



LVL ENERGY FUND LIMITED



PROSPECTUS

INITIAL PUBLIC OFFERING OF 120 MILLION
ORDINARY SHARES AT LKR 10 PER SHARE

Financial Advisor and Manager to the Offer

 **ACUITY**[®]

A joint venture of DFCC Bank and HSBC

INVITATION TO INVEST IN THE INITIAL PUBLIC OFFERING OF
LVL ENERGY FUND LIMITED
THROUGH AN OFFER FOR SUBSCRIPTION OF
ONE HUNDRED AND TWENTY MILLION (120,000,000)
NEW ORDINARY VOTING SHARES AT LKR 10.00 PER SHARE

All resident Applicants should indicate in the Application for Shares, their NIC number or the company registration number as the case may be, the passport number may be indicated only if the Applicant does not have an NIC number.

As per the Directive of the Securities and Exchange Commission made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the Central Depository System (Private) Limited (CDS) dated November 30, 2010, all Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, in order to facilitate the uploading of allotted Shares to their CDS account.

Please note that upon the allotment of Shares under this Offer, the allotted Shares would be credited to the Applicant's CDS account so indicated. Please note that SHARE CERTIFICATES SHALL NOT BE ISSUED.

Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of closure of the subscription list or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any member/trading member of the Colombo Stock Exchange (CSE) as set out in Annexure F or through any Custodian Banks as set out in Annexure G of this Prospectus.

Related Party Transactions

We hereby declare that DFCC Bank PLC, who acts as one of the Underwriters and Bankers to the Offer and Acuity Partners Private Limited who acts as the Financial Advisor and Manager to the Offer and LVL Energy Fund Limited are related parties and have common Directors on each of the said entities' Boards. Nevertheless, there is no conflict of interest arising between the said parties as all transactions are carried out at arm's length.

This Prospectus is dated 27 November 2017

The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. If there are any material changes in the affairs of the Company from the date of this Prospectus, till the Company's Shares are listed; such material changes will be duly disclosed.

If you are in doubt regarding the contents of this document or if you require any advice in this regard, you should consult your stockbroker, bank manager, lawyer or any other professional advisor.

The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in the Prospectus. Moreover, the CSE does not regulate the pricing of the shares, which is decided solely by the Company/Issuer.

This Prospectus has been prepared from information provided by LVL Energy Fund Limited (hereinafter referred to as 'LEF' or 'Company') and its Directors and/or from publicly available sources. The Company and its Directors having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading.

Where representations regarding the future performance of the Company have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in their best judgment.

The Company accepts responsibility for the information contained in this Prospectus. While the Company has taken reasonable care to ensure full and fair disclosure of information, prospective investors are advised to carefully read this Prospectus and rely on their own examination and assessment of the Company including the risks involved prior to making any investment decision.

No person is authorized to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorized by the Company.

REGISTRATION OF THE PROSPECTUS

A copy of this Prospectus has been delivered to the Registrar General of Companies of Sri Lanka for registration in accordance with the provisions contained in the Companies Act No. 07 of 2007.

The following documents were attached to the copy of the Prospectus delivered to the Registrar General of Companies.

- **The written consent of the Financial Advisor & Manager to the Offer**

The Financial Advisor & Manager to the Offer have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as the Financial Advisor & Manager to the Offer and for the inclusion of their statements/declarations in the form in which it is included in the Prospectus.

- **The written consent of the Registrars to the Offer and Company Secretary**

The Registrars to the Offer and Company Secretary have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Registrars to the Offer and Company Secretary in the Prospectus.

- **The written consent of the Auditors & Reporting Accountants to the Company and to the Offer**

The Auditors & Reporting Accountants to the Company have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Auditors & Reporting Accountants to the Company and for the inclusion of their report/statements in the form and context in which it is included in the Prospectus.

- **The written consent of the Lawyers to the Offer**

The Lawyers to the Offer have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Lawyers to the Offer in the Prospectus.

- **The written consent of the Bankers to the Offer**

The Bankers to the Offer have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their names as Bankers to the Offer in the Prospectus.

