties stated in Note 16 to the Financial Statements reasonably reflects their fair values.

Stated Capital and Reserves

The stated capital of the Company as at 31 March 2023 comprised ordinary share capital of LKR 2,906.5 million (2021/22 - LKR 2,906.5 million). The number of ordinary shares in issue as at 31 March 2023 was 582,278,117 (2021/22 - 582,278,117).

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Total reserves of the Company as at 31 March 2023 amounted to LKR 3176.7 million (2021/22 - LKR 5,349.9 million) which was the carried forward reserves of the Company. The Group reserves as at 31 March 2023 amounted to LKR 3170.7 million (2021/22 - LKR 5,334.9 million). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Taxation

As per the First Schedule of the Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company was liable to income tax at the rate of 30% for the year ended 31 March 2023.

Shareholder Information

The distribution of shareholders is indicated on page 84 of the Annual Report. There were 1,468 registered shareholders as at 31 March 2023 (31 March 2022 - 1,423). The public holding of the Company as at 31 March 2023 was 30.61% comprising 1,463 shareholders and a float adjusted market capitalization of LKR 1,194,176,722.

In terms of Rule 7.14.1.(a) of the Listing Rules of the Colombo Stock Exchange relating to Main Board listing, the Company complies with minimum public holding requirement pertaining to Option 5.

Information on share trading is given on page 85 of the Annual Report.

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.

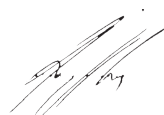
Annual General Meeting

The Twelfth Annual General Meeting of the Company will be held as a virtual meeting on the Twenty Sixth (26th) day of September 2023 at 2.45 pm. The Notice of the Twelfth Annual General Meeting is on page 86 of the Annual Report.

For and on behalf of the Board



R.A. Dassanayake
Director



M.R. Abeywardena
Director



Corporate Services
(Private) Limited
Secretary

31st August 2023
Colombo

CORPORATE GOVERNANCE

The Board of Directors is responsible for the governance of the Company whilst the shareholders' role in governance is to appoint Directors and to satisfy themselves that an appropriate governance structure is in place.

The Board of Directors of LVL Energy Fund PLC is committed to business integrity and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the development of best practices.

Board of Directors

The Board consists of ten non-executive Directors including three independent Directors with wide financial and commercial knowledge and experience. A brief background of each Director is given on pages 2 to 4 of the Annual Report.

Board Meetings

The Board meets once in two months and special Board meetings are also held whenever required to review the results of the Company with reference to monthly Financial Statements, status of portfolio, pipeline of projects, investment and divestment proposals and position papers on portfolio companies. The Board comprising 10 non-executive members is able to bring independent judgment to bear on the decision making process of the Company.

Over the past year the Board held seven meetings and the attendance of each Director is given below.

Mr. P.G.D.B. Pallewatte	-	7/7
Mr. M.A. Wijetunge	-	6/7
Mr. M.R. Abeywardena	-	7/7
Mr. M.M. Wijetunge	-	5/7
Mr. J.D.N. Kekulawala*	-	7/7
Mr. K.C.S. Dharmawardana*	-	6/7
Mr. R.A. Dassanayake	-	7/7
Mr. A.G.R. Dissanayake	-	6/7
Mr. N.H.T.I. Perera	-	7/7

Mr. W.P.K. Jayawardana* - 2/2
(appointed w.e.f. 27th January 2023)

Mr. A.R. Munasinghe* - 3/3
(resigned w.e.f. 24th September 2022)

* Independent Director

The role of Chairman and Chief Executive Officer are separate with responsibilities divided between them.

Audit Committee Meetings

During the year the Audit Committee held four meetings and the attendance of each member who participated is given below.

	Meetings
Mr. J.D.N. Kekulawala	- 4/4
Mr. A.R. Munasinghe (resigned w.e.f. 24 th September 2022)	- 2/2
Mr. R.A. Dassanayake	- 4/4
Mr. W.P.K. Jayawardana (appointed w.e.f. 27 th January 2023)	- 1/1

Remuneration Committee Meetings

During the year the Remuneration Committee held two meetings and the attendance of each member is given below.

	Meetings
Mr. J.D.N. Kekulawala	- 2/2
Mr. A.R. Munasinghe (resigned w.e.f. 24 th September 2022)	- 1/1
Mr. W.P.K. Jayawardana (appointed w.e.f. 27 th January 2023)	- 1/1

Related Party Transactions Review Committee Meetings

During the year the Related Party Transactions Review Committee held four meetings on a quarterly basis and the attendance of each member is given below.

	Meetings
Mr. A.R. Munasinghe (resigned w.e.f. 24 th September 2022)	- 2/2
Mr. J.D.N. Kekulawala	- 4/4
Mr. W.P.K. Jayawardana (appointed w.e.f. 27 th January 2023)	- 1/1

CORPORATE GOVERNANCE

Appraisal of the Chief Executive Officer

The performance of the Chief Executive Officer (CEO) is reviewed every year by the Board. The CEO is accountable to the Board and is responsible for the day-to-day operations of the Company while ensuring that corporate goals are achieved making the optimum use of resources available.

Time Commitment

The Board dedicates adequate time to discharge their duties effectively. In addition to Board meetings, they attend sub-committee meetings and make decisions via circular resolutions.

Appointments to the Board

New appointments to the Board are based on collective decisions of the Board. In making new appointments, the Board considers the composition of the Board in order to assess whether they have the right mix of skills and experience to be better prepared for managing the Company.

Re-election of Directors

As per the Articles of Association of the Company two Directors retire from office at each Annual General Meeting.

Access to Independent Professional Advice

All Directors have access to advice of the Company Secretary and independent professional advice is available to Directors in appropriate circumstances at Company's expense.

Remuneration of Directors

The remuneration of Directors all of whom are functioning in non-executive capacity is determined by the board and disclosed in Note 10 of the Financial Statements.

Remuneration Policy

The Company's remuneration policy is based on the following principles:

- To deliver improved shareholder value by ensuring that individual performance and reward reflect and reinforce the business objectives of the Group.

- To support the recruitment, motivation and retention of high quality senior executives.
- To ensure that performance is the key factor in determining individual reward.

Company Secretary

Corporate Services (Private) Limited are the Secretaries to the Company. The Company Secretaries attend Board meetings, minute all Board decisions and liaise with Directors on matters connected with the Board. The Company Secretaries ensure proper procedures are followed and applicable rules and regulations are adhered to by the Board.

Investment Committee

The Investment Committee comprising four members of the Board is responsible for considering investment and divestment proposals prior to placing them before the Board for approval.

Responsibilities

The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. The responsibilities of the Board include the following:

- Exercise leadership, enterprise, integrity and judgment in directing the Company so as to achieve continuing prosperity in a manner based on transparency, accountability and responsibility.
- Ensure a managed and effective process of Board appointments.
- Determine the Company's purpose and values, strategy and ensure that appropriate procedures and practices are in place.
- Monitor and evaluate the implementation of strategies and policies for better management performance.
- Ensure compliance with the relevant laws, regulations and codes of best practice.
- Communicate with shareholders effectively and serve the legitimate interests of the shareholders.
- Periodic and timely reporting to shareholders of the progress and performance of the Company.

CORPORATE GOVERNANCE

- Review processes and procedures regularly to ensure that internal controls are effective.
- Identify key risk areas and ensure that these risks are addressed and managed effectively.
- Appointing and evaluating the performance of the Chief Executive Officer.
- Approving the Annual Budget.
- Ensure the continuation of the Company as a going concern.

Investor Relations

The Annual General Meeting, Annual Report of the Company, Quarterly Reports and the Company's website are the principal means of communication with the shareholders.

Foreseeable risk factors

- **Credit Risk**
Is the risk of loss due to uncertainty in counterparty's ability to meet its financial obligations in full and in a timely manner. Investee companies in the energy sector are dependent on a single customer for sale of electricity.
- **Interest Rate Risk**
Is the risk of financial loss due to adverse movement in interest rates.
- **Liquidity Risk**
Is the risk arising out of the lack of marketability of an investment. The Group's investments are in unlisted companies whose shares may not be readily marketable.
- **Business Risk**
Is the risk that can have a negative impact on the operation or earnings of the company due to internal or external factors such as changes in the cost structure, loss of market share and changes in industry or macro economic conditions.
- **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 behaviour. Operational risks arise from all of the Company's operations. Venture capital investments are well known as high risk investments since venture capital companies invest in ventures with a high growth but also high risk potential.

The overall responsibility for the governance of operational risk lies with the Board of Directors. The Board identifies major risk areas and provides adequate resources and people to mitigate and minimize risks. Performance of the ventures and potential new investments are evaluated by the Board in order to make strategic decisions.

- **Environment Risk**
Is the risk which arises due to actual or potential threat of adverse effects from environment. An environment study is carried out in respect of each power sector project. Changing weather patterns can have an impact on projects in the renewable energy sector.

Material issues pertaining to employees and industrial relations

There are no material issues pertaining to employees and industrial relations of the Company.

CORPORATE GOVERNANCE

Compliance with Corporate Governance Rules of the Colombo Stock Exchange

The following disclosures are made in conformity with Section 7 of the Rules of the Colombo Stock Exchange:

Rule	Status
7.10.1 Non-executive Directors	Complied with. All ten Directors are non-executive.
7.10.2 Independent Directors	Complied with. Each non-executive Director has submitted a signed and dated declaration as specified in the Rule. The Board has decided that three Directors are independent (see cage below)
7.10.3 Disclosures relating to Directors	Mr. J.D.N. Kekulawala, Mr. K.C.S. Dharmawardana and Mr.W.P.K Jayawardana meet all the criteria set out in Rule 7.10.4 for determining the independence of Directors.
7.10.4 Criteria for determining independence	<p>a) The Directors do not participate when considering transactions in which they have an interest. On other matters they act in accordance with their beliefs in the best interest of the Company.</p> <p>b) No Director exercises undue influence over the deliberations of the Board or uses his seniority or position to prevent any other Director expressing his views on any matter.</p>
7.10.5 Remuneration Committee	Complied with. The Remuneration Committee of the parent namely Lanka Ventures PLC which is also a listed entity, functions as the Remuneration Committee of the Company and comprises two independent non-executive Directors of the parent. The names of the members of the committee are given in the Annual Report of the Board of Directors. The remuneration of the CEO is recommended by the committee. The total remuneration paid to Directors is given under staff salaries, defined contribution plan cost, bonus and directors' fees in Note 10 of the Financial Statements on page 46 A statement regarding the remuneration policy of the Group is given on page 16
7.10.6 Audit Committee	Complied with. The Audit Committee of the parent namely Lanka Ventures PLC which is also a listed entity functions as the Audit Committee of the Company and comprises three non-executive Directors including two independent Directors of the parent. The names of the members of the committee are given in the Annual Report of the Board of Directors. The report of the committee is given on page 19

AUDIT COMMITTEE REPORT

The Audit Committee is assigned with the task of assisting the Board in fulfilling its responsibility in relation to the integrity of the financial statements of the Company, ensuring that a proper financial reporting system is in place in order to provide accurate and timely information, that it is in accordance with the Company's Act and other legislative reporting requirements and that adequate disclosures are made in the financial statements in accordance with the Sri Lanka Accounting Standards. The Audit Committee reviews the effectiveness of internal controls and implement changes where required and ensures that the risk management processes are effective and sufficient to identify and mitigate risks. The Audit Committee also ensures that the conduct of the business is in compliance with applicable laws and regulations.

The Audit Committee comprises of three non-executive Directors including two independent Directors in conformity with the Listing Rules of the Colombo Stock Exchange and the names of the members of the Committee are given in page 13 in the Annual Report of the Board of Directors.

The Committee met four times during the financial year and attendance of members who participated at meetings is given in page 15 under Corporate Governance. The Chief Executive Officer of the Company and Finance Manager of Lanka Ventures PLC attended all meetings by invitation.

Dates of the Audit Committee meetings held during the year are as follows.

- 24 May 2022
- 09 August 2022
- 09 November 2022
- 08 February 2023

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual financial statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards. The Committee recommended the financial statements to the Board for its deliberations and issuance.

The Committee reviewed the business process in operation and ensured that adequate controls and procedures are in place to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of financial statements. The Committee is satisfied that the Company's compliance framework provided reasonable assurance that all relevant laws, rules and regulations and accounting standards have been complied with.

The Committee is satisfied that the independence of the auditors has not been compromised by any event or service that gives rise to a conflict of interest. The Committee has proposed that Messrs. KPMG be re-appointed as auditors for the financial year ending 31 March 2024 subject to approval by the shareholders at the Annual General Meeting.



J.D.N. Kekulawala
Chairman
31st August 2023

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Committee comprises two independent directors and their names are given in page 12 of the Annual Report of the Board of Directors.

The main duties and responsibilities of the Committee and the policies and procedures adopted for reviewing related party transactions are given below:

- (1) Establish definitions and set out threshold values for each related party transaction as per the listing rules that requires discussion and disclosure.
- (2) Identify related party transactions that require prior approval of the Board, immediate market disclosure, shareholder approval and disclosure in the annual report.
- (3) Formulate a standard format for documentation of related party transactions to be presented to the Committee.
- (4) Establish guidelines to identify recurrent and non-recurrent related party transactions.
- (5) Obtain knowledge and expertise to assess proposed related party transactions where necessary including obtaining of appropriate professional and expert advice from suitably qualified persons.
- (6) Communicate to the Board its views on related party transactions reviewed by the Committee.
- (7) Periodic review by the Committee with the view to ensuring that disclosures have been made in the market or in the annual report as the case may be consistent with the listing rules.

The Committee met on four occasions during the financial year and attendance of members is given in page xxx under Corporate Governance. The Chief Executive Officer of the Company and Finance Manager of Lanka Ventures PLC attended the meetings as invitees.

Dates of the Related Party Transactions Review Committee meetings held during the year are as follows.

- 24 May 2022
- 09 August 2022
- 09 November 2022
- 08 February 2023

The Committee reviewed the related party transactions and communicated its views to the Board. The Committee was satisfied with the quality and adequacy of the information pertaining to related party transactions presented to it by the management in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange.



W.P.K. Jayawardana
Chairman
31st August 2023

FINANCIAL REPORTS

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Page 27 | Statement of Financial Position

Page 28 | Statement of Changes in Equity

Page 30 | Statement of Cash Flows

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibility of the Directors, in relation to the Financial Statements of the Company differs from the responsibilities of the Auditors, which are set out in the independent Auditors' Report on pages 23 to 25.

The Directors are responsible for preparing the Annual Report and the Financial Statements to the shareholders of the Company. The Directors confirm that the Financial Statements give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year, and of the profit or loss of the Company and the Group for the financial year.

In preparing the Financial Statements set out on pages 26 to 30 the Directors are required to:

- Select appropriate accounting policies and then consistently make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed.

The Directors confirm that they have complied with the above requirements in preparing both the Company Financial Statements and the consolidated Financial Statements. The Directors also confirm that the Company and the Group have adequate resources to continue in business for the foreseeable future and have applied going concern basis in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and to enable them to ensure the Financial Statements comply with the Companies Act No. 07 of 2007.

They are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In this regard the Directors have instituted an effective and comprehensive system of internal control.

The Directors are required to prepare Financial Statements and to provide the external Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for.

By order of the Board,



Corporate Services (Private) Limited

Secretaries

31st August 2023

Colombo

INDEPENDENT AUDITOR'S REPORT



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

Tel +94 - 11 542 6426
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LVL ENERGY FUND PLC Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LVL Energy Fund PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 26 to 78.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2023, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the Company

financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Equity accounting of subsidiaries and associates in the Company's separate financial statements and consolidation of investments in subsidiaries and equity accounting of associates in the Group financial statements

Refer to the significant accounting policies in note 3.1, 3.2 and explanatory note 17 and 23 to the financial statements.

Risk Description

The carrying value of the investment subsidiaries and associates in the separate financial statements amounted to LKR 8,299 million and the carrying value of associates recorded in Consolidated financial statements amounted to LKR 7,131 million which represents 97% of the Company's total assets and 72% of the Group's total assets respectively as at 31st March 2023.

The Company accounts its associates and subsidiaries under equity method accounting in the separate financial statements. In the Group's consolidated financial statements, subsidiaries are consolidated and the associates are accounted under equity method accounting. The determination of the appropriate accounting depends upon the ability to exercise control or significant influence.

Further, with the volatile economic condition, the Group reported a loss on foreign currency translation from foreign operations amounting to LKR 775 million during the year. Further, the Group recognised LKR 1,135 million as share of other comprehensive loss on equity accounted investees in the consolidated financial statements.

Due to the magnitude of these amounts and the judgements involved in assessing the control/ significant influence as the potential impact is material to the presentation of the financial statements, this was considered to be a key audit matter.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

C. P. Jayatilake FCA
Ms. S. Joseph FCA
S. T. D. L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
T. J. S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G. A. U. Kanunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA
W. J. C. Perera FCA
W. K. D. C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTII

INDEPENDENT AUDITOR'S REPORT



Our response

Our audit procedures included,

- Obtaining an understanding of and assessing the design and implementation of management's key internal controls around the application of SLFRS 10 and challenged the significant judgments that management have exercised in determining whether the Group controls its components.
- Reviewing documents to support any key judgements management have made in determining whether they control or have significant influence over an investee.
- Discussion held with management of the Company concerning the basis of these entities accounted for as subsidiaries and associates in the financial statements.
- Obtaining and reviewing those relevant terms in the shareholders' agreements and articles of association of subsidiaries and associates.
- Recomputing the Net Controlling Interest by using net assets of each subsidiaries.
- Verifying the net assets used for equity accounting with the individual component's financial statements to ensure the accuracy.
- Checking the accuracy of elimination of intercompany transactions.
- Verifying the use of foreign exchange rates and recomputing the foreign currency translation gain/loss at the reporting date on a sample.
- Performing or reviewing the work carried out by component auditors where necessary including cashflow hedge accounting as per SLFRS 9 of components with the consultation of inhouse specialist and performing analytical reviews for non-significant components.
- Evaluating the adequacy of the disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism

INDEPENDENT AUDITOR'S REPORT



throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3544.

A handwritten signature in blue ink that reads 'KPMG'.

CHARTERED ACCOUNTANTS
Colombo
31st August 2023

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	
		2023	2022	2023	2022
Revenue					
Investment income	6	-	-	-	-
Interest income	7	18,926	9,110	13,574	2,165
Subsidiary company income	8	280,873	428,140	-	-
		299,800	437,250	13,574	2,165
Other income	9	910	9,259	3,711	326
Operating expenses					
Administrative expenses		(480)	(8,742)	(480)	(8,742)
Sales and establishment expenses		(317)	(150)	-	-
Other operating expenses		(37,595)	(22,690)	(18,768)	(8,877)
Direct expenses - subsidiaries	8	(180,946)	(135,147)	-	-
Results from operating activities	10	81,371	279,781	(1,963)	(15,128)
Finance cost	11	(697,230)	(285,097)	(456,021)	(243,312)
Share of profit of equity accounted investees, net of tax	12	444,367	900,004	195,311	916,123
Profit/(loss) before income tax		(171,492)	894,688	(262,677)	657,683
Tax expense	13	(147,207)	(170,407)	-	-
Profit/(loss) for the year		(318,699)	724,281	(262,677)	657,683
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	17.2	(775,412)	2,724,320	(775,412)	2,724,320
Share of other comprehensive income from equity accounted investees	17.2	(1,135,151)	-	(1,135,151)	-
Total other comprehensive income that are or may be re-classified to profit or loss in subsequent period		(1,910,563)	2,724,320	(1,910,563)	2,724,320
Items that will not be re-classified subsequently to profit or loss		-	-	-	-
Total other comprehensive income for the year, net of income tax		(1,910,563)	2,724,320	(1,910,563)	2,724,320
Total comprehensive income for the year		(2,229,261)	3,448,601	(2,173,240)	3,382,003
Profit attributable to:					
Equity holders of the Company		(262,677)	657,683	(262,677)	657,683
Non-Controlling interest		(56,021)	66,599	-	-
Profit/(loss) for the year		(318,699)	724,281	(262,677)	657,683
Total comprehensive income attributable to:					
Equity holders of the Company		(2,173,240)	3,382,003	(2,173,240)	3,382,003
Non-Controlling interest		(56,021)	66,599	-	-
Total comprehensive income for the year		(2,229,261)	3,448,601	(2,173,240)	3,382,003
Earnings per share					
Basic and diluted earnings per share	14	(0.45)	1.13	(0.45)	1.13

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	
		2023	2022	2023	2022
Assets					
Non-current assets					
Property, plant and equipment	16	1,608,553	1,677,672	2,286	4,396
Right-to-use land	16.1	2,802	2,990	-	-
Investment in equity accounted investees	17	7,131,459	9,264,279	8,299,111	10,660,905
Intangible assets	18	125,307	88,305	-	-
Total non-current assets		8,868,121	11,033,246	8,301,397	10,665,301
Current assets					
Loans and receivables	19	304,525	244,704	2,145	1,826
Amounts due from related parties	20.1	1,711	847	40,494	56,079
Other receivables	21	564,325	719,475	174,245	92,758
Income tax receivables	27.1	6,378	6,378	5,236	5,236
Cash and cash equivalents	22	166,724	70,653	520	988
Total current assets		1,043,663	1,042,057	222,639	156,887
Total assets		9,911,784	12,075,303	8,524,036	10,822,188
Equity					
Stated capital	23.1	2,906,472	2,906,472	2,906,472	2,906,472
Revaluation reserve	23.2	9,101	9,101	9,101	9,101
Translation reserve	23.3	2,671,520	3,446,932	2,671,520	3,446,932
Cash flow hedge reserve	23.4	(1,135,151)	-	(1,135,151)	-
Retained earnings		1,625,274	1,878,891	1,631,202	1,893,879
Total equity attributable to equity holders of the company		6,077,216	8,241,396	6,083,144	8,256,384
Non controlling interest		156,169	235,844	-	-
Total equity		6,233,385	8,477,240	6,083,144	8,256,384
Liabilities					
Non-current liabilities					
Interest bearing borrowings	24	3,068,341	2,900,650	2,149,357	2,031,594
Deferred tax liability	25	80,128	39,903	-	-
Total non-current liabilities		3,148,469	2,940,553	2,149,357	2,031,594
Current liabilities					
Interest bearing borrowings	24	486,056	546,601	279,281	463,465
Amounts due to related parties	20.2	10,913	66,285	10,913	66,285
Other payables	26	32,294	27,012	1,340	4,460
Income tax payable	27.2	667	17,613	-	-
Total current liabilities		529,929	657,511	291,534	534,210
Total liabilities		3,678,398	3,598,064	2,440,892	2,565,804
Total equity and liabilities		9,911,784	12,075,303	8,524,036	10,822,188

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



D.L. Wijesekara
Finance Manager

Signed in Colombo on 31 August 2023

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.



R.A. Dassanayake
Director



M.R. Abeywardena
Director

STATEMENT OF CHANGES IN EQUITY

(All amounts in Sri Lanka Rupees thousands)

Group	Notes	Attributable to equity holders of the group							
		Stated capital	Revaluation reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Total	Non controlling interest	Total
Balance as at 01 April 2021		2,906,472	9,101	-	722,612	1,427,254	5,065,439	207,631	5,273,070
Profit/(loss) for the year		-	-	-	-	657,683	657,683	66,599	724,282
Foreign operations - foreign currency translation difference	23.3	-	-	-	2,724,320	-	2,724,320	-	2,724,320
Share of OCI - equity accounted investees	23.4	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	2,724,320	657,683	3,382,003	66,599	3,448,602
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders									
Change in ownership without change in control in subsidiary	23.5	-	-	-	-	(2,249)	(2,249)	12,645	10,396
Dividend paid		-	-	-	-	(203,797)	(203,797)	(51,031)	(254,828)
		-	-	-	-	(206,046)	(206,046)	(38,386)	(244,432)
Balance as at 31 March 2022		2,906,472	9,101		3,446,932	1,878,891	8,241,396	235,844	8,477,240
Profit/(loss) for the year		-	-	-	-	(262,677)	(262,677)	(56,021)	(318,699)
Share of OCI - equity accounted investees	23.4			(1,135,151)			(1,135,151)		(1,135,151)
Foreign operations - foreign currency translation difference	23.3	-	-		(775,412)	-	(775,412)	-	(775,412)
Total comprehensive income		-	(1,135,151)	(775,412)	(262,677)	(2,173,240)	(56,021)	(2,229,262)	
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders									
Change in ownership without change in control in subsidiary.	23.5	-	-	-	-	9,061	9,061	32,741	41,802
Dividend paid		-	-	-	-	-	-	(56,395)	(56,395)
		-	-	-	-	9,061	9,061	(23,654)	(14,593)
Balance as at 31 March 2023		2,906,472	9,101	(1,135,151)	2,671,520	1,625,274	6,077,216	156,169	6,233,385

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

	Notes	Stated capital	Revaluation reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Total
Balance as at 01 April 2021		2,906,472	9,101	-	722,612	1,442,242	5,080,427
Profit/(loss) for the year		-	-	-	-	657,683	657,683
Foreign currency translation difference	23.3	-	-	-	2,724,320	-	2,724,320
Share of OCI - equity accounted investees	23.4	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	2,724,320	657,683	3,382,003
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders							
Issue of shares by a subsidiary	23.5	-	-	-	-	(2,249)	(2,249)
Dividend paid		-	-	-	-	(203,797)	(203,797)
		-	-	-	-	(203,797)	(203,797)
Balance as at 31 March 2022		2,906,472	9,101	-	3,446,932	1,893,879	8,256,384
Profit/(loss) for the year		-	-	-	-	(262,677)	(262,677)
Share of OCI - equity accounted investees	23.4	-	-	(1,135,151)	-	-	(1,135,151)
Foreign currency translation difference	23.3	-	-	-	(775,412)	-	(775,412)
Total comprehensive income for the year		-	-	(1,135,151)	(775,412)	(262,677)	(2,173,240)
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders							
Dividend paid		-	-	-	-	-	-
		-	-	-	-	-	-
Balance as at 31 March 2023		2,906,472	9,101	(1,135,151)	2,671,520	1,631,202	6,083,144

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

STATEMENT OF CASH FLOWS

(All amounts in Sri Lanka Rupees thousands)

For the year ended 31 March	Notes	Group		Company	
		2023	2022	2023	2022
Cash flows from operating activities					
Profit before tax		(171,492)	894,688	(262,677)	657,683
Adjustments for:					
Interest income	7	(18,926)	(9,110)	(13,574)	(2,165)
Other income	9	(910)	(9,259)	(3,711)	(326)
Interest expense		690,791	281,158	451,845	241,206
Preference dividend	11	-	274	-	-
Depreciation	16	82,079	49,685	2,110	2,110
Amortization	10	4,766	2,061	-	-
Share of profit of equity accounted investees (net of income tax)	12	(444,367)	(900,004)	(195,311)	(916,123)
Operating cash flows before working capital changes		141,941	309,492	(21,318)	(17,615)
Changes in					
Loans & receivables		(59,821)	(109,442)	(319)	(1,671)
Amounts due from related parties		(56,236)	61,915	(39,787)	32,920
Other receivables		705,036	99,220	-	-
Other payables		5,284	9,080	(1,741)	1,647
Cash generated from/(used in) operating activities		736,204	370,265	(63,164)	15,281
Interest paid		(435,168)	(194,937)	(258,358)	(158,453)
Gratuity paid		(1,380)	-	(1,380)	-
Taxes paid		(17,569)	(43,257)	-	-
Net cash generated from/(used in) operating activities		282,087	132,071	(322,902)	(143,172)
Cash flows from investing activities					
Interest received		19,836	18,369	17,285	2,491
Dividend received		11,760	76,053	565,051	410,374
Additions to intangible assets	18	(41,580)	(19,392)	-	-
Investment in equity accounted investees	17.2	-	(71,437)	-	(171,437)
Disposal / (acquisition) of property plant and equipment	16	(12,960)	(584,181)	-	-
Net cash generated from/(used in) investing activities		(22,944)	(580,588)	582,336	241,428
Cash flows from financing activities					
Dividend paid		-	(203,797)	-	(203,797)
Dividend paid to minority share holders by subsidiary		(56,395)	(51,031)	-	-
Cash proceeds of interest bearing borrowings	24	310,166	1,578,513	85,000	925,000
Cash repayments of interest bearing borrowings	24	(458,643)	(1,110,768)	(344,905)	(911,667)
Cash repayments of cumulative redeemable preference shares		-	(95,000)	-	-
Share issued to minority shareholders		41,802	10,396	-	-
Preference dividend paid		-	(274)	-	-
Net cash generated from/(used in) financing activities		(163,070)	128,039	(259,905)	(190,464)
Net increase / (decrease) in cash and cash equivalents		96,072	(320,477)	(469)	(92,208)
Cash & cash equivalents at 01 April		70,653	391,129	988	93,196
Cash & cash equivalents at 31 March	22	166,724	70,653	520	988

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

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

LVL Energy Fund PLC is a Public Quoted Company with limited liability 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 2023 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 2023.

Lanka Ventures PLC is the immediate parent company of LVL Energy Fund PLC, which has 57.00% controlling interest. And the ultimate parent is Acuity Partners (Private) Limited. Hatton National Bank PLC and DFCC Bank jointly control Acuity Partners (Private) Limited. LVL Energy Fund PLC ('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 audit.

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, and comply with the requirements of Companies Act No. 7 of 2007 and provide appropriate disclosures require by the Listing Rules of the Colombo Stock Exchange.

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 31st August 2023.

2.3 Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Consolidated Financial Statements of the Group and the Financial Statements of the Company as per the provisions of the Companies Act No 07 of 2007.

The Board of Directors acknowledges this responsibility and such responsibilities include the following components:

- Information on the financial performance of the group for the year under review.
- Information on the financial position of the group as at the year end.
- Showing all changes in shareholders' equity during the year under review.
- Information to the users on the movement of the cash and cash equivalents.
- Notes to the financial statements including the accounting policies and other explanatory notes.

2.4 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;

- Investment in equity accounted investees
- Investment in subsidiaries
- Financial Assets - FVTOCI

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

2.4.1 Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise.

2.5 Presentation of financial statements

The assets and liabilities of the Group and the Company is presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects the irrelative liquidity and maturity pattern.

2.6 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 01 - "Presentation of Financial Statements".

2.7 Going concern basis for accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of Consolidated Financial Statements of the Group and the Company continue to be prepared on a going concern basis.

2.8 Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the Statement of Financial Position when, and only when, there is a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.9 Use of estimates and judgements and assumptions

The preparation of the financial statements in conformity with SLFRSs requires management to make judgments, estimates and assumptions that affect the application of Group's and Company's 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 amount recognized in the Financial Statements are described in the following notes:

- I. Note 3.3 - Recognition and measurement of financial instruments
- II. Note 3.1.1.2 - Recognition of deferred tax liabilities
- III. Note 3.1.2.2 - Interest in Subsidiaries
- IV. Note 3.4.3 - Depreciation on property, plant and equipment
- V. Note 3.5.2 - Amortization of intangible assets
- VI. Note 28 - Capital commitments and Contingencies

3. SIGNIFICANT ACCOUNTING POLICIES

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 costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

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.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which

the replacement awards relate to pre-combination service.

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.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Total comprehensive income of subsidiary is attached to the owners of the Company and to the non-controlling interest, even this result in the non-controlling interest having a deficit balance.

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.

3.1.2.2 Interest in subsidiaries

Set out below are the Group's principal subsidiaries as at 31 March 2023.