- **The written consent of the Independent Valuer to the Offer**

The Independent Valuer to the Offer has given and has not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their names as Independent Valuer to the Offer in the Prospectus.

A declaration made by each of the Directors of the Company in terms of the Companies Act No. 07 of 2007 confirming that each of them have read the provisions of the Companies Act No. 07 of 2007 and the CSE Listing Rules relating to the issue of the Prospectus and that those provisions have been complied with.

This Prospectus has not been registered with any authority outside Sri Lanka. Non-resident investors may be affected by the laws of the jurisdictions of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making their investment.

Representation

No Person is authorized to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorized by the Company.

Forward Looking Statements

Any statements included in this Prospectus that are not statements of historical fact constitute 'Forward Looking Statements'. These can be identified by the use of forward looking terms such as 'expect', 'anticipate', 'intend', 'may', 'plan to', 'believe', 'could' and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see 'Investment Considerations and Associated Risk Factors' in Section 12.0 of this Prospectus.

Presentation of Currency Information and Other Numerical Data

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to 'LKR', 'Rupees', and 'Rs.' are references to the lawful currency of Sri Lanka. Reference to 'USD' is with reference to United States Dollars, the official currency of the United States of America, while reference to 'Taka' is with reference to Bangladeshi Taka, the official currency of Bangladesh. Certain numerical figures in the Prospectus have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Presentation of Macroeconomic and Industry Data

Economic and industry data used throughout this Prospectus are derived from various other industry data sources, which the Company believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither the Company nor the Manager to the Offer makes any representation as to the accuracy of that information.

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OFFER AT A GLANCE

Company/Issuer	LVL Energy Fund Limited
Number and Type of Securities to be Offered	120,000,000 New Ordinary Voting Shares of the Company
Share Offer/Issue Price	LKR 10.00 per Share
Amount to be Raised	LKR 1,200,000,000.00
Minimum Subscription per Application	<p>Minimum subscription per Application is 100 New Shares (LKR 1,000/-). Applications exceeding the minimum subscription should be in multiples of 100 New Shares.</p> <p>The minimum subscription of 100 Shares will be allocated to each Applicant.</p>
Offer Opening Date	14 December 2017
Offer Closure Date	4 January 2018 or such earlier date on which the Offer of 120,000,000 New Shares are oversubscribed. Refer Section 3.10 of this Prospectus for further details on the Offer Closure Date.
Basis of Allotment	As described in Section 3.6 of this Prospectus
CSE Listing	To be listed on the Main Board of the CSE subject to compliance with the minimum Public Holding requirement set out in SEC Directive Ref: SEC/LEG/16/11/13 which stipulates that minimum 20% of shares for which a listing is sought should be in the hands of a minimum number of 500 public shareholders. In the event where such requirement is not met, the Company would seek a listing on the Diri Savi Board of the CSE, subject to meeting minimum public holding requirement set out in SEC Directive Ref: SEC/LEG/16/11/13 which stipulates that minimum 10% of shares for which a listing is sought should be in the hands of minimum number of 200 public shareholders.

DEFINITIONS/INTERPRETATIONS

The following definitions/interpretations apply throughout this Prospectus, unless the context otherwise requires:

Applicant/s	Any investor who submits an Application Form under this Prospectus
Application Form, Application	The Application Form that constitutes part of this Prospectus through which the investors may apply for the New Shares
Articles of Association	Articles of Association of LVL Energy Fund Limited
Auditors and Reporting Accountants to the Company and the Offer	KPMG
AWPLR	Last quoted Average Weighted Prime Lending Rate published by the Central Bank of Sri Lanka
Bn	Billion
BPDB	Bangladesh Power Development Board
bps	Basis Points
c.	Circa
CAGR	Cumulative Annual Growth Rate
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Private) Limited
CEB	Ceylon Electricity Board
Companies Act	Companies Act No. 07 of 2007
CSE	Colombo Stock Exchange
Directors	The Directors for the time being of the Company, unless otherwise stated
DFCC	DFCC Bank PLC
EPS	Earnings Per Share
Foreign Investor	<ul style="list-style-type: none"> ▪ Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age; ▪ Corporate bodies incorporated or established outside Sri Lanka; ▪ Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); ▪ Regional and country funds approved by the SEC Please refer Section 7.1 for further information.
FYE	Financial Year Ending
FY	Financial Year
GDP	Gross Domestic Product