Name of the entity	Place of business/ Country of incorporation	Effective percentage of ownership held by the group	Principal services
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.
Unit Energy Lanka (Private) Limited (Sub Subsidiary)	Ginigathhena Sri Lanka	54.86%	Building and operating of mini hydropower stations and supply of electricity to the National Grid.
LVS Energy (Private) Limited	Kolonnawa Sri Lanka	57.75%	Investment in power Generation companies.
Campion Hydro (Private) Limited	Bogawantalawa Sri Lanka	84.29%	Building and operating of mini hydropower stations and supply of electricity to the National Grid.
Solar Energy Investments (Private) Limited	Colombo Sri Lanka	100.00%	Investment in solar power projects.
SEI Maho Private Limited	Maho Sri Lanka	81%	Building and operating of mini solar power plants and supply of electricity to the National Grid.
Solar Energy Investments Pallekele Private Limited	Pallekele Sri Lanka	83%	Building and operating of mini solar power plants and supply of electricity to the National Grid.
SEI Mathugama Private Limited	Mathugama Sri Lanka	77%	Building and operating of mini solar power plants and supply of electricity to the National Grid.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

3.1.3 Non-controlling interest

NCI are measured initially at their proportionate share of acquiree'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 retained in the former subsidiary is measured at fair value when control is lost.

3.1.5 Interest 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, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of the investee, unless this can be clearly demonstrated that this is not the case.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

Investments in associates are accounted for under the equity method. They are initially recognized 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, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Details of place of business and country of incorporation is given in note 12 Share of profit of equity accounted investees.

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. Unrealized 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. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

3.1.7 Equity accounting investees in separate financial statements

The Company measures its subsidiaries and associates using the equity method of accounting in accordance with LKAS 28. The Company accounts its subsidiaries and associates using equity method in its separate financial statements as per LKAS 27. Subsequent to initial recognition, the separate Financial Statements include the Company's share of the profit or loss and other comprehensive income of subsidiaries and equity accounted investees, until the date on which control or significant influence ceases. The dividends are recognized as a reduction of the carrying amount of the investments.

3.2 Foreign currency translation

3.2.1 Foreign currency translations

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

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 recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

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3.2.2 Foreign operations

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 recognized 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

3.3.1 Financial assets

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

The Group classifies its financial assets into the following measurement categories:

- Financial Assets measured at fair value through Profit or Loss; and
- Financial Assets measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

At the inception, the Financial Assets are classified in one of the following categories:

- Financial assets measured at fair value through profit or loss
- Financial assets measured at amortised cost
- Financial assets measured at amortised cost - loans and advances
- Financial assets measured at amortised cost - debt instruments
- Financial assets measured at fair value through Other Comprehensive Income

At the inception, the Financial Liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost
- Financial liabilities at amortised cost - other instruments

Initial measurements of financial instruments

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss.

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“Day One” profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognises the difference between the transaction price and fair value (a “Day One” Profit or Loss) in the Statement of Profit or Loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the Statement of Profit or Loss over the life of the instrument.

Financial assets measured at amortised cost debt instruments

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using Effective Interest Rate (EIR). The measurement of credit impairment is based on the three-stage expected credit loss model described below in Impairment of financial assets.

Financial assets measured at fair value through other comprehensive Income

Debt instruments

Investments in debt instruments are measured at fair value through other comprehensive income where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in Other Comprehensive Income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in Profit or Loss. Upon disposal, the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from Other Comprehensive Income to Profit or Loss.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost.

Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which SLFRS 3 ‘Business Combination’ applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit and loss.

Amounts presented in Other Comprehensive Income are not subsequently transferred to Profit or Loss. Dividends on such investments are recognised in Profit or Loss.

Reclassification of financial assets

The Group reclassifies its financial assets when, and only when, the Group changes its business model for managing financial assets. If the Group reclassifies financial assets which were measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, the Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

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If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognized in Profit or Loss.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date, any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognized in Other Comprehensive Income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in Other Comprehensive Income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects Other Comprehensive Income but does not affect Profit or Loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in Other Comprehensive Income is reclassified from equity to Profit or Loss as a reclassification adjustment at the reclassification date.

Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in SLFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL as per the simplified approach. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when: the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial

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asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

3.3.2 Financial liabilities

Recognition, initial measurement and derecognition

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities measured at amortised cost include trade and other payables.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the

cashflows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognised in profit or loss.

3.3.2.1 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable for the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.4 Property, plant and equipment

3.4.1 Cost

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. All items of property, plant and equipment are initially recorded at cost.

The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its condition for its intended use.

3.4.2 Subsequent measurement

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized 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 the day to day servicing property, plant and equipment are charged to the Statement of profit or loss and other comprehensive Income.

3.4.3 Depreciation

Depreciation is charged to profit or loss so as to write off the cost of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful

lives, residual values and depreciation method are reviewed at each year-end, with the effect of any change in estimate accounted for on a prospective basis. The estimated useful lives of property, plant and equipment are as follows;

Class of tangible assets	Useful life
Plant and machinery	30 Years
Buildings	30 Years
Computer systems	04 Years
Motor vehicle	05 Years
Office equipment	05 Years
Furniture and fittings	08 Years

3.4.4 De-recognition

The carrying amount of an item of property, plant and 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 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 placed part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

3.4.5 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 the cost incurred to obtain approval for power projects, which have finite useful lives, are

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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 Amortization

Amortization 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:

Approval cost	30 Years
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3.6 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is

determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.7 Stated capital

3.7.1 Ordinary share capital

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

3.8 Provisions

A provision is recognized 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 recognized 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 Group's share of any contingencies and capital commitments of a Subsidiary, Associate for which the Group is also liable severally or otherwise are also included with appropriate disclosures.

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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

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 01 April 2018). The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Presentation

Interest income calculated using the effective interest method presented in the Statement of profit or loss and OCI includes–

- Interest on financial assets and financial liabilities measured at amortised cost;
- Other interest income presented in the statement of profit or loss and OCI includes interest income from loans given to related parties.

Interest expense presented in the Statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost.

3.10.1 Dividend income

Dividend income is recognised in profit or loss on an accrual basis when the Group'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 OCI based on the underlying classification of the equity investment.

When equity method of accounting is used for Subsidiaries and associates, the dividends are recognized as a reduction of the carrying amount of the investments.

3.10.2 Other income

Other Income is recognized on an accrual basis.

3.10.3 Expenditure

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

3.10.4 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.

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The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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.24 of 2017 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 group 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 realized.

3.12 Earnings per share

The Group presents basic earnings per share (EPS) and diluted earnings per share for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated based on the profit or loss attributable to ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

3.13 Comparatives

Except when a standard permit 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.

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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.

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 Group's risk management framework. The Board consists of three Directors with wide financial and commercial knowledge and experience.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 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 head room analysis which is used to assess funding adequacy for at least a 12-month period and the same is reviewed on an annual basis.

4.4 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.

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4.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Group. This responsibility is supported by the development of overall Group 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.

4.6 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. Board of Directors monitors the return on capital, which the Group 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 Group's approach to capital management during the year. Group wishes to raise additional capital to invest in more diversified investments to mitigate the future operational risk.

5. NEW AMENDMENTS TO THE SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued following new amendments to the Sri Lanka Accounting Standards which will become applicable for financial periods beginning after on or after 01st April 2023. Accordingly, the Company has not applied the following new amendments to the standard in preparing these Financial Statements. The following new amendments to the standards are not expected to have a significant impact on the Company's financial statements.

5.1 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to Sri Lanka Accounting Standard LKAS 12 – "Income Taxes")

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 01st April 2022. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other types of transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

5.2 Classification of liabilities as current or non-current (Amendments to LKAS 1) - effective for annual periods beginning on or after 01st January 2023.

The amendment specifies the requirements for classifying liabilities as current or noncurrent. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification and disclosures. All of the above amendments are effective for annual reporting periods beginning on or after 01st January 2023.

5.3 Other New Accounting Pronouncements

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- **Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 01st January 2023**

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- **Definition of accounting estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 01st January 2023**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

For the year ended 31 March	Group		Company	
	2023	2022	2023	2022
6 Investment income	-	-	-	-
	-	-	-	-
* Management fees was reclassified under other income which was previously included in the investment income.				
7 Interest income				
Interest on savings	5,352	2,915	-	-
Interest on fixed deposits	5,671	4,030	5,671	-
Interest on security purchased under resale agreement	7,903	2,165	7,903	2,165
	18,926	9,110	13,574	2,165
8 Subsidiary company income / direct expenses				
Power generation income	280,873	428,140	-	-
Direct expenses	(180,946)	(135,147)	-	-
	99,927	292,993	-	-

Subsidiary companies income constitutes power generation income of Unit Energy Lanka (Private) Limited, Sapthakanya Hydro Electric Company (Private) Limited, Campion Hydro (Private) Limited and Solar Energy Investments (Private) Limited. Subsidiary companies expenses constitute direct expenses relating to power generation. Income from other sources in these companies are shown under the relevant line item under Revenue.

9 Other income				
Interest income on advances given to related parties	-	165	3,711	326
Management fee	910	721	-	-
Exchange gain	-	8,373	-	-
	910	9,259	3,711	326

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

Staff salaries	2,300	5,520	2,300	5,520
Defined Contribution plan cost (EPF, ETF)	345	828	345	828
Defined benefit plan cost	1,380	-	1,380	-
Bonus	-	2,415	-	2,415
Directors' fees	1,648	1,925	1,648	1,925
Management fees	11,740	1,450	11,740	1,450
Auditors' remuneration - Audit fees	1,409	1,271	490	430
- Audit related other services	-	139	-	82
Depreciation	82,079	49,685	2,110	2,110
Amortization	4,766	2,061	-	-

11 Finance cost

Borrowing & other charges	697,230	284,823	456,021	243,312
Dividend on cumulative redeemable preference shares	-	274	-	-
	697,230	285,097	456,021	243,312

12 Share of profit of equity accounted investees

The Group's share of profit from its equity accounted investees for the year was Rs. 444,366,888/- (2022 - Rs. 900,004,136/-).

Lanka Energy International (Private) Limited received a dividend of Rs 119,371,609/- (2022 - Rs. 117,102,625/-) from Lakdhanavi Bangla Power Limited and of Rs. 584,284,904/- (2022 - Nil) from Raj Lanka Power Company 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)

Group	Place of Business/ Country of incorporation	Owner- ship	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)
2022													
	Pawan Danavi (Private) Limited	40.00%	119,349	1,553,920	1,673,269	405,094	80,625	485,719	1,187,550	185,212	(304,040)	(118,828)	(47,531)
	Hayleys Hydro Energy (Private) Limited	49.00%	35,717	119,100	154,817	33,105	-	33,105	121,712	83,871	(95,734)	(11,863)	(5,813)
	Nala Dhanavi (Private) Limited	49.00%	71,774	831,347	903,121	191,725	22,470	214,195	688,926	98,864	(145,509)	(46,645)	(22,856)
	Neluwa Cascade Hydro Power (Private) Limited	49.00%	85,922	219,719	305,641	14,369	2,020	16,389	289,252	135,201	(64,646)	70,555	34,572
	Rej Lanka Power Company Limited	20.25%	8,481,869	9,904,905	18,386,774	11,881,635	18,306	11,899,941	6,486,833	8,892,846	(8,897,524)	(4,678)	(947)
	Lakdhanavi Bangla Power Limited	33.16%	7,959,404	9,458,031	17,417,435	8,574,642	1,519,054	10,093,696	7,323,739	9,037,782	(8,162,577)	875,205	290,218
	Feni Lanka Power Limited	29.17%	14,643,397	22,160,397	36,803,794	11,246,805	14,796,249	26,043,054	10,760,740	12,593,745	(10,845,603)	1,748,142	509,904
	Parambe Hydro (Private) Limited	43.88%	3,971	76,986	80,957	697	-	697	80,260	-	(432)	(432)	(190)
	Bambarapana Hydro Power (Pvt) Ltd.	40.00%	99,487	718,092	817,579	141,477	255,224	396,701	420,878	173,095	(118,883)	54,212	21,685
	Nividhu (Private) Limited	25.00%	231,306	157,430	388,736	75,560	-	75,560	313,176	216,543	(196,958)	19,585	4,896
	Nividhu Assupiniella (Private) Limited	25.00%	188,555	85,558	272,113	43,655	-	43,655	228,458	109,638	(63,764)	45,874	11,469
	LTL Energy (Private) Limited	45.00%	819,130	865,080	1,684,210	39,204	-	39,204	1,645,006	286,467	(47,623)	238,844	107,480
	Makarigad Hydro Power (Private) Limited	45.00%	402,159	4,763,269	5,165,428	1,334,024	2,573,072	3,907,097	1,258,331	297	(6,702)	(6,405)	(2,882)
			33,142,041	50,911,834	84,053,874	33,981,992	19,267,021	53,249,013	30,804,861	31,813,561	(28,949,995)	2,863,566	900,004
2023													
	Pawan Danavi (Private) Limited	40.00%	310,308	1,397,546	1,707,854	510,289	113,366	623,655	1,084,199	334,874	(438,225)	(103,351)	(41,340)
	Hayleys Hydro Energy (Private) Limited	49.00%	12,482	119,100	131,582	9,769	-	9,769	121,813	878	(777)	101	50
	Nala Dhanavi (Private) Limited	49.00%	178,352	760,258	938,610	213,788	54,717	268,505	670,105	161,306	(180,127)	(18,821)	(9,222)
	Neluwa Cascade Hydro Power (Private) Limited	49.00%	154,384	206,170	360,554	30,072	2,375	32,447	328,107	98,210	(59,427)	38,783	19,004
	Raj Lanka Power Company Limited	20.25%	4,449,809	8,315,496	12,765,305	7,483,943	4,380	7,488,323	5,276,982	7,816,751	(8,321,863)	(505,112)	(102,285)
	Lakdhanavi Bangla Power Limited	33.16%	5,657,232	7,950,584	13,607,816	6,780,353	1,255,735	8,036,088	5,571,728	9,277,964	(9,813,066)	(535,102)	(177,440)
	Feni Lanka Power Limited	29.17%	13,996,786	18,874,280	32,871,066	11,660,545	14,244,168	25,904,713	6,966,353	21,344,845	(18,881,161)	2,463,684	718,616
	Parambe Hydro (Private) Limited	43.88%	3,971	76,986	80,957	717	-	717	80,240	-	(20)	(20)	(9)
	Bambarapana Hydro Power (Private) Limited	40.00%	256,724	674,759	931,483	159,941	278,872	438,813	492,670	211,320	(139,528)	71,792	28,717
	Nividhu (Private) Limited	25.00%	238,095	224,137	462,232	39,710	-	39,710	422,522	172,210	(62,865)	109,345	27,336
	Nividhu Assupiniella (Private) Limited	25.00%	240,897	64,389	305,286	29,779	-	29,779	275,507	168,594	(121,546)	47,048	11,762
	LTL Energy (Private) Limited	45.00%	243,211	1,621,398	1,864,609	229,679	-	229,679	1,634,930	175,263	(185,338)	(10,075)	(4,534)
	Makarigad Hydro Power (Private) Limited	45.00%	93,862	6,825,080	6,918,942	1,469,894	3,575,151	5,045,045	1,873,897	21,215	(79,630)	(58,415)	(26,287)
			25,836,112	47,110,182	72,946,295	28,618,479	19,528,765	48,147,244	24,799,052	39,783,429	(38,283,573)	1,499,857	444,366

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

During the year Company received dividend (net of WHT) of Nil, Nil, and Rs. 11,760,000/- from Nividhu (Private) Limited, Bambarapana Hydro Power (Private) Limited, Hayleys Hydro (Private) Limited and respectively from its equity accounted investees. (2022 - Rs. 27,333,335/-, Rs. 25,200,000/-, Rs. 23,520,000/- respectively.) The Company's share of profit from its equity accounted investees for the year was Rs. 419,386,430 (2022 - Rs. 916,123,461/-).

The Company's share of profit from its equity accounted investees for the year was Rs. 195,311,109/- (2022 - Rs. 916,123,461/-).