IPO	Initial Public Offering
Issue, Offer	An invitation to the public by the Company to subscribe to the Offered Shares to be issued via an offer for subscription as detailed in this Prospectus
Issuer	LVL Energy Fund Limited
LOI	Letter of Intent
LVL	Lanka Ventures PLC
LKR, Rs., Rupees	Sri Lanka Rupees
Local Time	Sri Lanka Time
Market Day	Any day on which the CSE is open for trading
Mn	Million
NAV	Net Asset Value
NBT	Nation Building Tax
NEA	Nepal Electricity Authority
New Shares, Offered Shares	One Hundred and Twenty Million (120,000,000) new Ordinary Voting Shares to be issued by the Company to the public at the Share Offer Price
NIC	National Identity Card
NPR	Nepal Rupees
Offer Closing/Closure Date	The date of closure of the subscription list as set out in Section 3.10 of this Prospectus
Offer Opening Date	The date of opening of the subscription list as set out in Section 3.10 of this Prospectus
Ordinary Shares, Shares, Issued and Paid up Ordinary Shares	Ordinary shares of the Company, with the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in dividends paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in liquidation.
P/E	Price Earnings Ratio
POA	Power of Attorney
PPA	Power Purchase Agreement
Prospectus	This Prospectus dated 27 November 2017 issued by the Company
Retail Individual Investor	Local and foreign investor/s who apply for up to a maximum of 10,000 Shares (including 10,000 Shares with value of not more than LKR 100,000.00).
ROE	Return on Equity

SEC	The Securities and Exchange Commission of Sri Lanka
Share Offer Price, Share Issue Price	The price at which the New Shares will be offered to the Public, as detailed in this Prospectus. Share Offer price of LKR 10.00 per Ordinary Voting Share
SLAS, SLFRS, LKAS	Sri Lanka Accounting Standards
Stated Capital	The Stated Capital of LVL Energy Fund Limited
SPPA	Standardized Power Purchase Agreement
The Board, The Board of Directors	The Board of Directors of LVL Energy Fund Limited
VAT	Value Added Tax
WHT	Withholding Tax
YTD	Year to Date
YoY	Year on Year

1.0 CORPORATE INFORMATION

The Company/Issuer	LVL Energy Fund Limited
Registered Office	Ocean Lines Building No: 46/12, Nawam Mawatha Colombo 02, Sri Lanka Tel: +94 11 243 9201
Date, Place and Authority of Incorporation	Incorporated under the Companies Act No. 17 of 1982 on 26 June 2006 and Re-registered under the Companies Act No.07 of 2007 on 17 January 2008 in Colombo, Sri Lanka
Company Registration Number (as a Public Company)	PV 1966 PB
Company Secretary	Corporate Services (Private) Limited No: 216, de Saram Place, Colombo 10, Sri Lanka Tel: +94 11 4605180 Fax: +94 11 4718220
Auditors to the Company	KPMG (Chartered Accountants) No: 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03, Sri Lanka Tel : +94 11 5426426 E-mail: kpmgsl@kpmg.com
Board of Directors	Mr. L. H. A. L. Silva - Non-Executive Chairman
	Mr. A. J. Alles – Non-Executive Director
	Mr. S. E. De Silva – Non-Executive Independent Director
	Mr. T. W. De Silva - Non-Executive Director
	Mr. A. R. Munasinghe – Non-Executive Independent Director
	Mr. M. R. Abeywardena - Non-Executive Director
	Mr. M. A. Wijetunge - Non-Executive Director
	Mr. D. S. Arangala – Chief Executive Officer/Executive Director