During the year Company received dividend of Nil, Rs. 553,290,972/-, Nil from LVS Energy (Private) Limited, Lanka Energy International (Private) Limited and Sapthakanya Hydro Electric Company (Private) Limited respectively from its subsidiaries. (2022 - 577,509,905/-, Rs. 261,576,200/- and 14,994,000/- respectively)

2022	Place of Business/ Country of incorporation	Owner- ship	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)	
Associates														
	Pawan Danavi (Private) Limited	Kalpitiya, Sri Lanka	40.00%	119,349	1,553,920	1,673,269	405,094	80,625	485,719	1,187,550	185,212	(304,040)	(118,828)	(47,531)
	Hayleys Hydro Energy (Private) Limited	Colombo, Sri Lanka	49.00%	35,717	119,100	154,817	33,105	-	33,105	121,712	83,871	(95,734)	(11,863)	(5,813)
	Nala Dhanavi (Private) Limited	Kalpitiya, Sri Lanka	49.00%	71,774	831,347	903,121	191,725	22,470	214,195	688,926	98,864	(145,509)	(46,645)	(22,856)
	Neluwa Cascade Hydro Power (Private) Limited	Neluwa, Sri Lanka	49.00%	85,922	219,719	305,641	14,369	2,020	16,389	289,252	135,201	(64,646)	70,555	34,572
	Parambe Hydro (Private) Limited	Kegalle, Sri Lanka	43.88%	3,971	76,986	80,957	697	-	697	80,260	-	(432)	(432)	(190)
	Bambarapana Hydro Power (Private) Limited	Badulla, Sri Lanka	40.00%	99,487	718,092	817,579	141,477	255,224	396,701	420,878	173,095	(118,883)	54,212	21,685
	Nividhu (Private) Limited	Balangoda, Sri Lanka	25.00%	231,306	157,430	388,736	75,560	-	75,560	313,176	216,543	(196,958)	19,585	4,896
	Nividhu Assupintella (Private) Limited	Aranayaka, Sri Lanka	25.00%	188,555	83,558	272,113	43,655	-	43,655	228,458	109,638	(63,764)	45,874	11,469
	LTL Energy (Private) Limited	Colombo, Sri Lanka	45.00%	819,130	865,080	1,684,210	39,204	-	39,204	1,645,006	286,467	(47,623)	238,844	107,480
	Makarigad Hydro Power (Private) Limited	Kathmandu, Nepal	45.00%	402,159	4,763,269	5,165,428	1,334,024	2,573,072	3,907,097	1,258,331	297	(6,702)	(6,405)	(2,882)
				2,057,370	9,388,501	11,445,871	2,278,911	2,933,411	5,212,322	6,233,549	1,289,188	(1,044,291)	244,897	100,829
Subsidiaries														
	LVS Energy (Private) Limited	Kolonnawa, Sri Lanka	57.75%	8,696	331,868	340,564	7,482	-	7,482	333,082	124,117	(139,788)	(15,671)	(9,050)
	Sapthakanya Hydro Electric Company (Pvt) Ltd	Norton Bridge, Sri Lanka	85.00%	58,368	280,803	339,171	38,504	72,750	111,254	227,917	51,041	-	51,041	43,385
	Pupulakatiya Mini Hydro Power (Private) Limited	Kegalle, Sri Lanka	100.00%	74	26,673	26,747	2,384	-	2,384	24,364	-	(116)	(116)	(116)
	Lanka Energy International (Private) Limited	Colombo, Sri Lanka	100.00%	627,173	6,939,203	7,566,376	218,423	-	218,423	7,566,158	809,823	(131,379)	678,444	678,444
	Campion Hydro Power (Private) Limited	Bogawantalawa, Sri Lanka	84.29%	41,608	324,899	366,507	45,935	138,900	184,835	181,672	52,121	(21,318)	30,803	25,964
	SEI Mathugama (Private) Limited	Mathugama, Sri Lanka	100.00%	21,951	151,255	173,206	7,948	108,446	116,394	56,813	32,519	(21,206)	11,313	11,313
	SEI Pallekele (Private) Limited	Pallekele, Sri Lanka	100.00%	2,831	303,894	306,725	64,197	218,060	282,257	24,467	2,476	(3,008)	(533)	(533)
	SEI Maho (Private) Limited	Maho, Sri Lanka	100.00%	87	403,472	403,559	104,347	284,400	388,747	14,812	52	(240)	(188)	(188)
	Solar Energy Investments (Private) Limited	Colombo, Sri Lanka	100.00%	168,137	83,111	251,249	43,463	-	43,463	207,786	3,779	(8,749)	(4,970)	(4,970)
	Unit Energy Lanka (Private) Limited	Ginigaththana, Sri Lanka	54.86%	148,640	288,311	436,951	47,714	39,903	87,617	349,335	237,224	(107,722)	129,502	71,045
				1,077,565	9,133,490	10,211,055	580,397	862,459	1,442,856	8,986,405	1,313,152	(433,526)	879,625	815,294
	Total share of profits from equity accounted investees												916,123	

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(All amounts in Sri Lanka Rupees thousands)

2023	Place of Business/ Country of incorporation	Owner ship	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)	
Associates														
	Pawan Danavi (Private) Limited	Kalpitaya, Sri Lanka	40.00%	310,308	1,397,546	1,707,854	510,289	113,366	623,655	1,084,199	334,874	(438,225)	(103,351)	(41,340)
	Hayleys Hydro Energy (Private) Limited	Colombo, Sri Lanka	49.00%	12,482	119,100	131,582	9,769	-	9,769	121,813	878	(777)	101	50
	Nala Dhanavi (Private) Limited	Kalpitaya, Sri Lanka	49.00%	178,352	760,258	938,610	213,788	54,717	268,505	670,105	161,306	(180,127)	(18,821)	(9,222)
	Neluwa Cascade Hydro Power (Private) Limited	Neluwa, Sri Lanka	49.00%	154,384	206,170	360,554	30,072	2,375	32,447	328,107	98,210	(59,427)	38,783	19,004
	Parambe Hydro (Private) Limited	Kegalle, Sri Lanka	43.88%	3,971	76,986	80,957	717	-	717	80,240	-	(20)	(20)	(9)
	Bambarapana Hydro Power (Pvt) Ltd.	Badulla, Sri Lanka	40.00%	256,724	674,759	931,483	159,941	278,872	438,813	492,670	211,320	(139,528)	71,792	28,717
	Nividhu (Private) Limited	Balangoda, Sri Lanka	25.00%	238,095	224,137	462,232	39,710	-	39,710	422,522	172,210	(62,865)	109,345	27,336
	Nividhu Assupiniella (Private) Limited	Aranayaka, Sri Lanka	25.00%	240,897	64,389	305,286	29,779	-	29,779	275,507	168,594	(121,546)	47,048	11,762
	LTL Energy (Private) Limited	Colombo, Sri Lanka	45.00%	243,211	1,621,398	1,864,609	229,679	-	229,679	1,634,930	175,263	(185,338)	(10,075)	(4,534)
	Makarigad Hydro Power (Private) Limited	Kathmandu, Nepal	45.00%	93,862	6,825,080	6,918,942	1,469,894	3,575,151	5,045,045	1,873,897	21,215	(79,630)	(58,415)	(26,287)
				1,732,284	11,969,822	13,702,107	2,693,638	4,024,482	6,718,120	6,983,988	1,343,870	(1,267,482)	76,387	5,476
Subsidiaries														
	LVS Energy (Private) Limited	Kolonnawa, Sri Lanka	57.75%	2,437	234,593	237,030	437	-	437	236,593	1,363	(574)	789	456
	Sapthakanya Hydro Electric Company(Pvt)Ltd	Norton Bridge, Sri Lanka	85.00%	65,202	269,125	334,327	34,911	73,538	108,449	225,878	24,181	(26,219)	(2,038)	(1,733)
	Pupulakatiya Mini Hydro Power (Private) Limited	Kegalle, Sri Lanka	100.00%	74	26,673	26,747	2,636	-	2,636	24,111	-	(253)	(253)	(253)
	Lanka Energy International (Private) Limited	Colombo, Sri Lanka	100.00%	578,287	4,837,069	5,415,356	93,330	-	93,330	5,322,026	439,995	(106,795)	333,200	333,200
	Campion Hydro Power (Private) Limited	Bogawantalawa, Sri Lanka	84.29%	83,638	312,016	395,654	73,033	140,800	213,833	181,821	44,722	(44,572)	150	127
	SEI Mathugama(Private) Limited	Mathugama, Sri Lanka	77.15%	39,256	145,699	184,954	34,209	106,972	141,182	43,773	27,362	(40,402)	(13,040)	(10,060)
	SEI Pallekele (Private) Limited	Pallekele, Sri Lanka	81.10%	38,360	314,382	352,742	71,810	221,528	293,338	59,404	41,536	(80,269)	(38,733)	(34,216)
	SEI Maho (Private) Limited	Maho, Sri Lanka	81.47%	75,341	411,955	487,296	37,287	368,746	406,033	81,263	70,575	(114,090)	(43,515)	(41,156)
	Solar Energy Investments (Private) Limited	Colombo, Sri Lanka	100.00%	998	139,511	140,508	18,512	-	18,512	121,996	21	(376)	(355)	(355)
	Unit Energy Lanka (Private) Limited	Ginigaththana, Sri Lanka	54.86%	98,519	269,912	368,431	33,963	87,528	121,491	246,940	26,325	(128,721)	(102,396)	(56,174)
				982,111	6,960,935	7,943,046	400,127	999,112	1,399,240	6,543,806	676,081	(542,271)	133,810	189,835
	Total share of profits from equity accounted investees												195,311	

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(All amounts in Sri Lanka Rupees thousands)

	Group		Company	
	2023	2022	2023	2022
13 Tax expense				
Income tax (note 13.1)	106,982	172,917	-	-
Deferred tax (note 25)	40,225	(2,510)	-	-
	147,207	170,407	-	-

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. 24 of 2017 and amendments thereon.

Current tax charge	106,982	172,917	-	-
	106,982	172,917	-	-

13.1.1 Reconciliation between accounting profit and taxable income

Profit / (loss) before income tax	(171,492)	894,688	(262,677)	657,683
Disallowable expenses	86,761	51,344	1,075	1,489
Allowable expenses	(80,200)	(25,474)	-	-
Income from other sources and exempt income	188,801	(647,750)	(212,259)	(918,615)
Taxable business profit/(loss) for the year	23,870	272,808	(473,861)	(259,443)
Other income liable for tax	18,873	126,841	13,575	2,491
Total statutory income	42,743	399,649	13,575	2,491
Tax loss utilized	(40,496)	(107,765)	(13,575)	(2,491)
Assessable / taxable income	2,247	291,884	-	-
Income tax charged at the rate of 14%	-	39,757	-	-
Income tax charged at the rate of 24%	204	1,898	-	-
Income tax charged at the rate of 30%	419	-	-	-
With holding tax on dividend	106,359	131,262	-	-
Tax expense for the year	106,982	172,917	-	-

The Companies in the Group are taxable at following rates;

Name of the company	Applicable Tax rate		
	2023		2022
	01.04.2022 to 30.09.2022	01.10.2022 to 31.03.2023	
LVL Energy Fund PLC	24%	30%	24%
Unit Energy Lanka (Private) Limited	14%	30%	14%
Sapthakanya Hydro Electric Company (Private) Limited	14%	30%	14%
LVS Energy (Private) Limited	24%	30%	24%
Lanka Energy International (Private) Limited	24%	30%	24%
Campion Hydro Power (Private) Limited	14%	30%	Exempt
Solar Energy Investments (Private) Limited	24%	30%	24%
SEI Mathugama(Private) Limited	14%	30%	14%
Solar Energy Investments Pallekele (Private) Limited	14%	30%	14%
SEI Maho (Private) Limited	14%	30%	14%

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

13.1.2 Tax losses

	Group		Company	
	2023	2022	2023	2022
Unutilized tax losses at the beginning of the year	652,834	501,045	757,835	500,883
Tax losses recognized during the year	654,679	259,554	473,861	259,443
	1,307,513	760,599	1,231,696	760,326
Tax losses utilized	(40,496)	(107,765)	(13,575)	(2,491)
Unutilized tax losses at the end of the year	1,267,017	652,834	1,218,121	757,835

14 Basic and diluted 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. There were no potentially diluted shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the Basic earnings per share.

	Group		Company	
	2023	2022	2023	2022
Weighted average number of ordinary shares in issue				
Present number of ordinary shares ('000)	582,278	582,278	582,278	582,278
Weighted average number of ordinary shares in issue ('000)	582,278	582,278	582,278	582,278
Profit attributable to equity holders of the company	(262,677)	657,683	(262,677)	657,683
Earnings per share (Rs.)	(0.45)	1.13	(0.45)	1.13

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	
	2023	2022
Dividend ('000)	-	-
Weighted average number of ordinary shares in issue ('000)	582,278	582,278
Dividend per share	-	-
Dividend payout ratio	-	-

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	Motor Vehicle	Total
Cost						
Balance as at 01 April 2021	61,880	1,397,612	5,518	14,115	10,550	1,489,675
Additions/(disposals) during the year	9,297	571,929	2,955	-	-	584,181
Transfers during the year	-	14,115	-	(14,115)	-	-
Balance as at 31 March 2022	71,177	1,983,656	8,473	-	10,550	2,073,856
Accumulated depreciation						
Balance as at 01 April 2021	-	(341,568)	(887)	-	(4,044)	(346,499)
Charge for the year	-	(47,421)	(154)	-	(2,110)	(49,685)
Balance as at 31 March 2022	-	(388,989)	(1,041)	-	(6,154)	(396,184)
Carrying amounts	71,177	1,594,667	7,432	-	4,396	1,677,672
Cost						
Balance as at 01 April 2021	71,177	1,983,656	8,473	-	10,550	2,073,856
Additions/(disposals) during the year	1,061	11,700	199	-	-	12,960
Transfers during the year	-	-	-	-	-	-
Balance as at 31 March 2023	72,238	1,995,356	8,672	-	10,550	2,086,816
Accumulated depreciation						
Balance as at 01 April 2022	-	(388,989)	(1,041)	-	(6,154)	(396,184)
Charge for the year	-	(79,604)	(365)	-	(2,110)	(82,079)
Balance as at 31 March 2023	-	(468,593)	(1,406)	-	(8,264)	(478,263)
Carrying amounts	72,238	1,526,763	7,266	-	2,286	1,608,553

Property, plant and equipment (Company)

	Motor Vehicle	Total
Cost		
Balance as at 01 April 2021	10,550	10,550
Additions/(disposals) during the year	-	-
Balance as at 31 March 2022	10,550	10,550
Accumulated depreciation		
Balance as at 01 April 2021	(4,044)	(4,044)
Charge for the year	(2,110)	(2,110)
Balance as at 31 March 2022	(6,154)	(6,154)
Carrying amounts	4,396	4,396

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

16 Property, plant and equipment (Group) (Contd.)

Property, plant and equipment (Company)

	Motor Vehicle	Total
Cost		
Balance as at 01 April 2022	10,550	10,550
Additions/(disposals) during the year	-	-
Balance as at 31 March 2023	10,550	10,550
Accumulated depreciation		
Balance as at 01 April 2022	(6,154)	(6,154)
Charge for the year	(2,110)	(2,110)
Balance as at 31 March 2023	(8,264)	(8,264)
Carrying amounts	2,286	2,286

- (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) Refer note no.24 for information regarding property plant & equipment pledged as securities for liabilities obtained by subsidiaries.

16.1 Right-to-use land (Group)

	2023	2022
Cost		
As at the beginning of the year	5,105	5,105
(+) Additions	-	-
As at the end of the year	5,105	5,105
Accumulated amortization		
As at the beginning of the year	(2,115)	(1,927)
(+) Amortization for the year	(188)	(188)
As at the end of the year	(2,303)	(2,115)
	2,802	2,990

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

Land right is relevant for a project with a life time of 27 years and 2 months period, which commenced in August 2005.