2.0 RELEVANT PARTIES TO THE OFFER

Financial Advisor and Manager to the Offer	Acuity Partners (Private) Limited No: 53, Dharmapala Mawatha Colombo 03, Sri Lanka Tel: +94 11 2206206 Fax: +94 11 2437149
Lawyers to the Offer	Messrs. F J & G De Saram (Attorneys-at-Law) No: 216, De Saram Place Colombo 10, Sri Lanka Tel: +94 11 4718200 Fax: +94 11 4718220
Auditors and Reporting Accountants to the Offer	KPMG (Chartered Accountants) No: 32A, Sir Mohamed Macan Markar Mawatha, Colombo 10, Sri Lanka Tel: +94 11 5426426
Registrars to the Offer	Corporate Services (Private) Limited No: 216, de Saram Place, Colombo 10, Sri Lanka Tel: +94 11 4605180 Fax: +94 11 4718220
Bankers to the Offer	DFCC Bank PLC No: 73/5, Galle Road Colombo 03, Sri Lanka Tel: +94 11 2442442 Fax: +94 11 2440376
Independent Valuer to the Offer	Capital Alliance Partners Limited Level 5, Millennium House No: 46/58, Nawam Mawatha Colombo 02, Sri Lanka Tel: +94 11 23177777 Fax: +94 11 23177788

3.0 DETAILS OF THE OFFER

3.1 Objectives of the Offer

The proceeds of the IPO will be utilized for the following purposes.

TABLE 3.1– OBJECTIVES OF THE OFFER

Objectives	Amount (LKR Mn)	Timeline	Current Holding %	Proposed Holding %	Whether Investment/ utilization is in RPT or not
1 Settlement of bridge finance loan of DFCC Bank PLC in terms of loan agreement dated 6 April 2016	300.00	31 Dec 2017	N/A	N/A	Yes
2 Settlement of short term loan borrowed for the purpose of redeeming the preference shares issued to DFCC Bank PLC. Refer subsection “Description on the redemption of preference shares issued to DFCC Bank PLC” for more details of the said loan.	180.00	30 Sept 2017	N/A	N/A	Yes
3 Equity investment in following hydro power projects					
<u>Bambarapana Hydro Power Project**</u>					
Settlement of LKR 140 Mn short term bridge loan obtained from DFCC Bank PLC for the purpose of equity Investment in Bambarapana Hydro Power (Private) Limited. Refer Subsection “I. Bambarapana Mini Hydro Power Project” for more details of the project and the said loan.	140.00	Nov 2017	Nil	40%	No
<u>Pupulaketiya Hydro Power Project**</u>					
Equity Investment in Pupulaketiya Hydro Power (Private) Limited	115.00	Apr 2018 to Oct 2019	100%	90%	No
<u>Makari Gad Hydro Power Project** (Nepal) *</u>					
Equity Investment in LTL Energy (Private) Limited	465.00	Sept 2017 to Jun 2019	Nil	45%	No
Total	1,200.00				

* Makari Gad Hydro Power project will be undertaken by Makari Gad Hydropower Private Limited, a company incorporated in Nepal. LEF’s equity investment in the project will be channelled through LTL Energy (Private) Limited, a company incorporated in Sri Lanka in which LEF will have a Rupee investment equivalent to USD 3 Million which will represent approximately 45% shareholding in the company.

** In Power and Energy industry, projects are identified by the project name than the company name. The CEB assigns names for each project and there will not be two projects carrying the same name.

Important Note

Kindly note, if there are any changes to the circumstances due to risk factors highlighted in Section 3.1, the Company may use the funds appropriately subject to obtaining prior approval from shareholders as highlighted in Section 3.1.

The listing through the IPO would also facilitate LEF to broad-base ownership of the Company as per the 'Public Holding' (as per the SEC Directive dated 17th November 2016 (SEC/LEG/16/11/13)) which would strengthen its identity through increased visibility and brand image.