The land right is amortized over its project lifetime.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

17 Equity accounted investees

17.1 Investment in subsidiaries (Company)

As at 31 March

	2023			2022		
	% of holding	Cost of investment	Carrying Value	% of holding	Cost of investment	Carrying Value
LVS Energy (Private) Limited *	57.75%	130,600	136,884	57.75%	130,600	192,606
Sapthakanya Hydro Electric Company(Private) Limited	85.00%	142,800	191,997	85.00%	142,800	193,729
Pupulakatiya Mini Hydro Power (Private) Limited	100.00%	29,000	24,111	100.00%	29,000	24,364
Lanka Energy International (Private) Limited	100.00%	2,467,700	5,378,421	100.00%	2,467,700	7,566,158
Campion Hydro Power (Private) Limited	84.29%	118,000	153,250	84.29%	118,000	153,123
Solar Energy Investments (Private) Limited	100.00%	200,000	120,062	100.00%	200,000	205,851
		3,088,100	6,004,724		3,088,100	8,335,831

* Investment in Unit Energy Lanka (Private) Limited is routed through LVS Energy (Private) Limited.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

17 Equity accounted investees (Contd.)

17.1(a) 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	2023		2022	
	LVS Energy (Private) Limited	Unit Energy Lanka (Private) Limited	LVS Energy (Private) Limited	Unit Energy Lanka (Private) Limited
NCI Percentage	42.25%	45.14%	42.25%	45.14%
Non current assets	234,593	269,912	331,868	288,311
Current assets	2,437	98,519	8,696	148,640
Non - current liabilities	-	87,528	-	39,903
Current liabilities	437	33,963	7,482	47,714
Net assets	236,594	246,940	333,082	349,334
Carrying amount of NCI	99,961	111,462	140,725	157,681
Revenue	910	23,012	721	235,522
Profit for the year	(96,488)	(102,395)	107,355	129,501
Other comprehensive income for the year, net of income tax	-	-	-	-
Total comprehensive income for the year	(96,488)	(102,395)	107,355	129,501
Profit allocated to NCI	(40,766)	(46,219)	45,357	58,454
OCI allocated to NCI	-	-	-	-
Cash flows from operating activities	(7,064)	24,551	(14,951)	(20,622)
Cash flows from investment activities	-	-	116,565	-
Cash flows from financing activities	-	7,455	(100,001)	(47,826)
Net cash increase (decrease) in cash equivalent	(7,064)	32,006	1,614	(68,448)

'Campion Hydro (Private) Limited (15.71%) and Saphthakanya Hydro Electric (Private) Limited (15%) are not considered as a material NCI during the year.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

17 Equity accounted investees (Contd.)

17.2 Investment in associates

Group	Ownership	As at 01 April	Investments	Share of profits	Share of OCI	Foreign currency adjustment	Dividend distribution	As at 31 March
2022								
Hayleys Hydro Energy (Private) Limited	49.00%	48,671	-	(5,813)	-	-	-	42,861
Neluwa Cascade Hydro Power (Private) Limited	49.00%	100,869	-	34,572	-	-	(35,280)	100,161
Pawan Danavi (Private) Limited	40.00%	522,552	-	(47,531)	-	-	-	475,021
Nala Dhanavi (Private) Limited	49.00%	360,430	-	(22,856)	-	-	-	337,574
Lakdhanavi Bangla Power Limited	33.16%	1,489,031	-	290,218	-	787,070	(137,768)	2,428,551
Raj Lanka Power Company Limited	20.25%	886,150	-	(947)	-	428,383	-	1,313,586
Feni Lanka Power Limited	29.17%	2,104,613	-	509,904	-	1,319,864	(737,314)	3,197,067
Nividhu (Private) Limited	25.00%	68,470	-	4,896	-	-	(27,333)	46,033
Nividhu Assupiniella (Private) Limited	25.00%	170,328	-	11,469	-	-	-	181,797
Parambe Hydro (Private) Limited	43.88%	35,416	-	(190)	-	-	-	35,226
Bambarapana Hydro Power (Private) Limited	40.00%	181,731	-	21,685	-	-	(32,998)	170,418
LTL Energy (Private) Limited	45.00%	734,753	-	107,480	-	-	-	842,233
Makarigad Hydro Power (Private) Limited	45.00%	(163,803)	71,437	(2,882)	-	189,002	-	93,754
		6,539,212	71,437	900,004	-	2,724,319	(970,693)	9,264,280
2023								
Hayleys Hydro Energy (Private) Limited	49.00%	42,861	-	50	-	-	-	42,910
Neluwa Cascade Hydro Power (Private) Limited	49.00%	100,161	-	19,004	35	-	-	119,199
Pawan Danavi (Private) Limited	40.00%	475,021	-	(41,340)	-	-	-	433,680
Nala Dhanavi (Private) Limited	49.00%	337,574	-	(9,222)	-	-	-	328,351
Lakdhanavi Bangla Power Limited	33.16%	2,428,551	-	(177,440)	(118,243)	(240,993)	(140,437)	1,751,438
Raj Lanka Power Company Limited	20.25%	1,313,586	-	(102,285)	-	(142,710)	-	1,068,591
Feni Lanka Power Limited	29.17%	3,197,067	-	718,616	(1,016,943)	(355,510)	(568,620)	2,017,041
Nividhu (Private) Limited	25.00%	46,033	-	27,336	-	-	-	73,370
Nividhu Assupiniella (Private) Limited	25.00%	181,797	-	11,762	-	-	-	193,559
Parambe Hydro (Private) Limited	43.88%	35,226	-	(9)	-	-	-	35,218
Bambarapana Hydro Power (Private) Limited	40.00%	170,418	-	28,717	-	-	-	199,135
LTL Energy (Private) Limited	45.00%	842,233	-	(4,534)	-	-	-	837,699
Makarigad Hydro Power (Private) Limited	45.00%	93,754	-	(26,287)	-	(36,199)	-	31,268
		9,264,281	-	444,366	(1,135,151)	(775,412)	(709,057)	7,131,459

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

17 Equity accounted investees (Contd.)

Company	Ownership	As at 01 April	Investments	Share of profits	Share of OCI	Foreign currency adjustment	Dividend distribution	As at 31 March
2022								
Hayleys Hydro Energy (Private) Limited	49.00%	48,671	-	(5,813)	-	-	-	42,858
Neluwa Cascade Hydro Power (Private) Limited	49.00%	100,869	-	34,572	-	-	(35,280)	100,161
Pawan Danavi (Private) Limited	40.00%	522,552	-	(47,531)	-	-	-	475,021
Nala Dhanavi (Private) Limited	49.00%	360,430	-	(22,856)	-	-	-	337,574
Nividhu (Private) Limited	25.00%	68,470	-	4,896	-	-	(27,333)	46,033
Nividhu Assupiniella (Private) Limited	25.00%	170,328	-	11,469	-	-	-	181,797
Parambe Hydro (Private) Limited	43.88%	35,416	-	(190)	-	-	-	35,226
Bambarapana Hydro Power (Private) Limited	40.00%	181,731	-	21,685	-	-	(32,998)	170,418
LTL Energy (Private) Limited	45.00%	734,753	-	107,480	-	-	-	842,233
Makarigad Hydro Power (Private) Limited	45.00%	(163,803)	71,437	(2,882)	-	189,002	-	93,754
		2,059,417	71,437	100,829	-	189,002	(95,611)	2,325,074
2023								
Hayleys Hydro Energy (Private) Limited	49.00%	42,858	-	50	-	-	-	42,908
Neluwa Cascade Hydro Power (Private) Limited	49.00%	100,161	-	19,004	35	-	-	119,199
Pawan Danavi (Private) Limited	40.00%	475,021	-	(41,340)	-	-	-	433,680
Nala Dhanavi (Private) Limited	49.00%	337,574	-	(9,222)	-	-	-	328,351
Nividhu (Private) Limited	25.00%	46,033	-	27,336	-	-	-	73,370
Nividhu Assupiniella (Private) Limited	25.00%	181,797	-	11,762	-	-	-	193,559
Parambe Hydro (Private) Limited	43.88%	35,226	-	(9)	-	-	-	35,218
Bambarapana Hydro Power (Private) Limited	40.00%	170,418	-	28,717	-	-	-	199,135
LTL Energy (Private) Limited	45.00%	842,233	-	(4,534)	-	-	-	837,699
Makarigad Hydro Power (Private) Limited	45.00%	93,754	-	(26,287)	-	(36,199)	-	31,268
		2,325,074	-	5,476	35	(36,199)	-	2,294,387

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

17 Equity accounted investees (Contd.)

	Group		Company	
	2023	2022	2023	2022
17.1 Investment in subsidiaries (Company)	-	-	6,004,724	8,335,831
17.2 Investment in associates	7,131,459	9,264,280	2,294,387	2,325,074
	7,131,459	9,264,280	8,299,111	10,660,905

18 Intangible assets

Group	2023	2022
Cost		
As at the beginning of the year	94,569	75,178
Additions	41,580	19,391
As at the end of the year	136,149	94,569
Accumulated amortization		
As at the beginning of the year	(6,264)	(4,391)
Amortization for the year	(4,578)	(1,873)
As at the end of the year	(10,842)	(6,264)
Carrying value	125,307	88,305

Approval cost consist of expenditure incurred in connection with approvals, surveys and engineering designs in respect of Pupalaketiya Hydro Power (Private) Limited Rs. 26,673,346/- (in 2022 - Rs. 26,673,346/-) This cost is to be amortized with effect from commencement of commercial operations.

Approval cost of Rs. 1,981,602/-, Rs. 30,000,000/-, Rs. 34,362,800/-, Rs. 16,007,720/- and Rs. 27,123,720/- of Sapthakanya Hydro Electric Company (Private) Limited, Campion Hydro (Private) Limited, SEI Maho (Private) Limited, SEI Mathugama (Private) Limited and SEI Pallekele (Private) Limited respectively are being amortized over the period.

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.

19 Loans and receivables

	Group		Company	
	2023	2022	2023	2022
Receivable from Ceylon Electricity Board	284,620	239,965	-	-
Advances	2,415	2,040	2,040	1,665
Prepayments	17,358	2,699	105	161
WHT & Interest receivable	132	-	-	-
	304,525	244,704	2,145	1,826

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

20 Amounts due from / due to related parties

20.1 Amounts due from related parties

	Group		Company	
	2023	2022	2023	2022
Sapthakanya Hydro Electric Company (Private) Limited	-	-	5,793	3,522
Campion Hydro (Private) Limited	-	-	14,718	7,099
Pupulaketiya Hydro Power (Private) Limited	-	-	2,581	2,334
Receivable Lanka Energy International (Private) Limited	-	-	-	153
Receivable Parambe Hydro Power (Private) Limited	511	451	511	451
Receivable from Solar Energy Investments (Private) Limited	-	-	16,891	42,520
Receivable from VS Hydro (Private) Limited	1,200	396	-	-
	1,711	847	40,494	56,079

20.2 Amounts due to related parties

Current Account with Lanka Ventures PLC	10,913	66,285	10,913	66,285
	10,913	66,285	10,913	66,285

Refer Note 30 for additional disclosures relevant for the related party transactions.

21 Other receivables

Dividend Receivable	564,325	719,475	174,245	92,758
	564,325	719,475	174,245	92,758

22 Cash and cash equivalents

Cash at bank	166,724	32,009	520	988
Short term investments	-	38,644	-	-
	166,724	70,653	520	988

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

23 Stated capital and reserves (Contd.)

23.1 Stated capital

	Group		Company	
	2023	2022	2023	2022
Balance as at 1 April	2,906,472	2,906,472	2,906,472	2,906,472
Balance as at 31 March	2,906,472	2,906,472	2,906,472	2,906,472
Number of shares				
As at 1 April	582,278,117	582,278,117	582,278,117	582,278,117
As at 31 March	582,278,117	582,278,117	582,278,117	582,278,117

Par value per share was LKR 10/- for the Company.

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.

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

	Note	Group		Company	
		2023	2022	2023	2022
Ordinary share capital	23	2,906,472	2,906,472	2,906,472	2,906,472
Stated capital as per the Companies Act No. 07 of 2007		2,906,472	2,906,472	2,906,472	2,906,472

23.2 Revaluation reserve

Revaluation reserve comprise of share of revaluation reserve attributable to the Company/Group from its equity accounted investees.

23.3 Translation reserve

Translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

23.3.1 Foreign currency translation difference

During the period foreign currency translation difference of Rs. (240,993,060/-), Rs. (142,709,747/-), Rs. (355,510,184)/- and Rs. (36,198,803/-) recognized in the OCI from Lakdhanavi Bangla Power Limited, Raj Lanka Power Company Limited, Feni Lanka Power Limited and LTL Energy (Private) Limited respectively. (2022 - Rs. 787,070,521/-, Rs. 428,383,368/-, Rs. 1,319,864,234/- and Rs. 189,002,227/-)

23.4 Cash flow hedge reserve

Two of our investee companies in Bangladesh namely Lakdhanavi Bangla Power Limited and Feni Lanka Power Limited have USD borrowings as well as a USD revenue component as per the Power Purchase Agreement (PPA) signed with the Bangladesh Power Development Board. Both companies have sufficient USD cash inflows to cover the USD loan repayments. According to IFRS 9 (SLFRS 9) Financial Instruments, the respective investee companies have treated the said transaction as a "Cash Flow Hedge" in the financial statements and the two companies expect to hedge the variability in the cash flows corresponding to the loan repayments attributable to changes in exchange rates over the period.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

In this situation, USD borrowing was recognized as the Hedge Instrument and the USD revenue from the PPA is identified as the Hedged Item and both meet the recognition criteria set out in IFRS 9 (SLFRS 9). Further, Hedge Effectiveness appears to be 100%. Accordingly, respective investee companies have applied hedge accounting principles in their financial statements.

Since both these investments are associates, as per the guidelines of LKAS 28 Investments in Associates and Joint Ventures, Company has applied equity method of accounting and recognized relevant share of the profit or loss, other comprehensive income and net assets in its financial statements in respect of these investments.

23.5 Issue of shares by subsidiary

SEI Pallekele (Private) Limited issued Rs. 18,645,676/- worth of ordinary shares on 23 August on 2022 and SEI Maho (Private) Limited issued Rs. 23,156,230/- worth of ordinary shares on 12 January 2023 (SEI Mathugama (Private) Limited issued Rs. 10,395,800/- worth of ordinary shares on 10 February 2022.)