Description on settlement of bridge finance loan of DFCC Bank PLC

The bridge finance loan of DFCC Bank PLC was obtained on the following dates as shown in Table 3.2, for the purpose of supporting project investment activities of the Company. In terms of the Loan Agreement dated 6 April 2016 between LEF and DFCC Bank PLC, the loan is repayable in bullet payment on or before 29 December 2017. This proposed transaction was reviewed by Related Party Transactions Review Committee and approved by the Board. Accordingly, LEF intends to settle the loan in full by 29 December 2017 out of the IPO proceeds.

Out of the total bridge finance loan amount, LKR 179 Mn was obtained to fund the working capital requirements of project development activities relating to Campion Hydro (Private) Limited. The balance bridge finance loan amount LKR 121 Mn was obtained for the purpose of increasing LEF's shareholding in Nividhu (Private) Limited and Unit Energy Lanka (Private) Limited as set out in Section 4.1.

TABLE 3.2— BRIDGE FINANCE LOAN DETAILS

Loan Obtained Date	Amount (Rs. Mn)
16 June 2016	25.00
29 June 2016	25.00
28 September 2016	150.00
30 December 2016	100.00
Total	300.00

Description on the redemption of preference shares issued to DFCC Bank PLC

As shown in Table 3.3, LEF issued the said preference shares to DFCC Bank PLC at a price of LKR 10.00 per share on the following dates.

TABLE 3.3— PREFERENCE SHARES DETAILS

Date of Issuance	Number of Shares	Amount (LKR Mn)
31 December 2012	30,000,000	300.00
12 February 2014	15,000,000	150.00
30 September 2014	6,000,000	60.00
03 November 2014	7,500,000	75.00
02 March 2015	7,500,000	75.00
22 September 2015	8,000,000	80.00
18 December 2015	10,000,000	100.00
26 February 2016	3,000,000	30.00
31 May 2016	9,000,000	90.00
Total	96,000,000	960.00

The 18 Mn preference shares identified to be redeemed out of IPO proceeds are part of two preference share issues with DFCC, aggregating to 66 Mn preference shares issued for a total consideration of LKR 660 Mn. In addition to this, LEF has issued 30 Mn preference shares for a total consideration of LKR 300 Mn to DFCC of which, no part will be redeemed out of IPO proceeds.

The balance outstanding as at 31 March 2017 of the said 30 Mn preference shares was 22.5 Mn. Accordingly, from and out of the total 96 Mn preference shares issued by the Company to DFCC, 55.5 Mn preference shares have been redeemed and the balance outstanding as at 31 March 2017 was 40.5 Mn amounting to a total outstanding value of LKR 405 Mn. DFCC Bank PLC is the only preference shareholder. The said preference shares were issued under following terms;

Nature of the Preference shares;

- Non-voting cumulative redeemable preference shares
- Dividend at the rate of AWPLR+0.5% with no sharing of surplus assets of the Company upon liquidation or return of capital.

Since the redemption of 18 Mn preference shares amounting to LKR 180 Mn on 30 September 2017 preceded the IPO, the Company obtained a loan from the DFCC Bank PLC to meet this requirement which will be settled out of IPO proceeds.

Description of the projects referred in the objectives of the Issue

LVL Energy Fund Limited was formed for the purpose of consolidating all of Lanka Ventures PLC's investments in the energy sector in year 2006. The management of LEF has not been changed since then and their experience in relation to the power projects is over 10 years period.

It is required to undertake power projects under special purpose vehicles for each project. Accordingly, each project will be undertaken by separate project company. LEF will invest in each such project company along with a project partner. The project companies have not commenced operation as yet; hence financial statements are not available. Each project will be undertaken by a separate project company. LEF will invest in such project company along with a project partner. Ownership details of the projects to be financed under the objectives of the issue are given in Table 3.4 below.

In terms of CSE Listing Rule 3.1.2 (d), brief descriptions of the businesses that LEF intends to invest in are provided below. Further, the requirement to address the future prospects and the opinion of experts on the valuations of such investments have been taken into account in the Independent Valuation Report when arriving at the IPO share price (Please refer Sections 02, 03 and 04 of Annexure E for further details).