24 Interest bearing borrowings

	Group		Company	
	2023	2022	2023	2022
As at 01 April	3,447,251	2,911,170	2,495,059	2,398,973
Repayments during the year	(458,643)	(1,110,768)	(344,905)	(911,667)
Obtained during the period	310,166	1,578,513	85,000	925,000
Interest payable/ overpaid at the end of the year	255,623	68,336	193,484	82,753
As at 31 March	3,554,397	3,447,251	2,428,638	2,495,059
Repayments due within one year	486,056	546,601	279,281	463,465
Repayments due after one year	3,068,341	2,900,650	2,149,357	2,031,594
	3,554,397	3,447,251	2,428,638	2,495,059

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

24 Interest bearing borrowings (Contd.)

Financial institution	Security	Repayment terms and maturity	Interest rate	Principal value	Amount outstanding
LVL Energy Fund PLC					
Hatton National Bank PLC	Unsecured	Repayable in 5 equal annual installments from March 2023.	AWPLR of the preceding month plus 2.00% p.a.	75,000	60,732
DFCC Bank PLC	Unsecured	Repayable in 5 equal annual installments from March 2024.	AWPLR of the preceding month plus 1.75% p.a.	200,000	156,253
DFCC Bank PLC	Unsecured	Repayable in 4 equal annual installments from March 2024.	AWPLR of the preceding month plus 1.75% p.a.	600,000	240,957
DFCC Bank PLC	Unsecured	Repayable in 28 equal quarterly installments commenced from March 2024.	AWPLR of the preceding month plus 1.50% p.a.	500,000	427,554
Mr.M. A. Wijetunge	Unsecured	Company shall have the option of setting the loan in full at any time. Mr. M. A. Wijetunge shall have the option of calling upon the Company to settle the said loan in full upon granting twelve (12) months' notice in writing to the Company	AWPLR of the preceding month plus 1.25% p.a.	100,000	100,000
Sampath Bank PLC	Mortgage of Lanka Energy International (Private) Limited's shares owned by the company	Repayable on 28 th April 2026 for a sum of LKR 1,016 Mn.	Fixed rate of 10.52% pa	750,000	828,577
National Development Bank PLC	Mortgage of Lanka Energy International (Private) Limited's shares owned by the company	Repayable in 6 equal bi-annual installments commencing from April 2024.	Interest will be payable in equal bi-annual installments along with the capital repayment at AWPLR plus a varying margins.	600,000	614,565
				Sub total	2,428,638

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

24 Interest bearing borrowings (Contd.)

Unit Energy Lanka (Private) Limited									
National Development Bank PLC	Primary mortgage over receivables and book debts	Repayable in 6 equal monthly installments of Rs. 1,000,000/-, 11 equal monthly installments of Rs. 2,400,000/- and final installment of Rs. 2,600,000/- commenced in Dec 2022 .	AWPLR plus 2.0% p.a	35,000					32,712
				Sub total					32,712
Sapthakanya Hydro Electric Company (Private) Limited									
DFCC Bank PLC	Leasehold right of land and immovable project assets in Laxapanagalla division of Theberton Group.	Repayable in 40 equal monthly installments of Rs. 2,875,000/- commenced in March 2022.	AWPLR plus 1.60% p.a	176,250					100,227
				Sub total					100,227
Campion Hydro (Private) Limited									
National Development Bank PLC	Leasehold right of land, and immovable project assets in Campion Tea Estate, Bogawantalawa and Primary mortgage book debts and receivables of project.	Repayable in 69 monthly installments commenced from July 2023.	AWPLR of the preceding month plus 2.00% p.a	150,400					177,385
				Sub total					177,385
SEI Mathugama (Private) Limited									
Sampath Bank PLC	All project assets of solar power plant at Mathugama.	Repayable in 10 equal monthly installments of Rs. 625,000/-, 72 equal monthly installments of Rs. 875,000/-, 36 equal monthly installments of Rs. 1,000,000/- and final 12 equal monthly installments of Rs. 1,250,000/- commencing after a capital grace period of 12 months from the date of final disbursement.	AWPLR plus 1.25% p.a	129,000					112,398

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

24 Interest bearing borrowings (Contd.)

Sampath Bank PLC	All project assets of solar power plant at Mathugama.	To be repaid in 17 equal monthly installments of Rs. 1,500,000/- and a final installment of Rs. 2,375,000/- after a capital grace period of 06 months from the date of disbursement.	AWPLR plus 12.5% pa	27,875	22,409
Sampath Bank PLC	All project assets of solar power plant at Mathugama.	To be repaid in 18 equal monthly installments of Rs. 312,500/- after a capital grace period of 06 months from the date of first disbursement.	AWPLR plus 1.25% pa	5,625	4,415
				Sub total	139,222
Solar Energy Investments Pallekele (Private) Limited					
Sampath Bank PLC	All project assets of solar power plant at Pallekele.	Repayable in 36 equal monthly installments of Rs. 1,250,000/-, 84 equal monthly installment of Rs. 1,750,000/- and final 24 installments of Rs. 2,000,000/-	AWPLR plus 1.25% pa	240,000	224,014
Sampath Bank PLC	All project assets of solar power plant at Pallekele.	Repayable in 17 equal monthly installments of Rs. 500,000/- and a final installments of Rs. 250,000/- after a grace period of 06 months from the date of first disbursement.	AWPLR plus 1.25% pa	8,750	8,750
Sampath Bank PLC	All project assets of solar power plant at Pallekele.	Repayable in 17 equal monthly installments of Rs. 2,600,000/- and final installments of Rs. 2,050,000/-	AWPLR plus 1.25% pa	46,250	43,728
				Sub total	276,492

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

24 Interest bearing borrowings (Contd.)

SEI Maho (Private) Limited					
Sampath Bank PLC	All project assets of solar power plant at Maho.	Repayable in 36 equal monthly installments of Rs. 2,000,000/-, 24 equal monthly installments of Rs. 2,250,000/-, 12 equal monthly installments of Rs. 2,375,000/-, 12 equal monthly installment of Rs. 2,625,000/-, 24 equal monthly installment of Rs. 2,500,000/-, 24 equal monthly installment of Rs. 3,250,000/-, 11 equal monthly installment of Rs. 3,800,000/- and final installment of Rs. 4,200,000/- commencing after a capital grace period of 12 months from the date of final disbursement.	AWPLR plus 1.25% p.a	370,000	327,221
Sampath Bank PLC	All project assets of solar power plant at Maho.	Repayable in 18 equal monthly installments of Rs. 3,250,000/- after a capital grace period of 06 months from the date of first disbursement.	AWPLR plus 12.5% p.a	58,500	58,500
Sampath Bank PLC	All project assets of solar power plant at Maho.	Repayable in 17 equal monthly installments of Rs. 800,000/- and a final installment of Rs. 400,000/- after a capital grace period of 06 months from the date of first disbursement.	AWPLR plus 12.5% p.a	14,000	14,000
				Sub total	399,721
				Total interest bearing borrowings	3,554,397

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

25 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	2023	2022
Liabilities		
Plant and equipment	80,128	39,903
Assets		
Tax losses	-	-
Net deferred tax liability	80,128	39,903

The income tax rate of 24% was increased to 30% with effect from 01 October 2022 with the legalisation of the Inland Revenue (Amendment) Act, No. 45 of 2022 during the current period. therefore the deferred tax asset at the year end has been computed on the basis of 30%.

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

	Balance as at 31st March 2021	Recognised in profit or loss	Balance as at 31 March 2022	Recognised in profit or loss	Balance as at 31 March 2023
Plant and equipment	42,413	(2,510)	39,903	40,225	80,128
	42,413	(2,510)	39,903	40,225	80,128

25.1 Unrecognized deferred tax assets - Group

As at 31 March 2023, a deferred tax asset of Rs. 380,105,342/- (2022 - Rs. 167,179,864/-) was not recognized since it is not probable that adequate taxable profits will be available in the foreseeable future to absorb these amounts.

	2023		2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Deductible temporary differences				
Tax losses	1,267,017	380,105	652,834	167,180
		380,105		167,180

25.2 Unrecognized deferred tax assets - Company

As at 31 March 2023, a deferred tax asset of Rs. 365,436,192/- (2022 - Rs. 181,880,681/-) was not recognized since it is not probable that adequate taxable profits will be available in the foreseeable future to absorb these amounts.

	2023		2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Deductible temporary differences				
Tax losses	1,218,121	365,436	757,835	181,880
		365,436		181,880

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

	Group		Company	
	2023	2022	2023	2022
26 Other payables				
Dividend payable	498	503	468	473
Audit fees payable	1,134	1,106	240	279
Electricity payable	643	128	-	-
Lease rental payable	5,655	6,241	-	-
O & M payable	20,749	12,537	-	-
Bonus payable	-	2,415	-	2,415
Management fees payable	2,325	2,450	-	450
Director fee payable	233	258	233	258
Insurance payable	-	-	-	-
Professional fees payable	1,055	1,372	399	585
Repair fees payable	-	-	-	-
	32,294	27,012	1,340	4,460

27 Income tax receivable/ payable

	Group		Company	
	2022	2021	2022	2021
27.1 Income tax receivable				
Balance as at 01 April	6,378	6,378	5,236	5,236
Provision for the year	-	-	-	-
WHT deduction	-	-	-	-
WHT on associate company dividend	-	-	-	-
Payments during the year	-	-	-	-
Balance receivable as at 31 March	6,378	6,378	5,236	5,236

27.2 Income tax payable

Balance as at 01 April	17,613	19,215	-	-
Provision for the year	106,982	172,917	-	-
WHT deduction	-	-	-	-
WHT on associate company dividends	(106,359)	(131,262)	-	-
Payments during the year	(17,569)	(43,257)	-	-
Balance payable as at 31 March	667	17,613	-	-

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

28 Capital commitments and contingencies

There were no commitments and contingencies as at the balance sheet date, which require adjustments to or disclosure in the Financial Statements.

29 Events after the reporting date

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

30 Related parties

Lanka Ventures PLC (LVL) is the parent company for LVL Energy Fund PLC, which has 57% 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.

30.1 Transactions with key management personnel

Key management personnel include all the members of the Board of Directors of the Company and the CEO of the Company 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. P. G. D. B. Pallewatte

Mr. T. I. Perera

Mr. M. R. Abeywardena

Mr. M. A. Wijetunge

Mr. M. M. Wijetunge

Mr. J. D. N. Kekulawala

Mr. K. C. S. Dharmawardena

Mr. R. A. Dassanayake

Mr. A. G. R. Dissanayake

Mr. W. P. K. Jayawardana

Mr. P. G. D. B. Pallewatte is the Deputy General Manager - Wholesale Banking Group of Hatton National bank PLC. He is a Director of Acuity Partners (Private) Limited, Acuity Securities (Private) Limited and Chairman of Lanka Ventures PLC.

Mr. T. I. Perera is the Director/Chief Executive Officer of DFCC Bank PLC. He is the Chairman of Acuity Partners (Private) Limited and a Director of Lanka Ventures PLC.

Mr. W. P. K. Jayawardana is a Director of Lanka Ventures PLC.

Mr. M. R. Abeywardena is the Managing Director 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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

30 Related parties (Contd.)

30.1 Transactions with key management personnel (Contd.)

Mr. J. D. N. Kekulawala is a Director of Lanka Ventures PLC.

Mr. R. A. Dassanayake is the Vice President - Strategic Investments & Subsidiaries of DFCC Bank PLC. He is a Director of Acuity Securities Limited and Lanka Ventures PLC.

Mr. A. G. R. Dissanayake is the Deputy General Manager - SME & Micro Finance of Hatton National Bank PLC. He is a Director of Acuity Partners (Private) Limited and Lanka Ventures PLC.

Mr. J.P.I. Gamage who is the Chief Executive Officer of the Company is a Director of Nividhu (Private) Limited, Nividhu Assupiniella (Private) Limited, LVS Energy (Private) Limited, Unit Energy Lanka (Private) Limited, Lanka Energy International (Private) Limited, Pawan Danavi (Private) Limited, Hayleys Hydro Energy (Private) Limited, Nala Dhanavi (Private) Limited, Raj Lanka Power Company Limited, Lakdhanavi Bangla Power Limited, Feni Lanka Power Limited, Pupalaketiya Mini Hydro Power (Private) Limited, Sapthakanya Hydro Electric Company (Private) Limited, Campion Hydro (Private) Limited, Bambarapana Hydropower (Private) Limited, Solar Energy Investments (Private) Limited, SEI Mathugama (Private) Limited, SEI Maho (Private) Limited, Solar Energy Investment Pallekele (Private) Limited and LTL Energy (Private) Limited.

During the year directorship changes,

Mr. W.P.K. Jayawardana was appointed as a director of the Company with effect from 27 January 2023.

Mr. A. R. Munasinghe who was director of the Company resigned with effect from 24 September 2022.

30.2 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	
	2023	2022	2023	2022
Director's remuneration	1,648	1,925	1,648	1,925
Employee benefits	2,645	8,558	2,645	8,558

(ii) Loans given to directors

The Company has not given any loans for the directors of the company during the year ended 31 March 2023.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

30 Related parties (Contd.)

30.3 Other related party transactions

The 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. The Company did not recognized any provision for doubtful debt related to the amount of outstanding balances and did not recognized any expenses during the year in respect of bad or doubtful debts from related parties.

Name of the related party	Relationship	Nature of transaction	2023		2022	
			Amounts (paid)/ received	Balance 31 March	Amounts (paid)/ received	Balance 31 March
DFCC Bank PLC	Joint holder of ultimate parent	Redeemable preference shares	-	-	-	-
		Preference dividend	-	-	-	-
		Term loan - obtained	-	750,412	-	875,317
		Term loan - repaid	(124,905)	-	(416,666)	-
		Interest on term loan	(120,510)	-	(80,888)	-
		Fixed deposit	-	-	-	-
		Fixed deposit - interest	-	-	-	-
		TB repo - interest	-	-	-	-
		TB repurchase - Investment	-	-	-	-
		Bank charges	(76)	-	(184)	-
Hatton National Bank PLC	Joint holder of ultimate parent	Term loan - repaid	(15,000)	60,000	(375,000)	-
		Interest on term loan	(18,235)	-	(3,958)	-
		Bank charges	(7)	-	(8)	-
Acuity Securities Limited	Subsidiary of ultimate parent	TB repurchase interest	-	-	-	-
		TB repurchase - Investment	-	-	-	-
Lanka Ventures PLC	Parent	Current account	9,588	10,913	65,700	66,286
		Management fees	(11,740)	-	(1,000)	450
Unit Energy Lanka (Private) Limited	Subsidiary	Interest income	-	-	-	-
Pupulaketiya Hydro Power (Private) Limited	Subsidiary	Current account	247	2,581	(19,890)	2,334
Sapthakanya Hydro Electric Company (Private) Limited	Subsidiary	Current account	5,793	-	(3,521)	-
Campion Hydro (Private) Limited	Subsidiary	Current account	(14,718)	-	(7,099)	-
Solar Investments (Private) Limited	Subsidiary	Current account	30,032	16,891	60,830	42,520
Parambe Hydro Power (Private) Limited	Associate	Current account	-	511	-	451

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

30 Related parties (Contd.)

30.4 Disclosures under Section 9.3.2 of the Listing Rules of the Colombo Stock Exchange

(a) Non-recurrent related party transactions

No non-recurrent related party transactions requiring disclosure.

(b) Recurrent related party transactions

No recurrent related party transactions requiring disclosure.

31. Operating segments

No information to be disclosed under operating segments.

32 Financial risk management and financial instruments

Risk management of the Group is the systematic process of identifying, quantifying and managing all risks and opportunities that can affect the achievement of LVL Energy Fund PLC and its subsidiary's strategic and financial goals. The Group has established a sound risk management framework to identify and mitigate the risk exposure.

Financial instruments held by the Group, principally comprise of cash and cash equivalents and investments held under amortized cost category. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 and the Group's activities. The Group, through its procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group risk management processes / guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks.

Financial risk management of the Group is carried out based on guidelines established by the finance division which comes under the purview of the Board of Directors of the Group. The finance division identifies, evaluates and mitigates financial risk in close co-operation with the Group's finance department.

The Group has identified 3 critical types of risk which can affect the Group's operations adversely as Credit risk, Liquidity risk and Market risk.

32.1 Exposure to credit risk

Cash at bank and other financial assets

The Group held cash at bank and short term investments of LKR 166,724,305 as at 31 March 2023 (2022- LKR 70,653,151) which represents its maximum credit exposure on these assets. These are invested / held with licensed commercial banks and security company's to limit its exposure to credit risk, which have better fitch ratings if A, A-.

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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

32 Financial risk management and financial instruments (Contd.)

	Notes	Carrying amounts			
		Group		Company	
		2023	2022	2023	2022
Loans and receivables	19	304,393	244,704	2,145	1,826
Amounts due from related parties	20	1,711	847	40,494	56,079
Other receivables	21	564,325	719,475	174,245	92,758
Cash at bank	22	166,724	32,009	520	988
		1,037,154	997,035	217,403	151,651

Ageing

The ageing 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	
	2023	2022	2023	2022
Below 30 days	185,124	32,009	520	988
30 - 45 days	-	-	-	42,520
46 - 60 days	13,265	396	-	-
Over 61 days	838,766	964,630	216,883	108,143
	1,037,154	997,035	217,403	151,651

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 2023. These are invested / held with licensed commercial banks and security company's to limit its exposure to credit risk, which have better fitch ratings if A, A-.

32.2 Exposure to liquidity risk

The following are the contractual maturities of financial liabilities:

The maturity analysis of liabilities - 2023

Group	Carrying value	Current	Non current			Total
		Upto 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Interest bearing borrowings	3,554,397	698,079	1,162,549	2,999,946	758,872	5,619,446
Other payable	32,294	32,294	-	-	-	32,294
Amounts due to related parties	10,913	10,913	-	-	-	10,913

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

32 Financial risk management and financial instruments (Contd.)

32.2 Exposure to liquidity risk (Contd.)

Company	Carrying value	Current	Non current			Total
		Upto 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Interest bearing borrowings	2,428,638	348,131	831,034	2,359,589	-	3,538,754
Other payable	1,340	1,340	-	-	-	1,340
Amounts due to related parties	10,913	10,913	-	-	-	10,913

The maturity analysis of liabilities - 2022

Group	Carrying value	Current	Non current			Total
		Upto 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Interest bearing borrowings	3,447,251	1,237,392	837,735	1,914,639	1,326,627	5,316,393
Other payable	27,012	27,012	-	-	-	27,012
Amounts due to related parties	66,285	66,285	-	-	-	66,285

Company	Carrying value	Current	Non current			Total
		Upto 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Interest bearing borrowings	2,495,059	915,310	365,859	1,030,327	858,005	3,169,501
Other payable	4,460	4,460	-	-	-	4,460
Amounts due to related parties	66,285	66,285	-	-	-	66,285

32.3 Exposure to market risk

32.3.1 Currency risk

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

31 March	2023	2022
	BDT	BDT
Investment in equity accounted investees		
Raj Lanka Power Company Limited	234,300	234,920
Lakdhanavi Bangla Power Limited	386,800	386,800
Feni Lanka Power Limited	677,600	677,600
Share of profit of equity accounted investees (net of income tax)		
Raj Lanka Power Company Limited	(28,632)	643
Lakdhanavi Bangla Power Limited	(44,437)	122,917
Feni Lanka Power Limited	214,427	210,155

The following exchange rates applied on 31 March

Spot rate as at 31 March	2023	2022
Bangladesh Taka (BDT)	3,0516	3,4677
Average rate for the year ended 31 March		
Bangladesh Taka (BDT)	3,6271	2,4538

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

32 Financial risk management and financial instruments (Contd.)

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 2022, 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 2023 BDT (10% movement)	396,311	(396,311)	59,377	(59,377)
31 March 2022 BDT (10% movement)	450,565	(450,565)	115,722	(115,722)

Subsequent impact to the financial statements in respect of the movement of the exchange rate is disclosed under Note 31 to the financial statements.

32.3.2 Interest rate risk

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

	Carrying amounts			
	Group		Company	
	2023	2022	2023	2022
As at 31 March				
Fixed rate instruments				
Financial assets	-	38,644	-	-
	-	38,644	-	-
Variable rate instruments				
Financial liabilities	3,554,397	3,447,251	2,428,638	2,495,059
	3,554,397	3,447,251	2,428,638	2,495,059

32.3.2.1 Sensitivity Analysis

The impact to profit before tax if the interest rate had increased/decreased by 8% (2022 - 8%) is shown below

	Group		Company	
	2023	2022	2023	2022
Percentage increase	(284,352)	(275,780)	(194,291)	(199,605)
Percentage decrease	284,352	275,780	194,291	199,605

The impact on the profit before tax is Rs. 248.8 Mn (2022-Rs. 241.3 Mn).

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

32 Financial risk management and financial instruments (Contd.)

32.4 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		Measured at				Total
		Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Other financial liabilities	
2023	Note					
Financial assets						
Loans and receivables	19	304,393	-	-	-	304,393
Amounts due from related parties	20	1,711	-	-	-	1,711
Other receivables	21	564,325	-	-	-	564,325
Cash & cash equivalents	22	166,724	-	-	-	166,724
		1,037,154	-	-	-	1,037,154
Financial liabilities						
Interest bearing borrowings	24	-	-	-	3,554,397	3,554,397
Amounts due from related parties	20	-	-	-	10,913	10,913
Other payables	26	-	-	-	-	-
		-	-	-	3,565,310	3,565,310

Group		Measured at				Total
		Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Other financial liabilities	
2022	Note					
Financial assets						
Loans and receivables	19	244,704	-	-	-	244,704
Amounts due from related parties	20	847	-	-	-	847
Other receivables	21	719,475	-	-	-	719,475
Cash & cash equivalents	22	70,653	-	-	-	70,653
		1,035,679	-	-	-	1,035,679
Financial liabilities						
Interest bearing borrowings	24	-	-	-	3,447,251	3,447,251
Amounts due from related parties	20	-	-	-	66,285	66,285
Other payables	26	-	-	-	-	-
		-	-	-	3,513,536	3,513,536

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

32 Financial risk management and financial instruments (Contd.)

32.4 Analysis of financial instruments by measurement basis (Contd.)

Company		Measured at				
2023	Note	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Other financial liabilities	Total
Financial assets						
Loans and receivables	19	2,145	-	-	-	2,145
Amounts due from related parties	20	40,494	-	-	-	40,494
Other receivables	21	174,245	-	-	-	174,245
Cash & cash equivalents	22	520	-	-	-	520
		217,403	-	-	-	217,403
Financial liabilities						
Interest bearing borrowings	24	-	-	-	2,428,638	2,428,638
Amounts due from related parties	20	-	-	-	10,913	10,913
Other payables	26	-	-	-	-	-
		-	-	-	2,439,552	2,439,552

Company		Measured at				
2022	Note	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Other financial liabilities	Total
Financial assets						
Loans and receivables	19	1,826	-	-	-	1,826
Amounts due from related parties	20	56,079	-	-	-	56,079
Other receivables	21	92,758	-	-	-	92,758
Cash & cash equivalents	22	988	-	-	-	988
		151,651	-	-	-	151,651
Financial liabilities						
Interest bearing borrowings	24	-	-	-	2,495,059	2,495,059
Amounts due from related parties	20	-	-	-	66,285	66,285
Other payables	27	-	-	-	-	-
		-	-	-	2,561,344	2,561,344

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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

32 Financial risk management and financial instruments (Contd.)

32.5 Financial instruments not valued at fair value (Contd.)

The table below analyses fair value of the financial instruments measured at amortised cost at the end of the reporting date, by the level of the fair value hierarchy.

Group

As at 31 March 2023	Note	Level I	Level II	Level III	Total
Assets					
Loans and other receivables	19,21	-	-	868,718	868,718
Amounts due from related parties	20.1	-	-	1,711	1,711
Cash and cash equivalents	22	-	-	166,724	166,724
		-	-	1,037,154	1,037,154
Liabilities					
Cumulative redeemable preference shares	24	-	-	3,554,397	3,554,397
Amounts due to related parties	20.2	-	-	10,913	10,913
Other payables	26	-	-	-	-
		-	-	3,565,310	3,565,310

As at 31 March 2022	Note	Level I	Level II	Level III	Total
Assets					
Loans and other receivables	19,21	-	-	964,179	964,179
Amounts due from related parties	20.1	-	-	847	847
Cash & cash equivalents	22	-	-	70,653	70,653
		-	-	1,035,679	1,035,679
Liabilities					
Interest bearing borrowings	24	-	-	3,447,251	3,447,251
Amounts due to related parties	20.2	-	-	66,285	66,285
Other payables	26	-	-	-	-
		-	-	3,513,536	3,513,536

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

32 Financial risk management and financial instruments (Contd.)

32.5 Financial instruments not valued at fair value (Contd.)

Company

As at 31 March 2023	Note	Level I	Level II	Level III	Total
Assets					
Loans and other receivables	19	-	-	2,145	2,145
Amounts due from related parties	20.1	-	-	40,494	40,494
Cash & cash equivalents	22	-	-	520	520
		-	-	43,158	43,158
Liabilities					
Interest bearing borrowings	24	-	-	2,428,638	2,428,638
Amounts due from related parties	20.2	-	-	10,913	10,913
Other payables	26	-	-	-	-
		-	-	2,439,552	2,439,552

As at 31 March 2022	Note	Level I	Level II	Level III	Total
Assets					
Loans and other receivables	19	-	-	1,826	1,826
Amounts due from related parties	20.1	-	-	56,079	56,079
Cash & cash equivalents	22	-	-	988	988
		-	-	58,893	58,893
Liabilities					
Interest bearing borrowings	24	-	-	2,495,059	2,495,059
Amounts due from related parties	20	-	-	66,285	66,285
Other payables	27	-	-	-	-
		-	-	2,561,344	2,561,344

There were no transfers between Level 1, Level 2 and Level 3 during 2022 and 2023

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

33 Variances between the interim financial statements for the year ended 31 March 2023 and the annual report for the year ended 31 March 2023

33.1 Statement of profit or loss and other comprehensive income

	Explanatory notes	As per annual report		As per interim statements		Variance	
		Group	Company	Group	Company	Group	Company
For the year ended 31 March 2023							
Revenue							
Investment income		-	-	187	-	(187)	-
Interest income		18,926	13,574	18,926	13,575	-	-
Subsidiary company income	a	280,873	-	284,082	-	(3,209)	-
		299,800	13,574	303,195	13,575	(3,395)	-
Other income							
		910	3,711	199	3,711	711	-
Operating expenses							
Administrative expenses		(480)	(480)	(480)	(480)	-	-
Sales and establishment expenses		(317)	-	(191)	-	(126)	-
Other operating expenses		(37,595)	(18,768)	(37,683)	(19,729)	88	961
Direct expenses - subsidiaries	a	(180,946)	-	(170,527)	-	(10,419)	-
		81,371	(1,963)	94,513	(2,923)	(13,142)	960
Results from operating activities							
Finance cost	b	(697,230)	(456,021)	(643,770)	(399,266)	(53,460)	(56,756)
Share of profit of equity accounted investees, net of tax	c	444,367	195,311	606,427	361,276	(162,060)	(165,965)
		(171,492)	(262,677)	57,170	(40,913)	(228,662)	(221,762)
Profit before income tax							
Tax expense	d	(147,207)	-	(149,508)	-	2,301	-
		(318,699)	(262,677)	(92,338)	(40,913)	(226,361)	(221,760)
Profit for the year							
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	c	(775,412)	(775,412)	(745,139)	(745,139)	(30,273)	(30,273)
Share of OCI from equity accounted investees		(1,135,151)	(1,135,151)	(1,135,186)	(1,135,186)	-	-
		(1,910,563)	(1,910,563)	(1,880,325)	(1,880,325)	(30,273)	(30,273)
Total other comprehensive income that are or may be re-classified to profit or loss in subsequent period							
Total comprehensive income for the year		(2,229,261)	(2,173,240)	(1,972,663)	(1,921,239)	(256,634)	(252,033)
Profit attributable to:							
Equity holders of the company		(262,677)	(262,677)	(40,913)	(40,913)	(221,764)	(221,764)
Non-controlling interest		(56,021)	-	(51,425)	-	(4,596)	-
		(318,699)	(262,677)	(92,338)	(40,913)	(226,361)	(221,764)
Profit for the year							
Total comprehensive income attributable to:							
Equity holders of the company		(2,173,240)	(2,173,240)	(1,921,239)	(1,921,239)	(252,001)	(252,001)
Non-controlling interest		(56,021)	-	(51,425)	-	(4,596)	-
		(2,229,261)	(2,173,240)	(1,972,664)	(1,921,239)	(256,597)	(252,001)
Total comprehensive income for the year							
Earnings per share							
Basic and diluted earnings per share		(0.45)	(0.45)	(0.07)	(0.07)		

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

33 Variances between the interim financial statements for the year ended 31 March 2023 and the annual report for the year ended 31 March 2023 (Contd.)

33.1 Statement of profit or loss and other comprehensive income (Contd.)

Explanatory notes

- (a) Correction was identified in the revenue and O&M fees in subsidiary and corrected in subsequently company, Unit Energy Lanka (Private) Limited.
- (b) Error in calculating the interest cost was identified and corrected subsequently in the Company.
- (c) Interim financial statements were prepared based on the management accounts of equity accounted investees which were different with the audited financial statements of the same.

Breakup of the share of earnings and foreign operations - foreign currency translation difference recognized are as follows.

	As per annual report		As per interim statements	
	Group	Company	Group	Company
Hayleys Hydro Energy (Private) Limited	19,053	19,053	18,875	18,875
Pawan Danavi (Private) Limited	(41,340)	(41,340)	(21,851)	(21,851)
Nala Dhanavi (Private) Limited	(9,222)	(9,222)	(10,755)	(10,755)
Nividhu (Private) Limited	39,098	39,098	40,287	40,287
LTL Energy (Private) Limited	(30,821)	(30,821)	-	-
Parambe Hydro (Private) Limited	(9)	(9)	-	-
Bambarapana Hydro Power (Private) Limited	28,717	28,717	28,707	28,707
Raj Lanka Power Company Limited	(102,285)	-	(53,709)	-
Lakdhanavi Bangla Power Company Limited	(177,440)	-	(107,774)	-
Feni Lanka Power Limited	718,616	-	712,648	-
LVS Energy (Private) Limited	-	(55,723)	-	(48,555)
Sapthakanya Hydro Electric Company (Pvt) Ltd	-	(1,733)	-	(5,787)
Pupulakatiya Mini Hydro Power (Private) Limited	-	(253)	-	(197)
Lanka Energy International (Private) Limited	-	333,200	-	445,841
Campion Hydro Power (Private) Limited	-	132	-	(1,457)
Solar Energy Investments (Private) Limited	-	(85,789)	-	(83,832)
Share of earnings from equity accounted investees	444,367	195,311	606,427	361,276
Raj Lanka Power Company Limited	(142,710)	(142,710)	(145,267)	(145,267)
Lakdhanavi Bangla Power Limited	(240,993)	(240,993)	(244,661)	(244,661)
Feni Lanka Power Limited	(355,510)	(355,510)	(355,211)	(355,211)
LTL Energy (Private) Limited	(36,199)	(36,199)	-	-
Foreign operations - foreign currency translation difference	(775,412)	(775,412)	(745,139)	(745,139)

- (d) Previously recorded tax provisions of subsidiary companies were changed in line with the audit in line with the respective companies.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

33 Variances between the interim financial statements for the year ended 31 March 2023 and the annual report for the year ended 31 March 2023 (Contd.)

33.2 Statement of financial position

	Explanatory notes	As per annual report		As per interim statements		Variance	
		Group	Company	Group	Company	Group	Company
For the year ended 31 March 2023							
Assets							
Non current assets							
Property, plant and equipment		1,608,553	2,286	1,609,332	2,286	(779)	-
Right-to-use land		2,802	-	2,803	-	-	-
Investment in equity accounted investees	a	7,131,459	8,299,111	7,323,754	8,497,775	(192,295)	(198,664)
Intangible assets		125,307	-	125,974	-	(667)	-
Total non current assets		8,868,121	8,301,397	9,061,863	8,500,061	(193,741)	(198,664)
Current assets							
Loans and receivables	b	304,525	2,145	307,498	2,144	(2,973)	-
Amounts due from related parties		1,711	40,494	988	40,494	723	-
Other receivables	c	564,325	174,245	657,572	174,245	(93,247)	-
Income tax receivables		6,378	5,236	6,589	5,235	(211)	-
Cash & cash equivalents		166,724	520	166,812	474	(88)	46
Total current assets		1,043,663	222,639	1,139,459	222,592	(95,796)	47
Total assets		9,911,784	8,524,036	10,201,322	8,722,653	(289,537)	(198,617)
Equity							
Stated capital		2,906,472	2,906,472	2,906,472	2,906,472	-	-
Revaluation reserve		9,101	9,101	9,101	9,101	-	-
Translation reserve	a	2,671,520	2,671,520	2,701,793	2,701,793	(30,273)	(30,273)
Cash flow hedge reserve		(1,135,151)	(1,135,151)	(1,135,186)	(1,135,186)	-	-
Retained earnings		1,625,274	1,631,202	1,843,485	1,855,422	(218,211)	(224,220)
Total equity attributable to equity holders of the company		6,077,216	6,083,144	6,325,665	6,337,602	(248,483)	(254,493)
Non controlling interest		156,169	-	164,319	-	(8,150)	-
Total equity		6,233,385	6,083,144	6,489,983	6,337,602	(256,634)	(254,493)
Liabilities							
Non current liabilities							
Interest bearing borrowings	d	3,068,341	2,149,357	3,012,872	1,973,787	55,469	175,570
Deferred tax liability		80,128	-	80,128	-	-	-
Total non current liabilities		3,148,469	2,940,553	3,093,000	1,973,787	55,469	175,570
Current liabilities							
Interest bearing borrowings	d	486,056	279,281	488,747	398,051	(2,691)	(118,770)
Amounts due to related parties	e	10,913	10,913	-	-	10,913	10,913
Other payables	f	32,294	1,340	126,409	13,213	(94,115)	(11,873)
Income tax payable	g	667	-	3,182	-	(2,515)	-
Total current liabilities		529,929	291,534	618,338	411,264	(88,409)	(119,730)
Total liabilities		9,911,784	2,440,892	3,711,338	2,385,051	(32,940)	55,841
Total equity and liabilities		9,911,784	8,524,036	10,201,322	8,722,653	(289,573)	(198,652)
Net assets per share (Rs.)		10.44	10.46	10.86	10.88		

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees thousands)

33 Variances between the interim financial statements for the year ended 31 March 2023 and the annual report for the year ended 31 March 2023 (Contd.)

33.2 Statement of financial position (Contd.)

Explanatory notes

- (a) Refer explanatory note (c) of note 33.1
- (b) Refer explanatory note (a) of note 33.1
- (c) Dividend payable from a subsidiary company, Lanka Energy International (Private) Limited (LEI) to LVL Energy Fund PLC (LEF) amounted to Rs. 93.4 Mn was shown in other payables (Originated from LEI) and in other receivables (Originated from LEF) in the interim financial statements without being set-off as a consolidated adjustment was corrected subsequently.
- (d) In addition to the explanation given in note (b) of note 33.1, error was identified and corrected subsequently in classifying the current and non-current component of a subsidiary company in respect of interest bearing borrowings.
- (e) Rs. 10.9 Mn amount due to related party was included in the other payables in the interim financial statements.
- (f) In addition to the explanation given in note (c) and (e) above please refer explanatory note (a) of note 33.1
- (g) Refer explanatory note (d) of note 33.1

33.3 Statement of cashflows

For the year ended 31 March	Explanatory notes	As per annual report		As per interim statements		Variance	
		Group	Company	Group	Company	Group	Company
Net cash generated from/(used in) operating activities	a	282,087	(322,902)	300,253	(322,945)	(18,166)	43
Net cash generated from/(used in) investing activities		(22,944)	582,336	(23,706)	(582,336)	762	-
Net cash generated from/(used in) financing activities	b	(163,070)	(259,905)	(180,388)	(259,905)	17,318	-
Net increase / (decrease) in cash & cash equivalents		96,072	(469)	96,159	(514)	(88)	43
Cash & cash equivalents at 01 April		70,653	988	70,653	988	-	-
Cash & cash equivalents at 31 March		166,724	520	166,812	474	(88)	43

Explanatory notes

- (a) Refer explanatory note (a) of note 33.1
- (b) Error was identified in presentation of cash proceeds and cash repayments of interest bearing borrowings of a subsidiary company which was corrected subsequently.

TEN YEAR SUMMARY

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Operating Results										
Investment income	-	721	437	722	1,430	538	279	23,820	40,703	34,979
Interest income	18,926	9,110	12,832	29,520	72,756	22,274	12,158	6,934	2,481	12,597
Subsidiary company income	280,873	428,140	336,993	315,054	355,323	326,238	224,457	248,351	239,090	46,270
Other income	910	8,538	3,815	9	-	-	-	-	11	-
Total income	300,709	446,509	354,077	345,305	429,509	349,050	236,894	279,105	282,285	93,846
Operating profit	81,371	279,781	212,361	216,564	275,370	219,970	131,457	187,644	192,825	39,293
Share of profit net of tax of equity accounted investees	444,367	900,004	774,764	576,218	508,181	468,468	423,360	303,893	263,955	222,023
Gain on disposal of subsidiary	-	-	-	-	-	-	900	-	-	-
Available for sale financial assets reclassified from OCI	-	-	-	-	-	-	108,263	-	-	-
Finance cost	(697,230)	(285,097)	(249,561)	(305,525)	(140,098)	(190,814)	(153,575)	(94,088)	(60,530)	(71,622)
Tax expense	(147,207)	(170,407)	(49,023)	(68,102)	(87,238)	(58,266)	(45,472)	(40,540)	(44,082)	(15,536)
Profit for the year	(318,699)	724,282	688,541	419,154	556,214	439,358	464,933	356,909	352,168	174,158
Non controlling interest	(56,021)	66,599	55,309	44,377	40,168	40,211	34,019	61,090	91,336	18,085
Profit attributable to equity holders of the company	(262,677)	657,683	633,232	374,777	516,046	399,147	430,914	295,819	260,832	192,243
Dividend	-	-	203,797	203,797	378,481	343,858	277,367	231,139	137,395	120,098
Statement of Financial Position										
Assets										
Property, plant and equipment	1,608,553	1,677,672	1,143,176	941,982	975,309	1,017,251	1,048,986	825,422	709,039	437,782
Right-to-use land	2,802	2,990	3,178	3,366	3,554	3,742	-	-	-	-
Investment in equity accounted investees	7,131,459	9,264,278	6,539,210	5,683,434	3,349,239	2,843,605	2,597,549	2,206,180	2,076,798	1,816,796
Intangible assets	125,307	88,305	70,787	55,352	56,413	59,286	64,131	88,623	58,307	4,494
Available for sale financial assets	-	-	-	-	-	-	-	146,860	150,431	118,403
Loans and receivables	304,525	244,704	135,262	129,981	65,178	63,194	9,962	11,056	52,880	65,690
Amounts due from related parties	1,711	847	580	68,660	-	489	438	437	310	2,282
Other receivables	564,325	719,475	73,200	155,067	84,581	27,877	155,534	26,750	19,415	35,197
Income tax receivables	6,378	6,378	6,378	6,371	5,425	2,380	2,106	1,881	-	318
Cash and cash equivalents	166,724	70,653	391,129	320,952	787,370	944,342	83,316	128,231	115,325	13,298
Total assets	9,911,784	12,075,302	8,362,900	7,365,165	5,327,069	4,962,166	3,962,022	3,435,440	3,182,505	2,494,260
Cumulative redeemable preference shares	-	-	(95,000)	(139,806)	(325,000)	(490,000)	(763,311)	(685,486)	(657,519)	(420,022)
Interest bearing borrowings	(3,554,397)	(3,447,251)	(2,911,170)	(2,588,715)	(762,989)	(561,704)	(716,766)	(536,682)	(487,891)	(162,293)
Amounts due to related parties	(10,913)	(66,285)	(4,103)	-	-	-	-	-	-	-
Other liabilities	(113,088)	(84,526)	(79,557)	(80,363)	(76,085)	(289,238)	(46,417)	(59,557)	(53,700)	(163,736)
Total liabilities	(3,678,398)	(3,598,062)	(3,089,830)	(2,808,884)	(1,164,074)	(1,340,942)	(1,526,494)	(1,281,725)	(1,199,110)	(746,051)
Net assets	6,233,385	8,477,240	5,273,070	4,556,281	4,162,995	3,621,224	2,435,528	2,153,715	1,983,395	1,748,208
Financed by										
Stated capital	2,906,472	2,906,472	2,906,472	2,906,472	2,906,472	2,906,472	1,706,472	1,370,270	1,357,300	1,093,040
Revaluation reserve	9,101	9,101	9,101	9,112	9,112	8,301	8,301	-	-	-
Available for sale reserve	-	-	-	-	-	-	-	113,879	117,450	85,422
Translation reserve	2,671,520	3,446,932	722,612	469,524	269,076	55,727	81,756	75,400	10,930	-
Retained earnings	490,123	1,878,891	1,427,254	997,828	814,238	502,791	472,030	322,161	283,405	185,708
Total equity attributable to equity holders of the company	6,077,216	8,241,396	5,065,439	4,382,936	3,998,898	3,473,291	2,268,559	1,881,710	1,769,085	1,364,170
Non controlling interest	156,169	235,844	207,631	173,345	164,097	147,933	166,969	272,005	214,310	384,038
Total equity	6,233,385	8,477,240	5,273,070	4,556,281	4,162,995	3,621,224	2,435,528	2,153,715	1,983,395	1,748,208
Performance Indicators										
Return on equity ratio (%)	(3.67)	9.88	13.40	8.94	13.81	13.90	20.77	16.21	16.65	16.03
Return on total assets ratio (%)	(2.90)	7.09	8.76	6.60	10.81	9.85	12.57	10.79	12.41	8.09
Interest cover ratio	0.75	4.14	3.96	2.59	5.59	3.61	4.32	5.22	7.55	3.65
Total debt to equity ratio (%)	57.02	40.66	57.01	59.88	26.13	29.04	60.77	56.75	57.75	33.31
P/E ratio	(14.85)	7.53	8.92	6.53	8.91	12.22	-	-	-	-
Price to book value ratio	0.64	0.60	1.12	0.56	1.15	1.66	-	-	-	-
Net assets per share (LKR)	10.44	14.15	8.70	7.53	6.87	5.97	4.91	4.48	4.29	21.59
Earnings per share (LKR)	(0.45)	1.13	1.09	0.64	0.89	0.81	0.95	0.71	0.67	0.53
Dividend per share (LKR)	-	-	0.35	0.35	0.65	0.64	0.60	0.55	0.35	1.95
Dividend yield (%)	-	-	3.61	8.33	8.23	6.46	-	-	-	-
Market price per share (LKR)	6.70	8.50	9.70	4.20	7.90	9.90	-	-	-	-
Portfolio size (LKR Mn)	4,789	4,789	4,618	4,419	2,598	2,466	2,326	2,123	2,011	1,842

INFORMATION TO SHAREHOLDERS

1. Stock Exchange Listing

The issued ordinary shares of LVL Energy Fund PLC are listed on the Colombo Stock Exchange.

2. Shares held by the Public

The percentage of shares held by the public is 30.61% as at 31 March 2023.

3. Distribution of Shareholding as at 31 March 2023

No. of Shares Held	No of Shareholders	No of Shareholders %	Total Holdings	Total Holdings %
1 - 1,000	585	39.85	203,890	0.04
1,001 - 10,000	417	28.41	1,979,041	0.34
10,001 - 100,000	275	18.73	11,980,698	2.06
100,001 - 1,000,000	159	10.83	54,757,046	9.40
Over 1,000,000	32	2.18	513,357,442	88.16
Total	1,468	100.00	582,278,117	100.00

	No of Shareholders	No of Shareholders %	Total Holdings	Total Holdings %
Individual	1,412	96.19	50,621,414	8.69
Institutional	56	3.81	531,656,703	91.31
Total	1,468	100.00	582,278,117	100.00
Resident	1,440	98.09	573,401,901	98.48
Non-Resident	28	1.91	8,876,216	1.52
Total	1,468	100.00	582,278,117	100.00

INFORMATION TO SHAREHOLDERS

4. Twenty Largest Shareholders as at 31 March 2023

	No. of Shares	% of Issued Capital
Lanka Ventures PLC	331,885,609	57.00
Mr Mohandas Ajitha Wijetunga	67,911,668	11.66
Sri Lanka Insurance Corporation Ltd-General Fund	35,500,000	6.10
Phoenix Ventures Private Limited	22,268,600	3.82
People's Leasing & Finance PLC / Mr. L P Hapangama	4,813,353	0.83
Hatton National Bank PLC-Senfin Growth Fund	4,673,096	0.80
Mr Mahal Mathisha Wijetunga	3,746,104	0.64
National Savings Bank	3,597,704	0.62
J B Cocoshell (Pvt) Ltd	2,900,000	0.50
Mr Ranasinghe Gerald Dave Michael	2,765,000	0.47
Merchant Bank Of Sri Lanka & Finance PLC 01	2,500,000	0.43
Mr Konesh Kandiah Tharmalingam	2,425,000	0.42
Mr Damian Amal Cabraal	2,200,000	0.38
Mr Sinniah Sellathurai Sithambaranathan	2,040,510	0.35
Senkadagala Finance PLC	2,037,110	0.35
People's Leasing & Finance PLC / L H L M P Haradasa	1,879,205	0.32
Peoples Bank	1,700,000	0.29
People's Leasing & Finance PLC/ Dr H S D Soysa & Mrs G Soysa	1,693,840	0.29
Mr Colombapatabendige Ranjith Perera	1,555,000	0.27
Mr Hiran Anthony Cabraal	1,500,000	0.26
Total	499,591,799	85.80

5. Share Trading Information

<i>Year to 31 March</i>	2023	2022
Number of Transactions	2,846.00	5,509
Number of Shares Traded	16,369,272.00	66,358,361
Value of Shares Traded (LKR)	120,313,829.10	714,344,300.90
Highest Price (LKR)	9.20	11.90
Lowest Price (LKR)	5.70	7.90
Closing Price (LKR)	6.70	8.50
Market Capitalisation (LKR)	3,901,263,383.90	4,949,363,994.50

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of LVL Energy Fund PLC will be held as a virtual meeting at 2.45 p.m. on 26th September 2023 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 31 March 2023 together with the Report of the Auditors thereon.
- 2) To re-elect Mr. P.G.D.B. Pallewatte 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. A.G.R. Dissanayake 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 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 31 March 2024.
- 5) To authorize the Directors to determine contribution to charities for the ensuing year.

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 2nd Floor, "Sayuru Sevana", No. 46/12, Navam Mawatha, Colombo 02 not less than 48 hours before the meeting.

By order of the Board



Corporate Services (Private) Limited

Secretaries

LVL Energy Fund PLC

31st August 2023

Colombo

FORM OF PROXY

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

Mr. P.G.D.B. Pallewatte	of Colombo or failing him
Mr. M.A. Wijetunge	of Colombo or failing him
Mr. M.R. Abeywardena	of Colombo or failing him
Mr. M.M. Wijetunge	of Colombo or failing him
Mr. J.D.N. Kekulawala	of Colombo or failing him
Mr. K.C.S. Dharmawardana	of Colombo or failing him
Mr. R.A. Dassanayake	of Colombo or failing him
Mr. A.G.R. Dissanayake	of Colombo or failing him
Mr. N.H.T.I. Perera	of Colombo or failing him
Mr. K. Jayawardana	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 2.45 p.m. on the Twenty Sixth (26th) day of September 2023 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 2023 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2)	To re-elect Mr. P.G.D.B. Pallewatte 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. A.G.R. Dissanayake 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 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 31st March 2024.	<input type="checkbox"/>	<input type="checkbox"/>
5)	To authorize the Directors to determine contribution to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day ofTwo Thousand and Twenty Three.

.....
 *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	LVL Energy Fund PLC
Registration Number	PV1966PB/PQ
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 Solar Energy Investments (Private) Limited Solar Energy Investments Pallekele (Private) Limited SEI Mathugama (Private) Limited SEI Maho (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 Feni Lanka Power Limited Nividhu (Private) Limited Nividhu Assupiniella (Private) Limited Bambarapana Hydro Power (Private) Limited LTL Energy (Private) Limited Makari Gad Hydro Power (Private) Limited Parambe Hydro (Private) Limited
Registered Office	2 nd Floor, "Sayuru Sevana", No. 46/12, Navam Mawatha, Colombo 02 Telephone : +94 11 2 439201 Facsimile : +94 11 2 439203 E-Mail : contact@lvenergyfund.lk
Directors	Mr. P.G.D.B. Pallewatte Mr. N.H.T.I. Perera Mr. M.A. Wijetunge Mr. M.R. Abeywardena Mr. M.M. Wijetunge Mr. J.D.N. Kekulawala Mr. K.C.S. Dharmawardana Mr. R.A. Dassanayake Mr. A.G.R. Dissanayake Mr. W.P.K. Jayawardana (appointed w.e.f. 27th January 2023) Mr. A.R. Munasinghe (resigned w.e.f. 24th September 2022)
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 No. 10, Sri Uttarananda Mawatha, Colombo 03 DFCC Bank PLC City Office, No. 73/5, Galle Road, Colombo 03 Sampath Bank PLC 110, Sir James Pieris Mawatha, Colombo 02 National Development Bank PLC 40, Nawam Mawatha, Colombo 02
Lawyers	F J & G De Saram Corporate Law Office, No. 216, De Saram Place, Colombo 10



LVL ENERGY FUND PLC
Registered Office

2nd Floor, "Sayuru Sevana", No. 46/12, Navam Mawatha, Colombo 02
Telephone : +94 11 2 439201 Facsimile : +94 11 2 439203
E-Mail : lv@sltnet.lk