I. Bambarapana Mini Hydro Power Project

The project is constructed across Uma Oya in Bambarapana in Badulla district. The PPA for a period of 20 years has been signed with the CEB. The catchment area is about 180.5 km² with an average annual rainfall of 1,709 mm and an average daily flow of 4.3 m³/s. The project has a design flow of 6.5 m³/s with a gross head of 46 m.

The installed capacity is 2.5 MW and the expected energy generation is 8.7 GWh per annum. Accordingly, the plant factor works out to 40%. It will comprise two Francis type turbines of 1.7 MW and 0.8 MW each. The project is expected to be commissioned in November 2017. The cost of the Bambarapana project is LKR 850 Mn, funded through LKR 350 Mn equity and LKR 500 Mn debt. Of the total funds raised through the IPO, LKR 140 Mn will be invested as LEF's equity investment in the Bambarapana Project, which represents 40% shareholding.

However, in view of the urgent requirement for equity funding, on 30 June 2017 LEF made the equity investment of LKR 140 Mn in Bambarapana by obtaining a bridge finance loan of LKR 140 Mn from DFCC

Bank PLC on the basis that the loan will be settled out of IPO proceeds. The investment will be utilized for construction and purchase of fixed assets.

Land Particulars of the Project - Out of the 11 A 2 R 14 P state land required for the project 9 A 1 R 14 P has been obtained on a 25 year lease at the rate of LKR 440,000/- per year for the first 5 years and the remaining 2 A 0 R 40 P on annual permit.

II. Pupilaketiya Mini Hydro Power Project

The project will be set up across Hulanda Oya in Kollone in Ratnapura district. The PPA for a period of 20 years has been signed with the CEB. The catchment area is about 5 km² with an average annual rainfall of 3,320 mm and an average daily flow of 0.32 m³/s. The project has a design flow of 0.65 m³/s with a gross head of 293 m. Construction of the project is expected to commence in FY 2017/18.

The installed capacity is 1.4 MW and the expected energy generation is 4.29 GWh per annum. Accordingly the plant factor works out to 35%. It will comprise two Pelton type turbines of 0.7 MW each. The project is expected to be commissioned in October 2019. The cost of the Pupilaketiya project is LKR 375 Mn, funded through LKR 150 Mn equity and LKR 225 Mn debt. The Company's investment will be utilized for construction and acquisition of fixed assets.

Land Particulars of the Project - 2 A 3 R 15 P state land that is required for the project will be obtained on long-term lease or annual permit as the case may be. The process of securing land is currently underway along with the renewal of CEA approval as mentioned under the footnote to the table below. Compensation has been paid to users of land and necessary documentation has been handed over to Kolonne Divisional Secretary for processing. Based on past experience of the Management, the Company does not foresee a situation of it not being able to secure land, as the Divisional Secretary by letter dated 15 October 2014 has granted permission to the company to clear the land that comes under its purview; (i) with the consent of users and (ii) without felling large trees.

Details of Approvals Required for Projects in Sri Lanka

Approving Authority	Status	
	Pupilaketiya	Bambarapana
Central Environmental Authority (CEA)	Obtained *	Obtained
Forest Department	Obtained	Obtained
Public Utilities Commission of Sri Lanka – Generation License	Obtained	Obtained
Ceylon Electricity Board (CEB) – SPPA	Obtained **	Obtained
Sustainable Energy Authority (SEA) – Energy Permit	Obtained	Obtained
National Water Supply and Drainage Board	Obtained	Obtained
Department of Archaeology	N/A	Obtained
Irrigation Department	Obtained	Obtained
Agrarian Department	Obtained	Obtained
PradeshiaSabha	Obtained	Obtained
Divisional Secretary	Obtained	Obtained

**Lapsed on 14 October 2016 (validity of approval is 36 months). By letter dated 23rd December 2016 the Company has sought renewal of approval.*

***Lapsed on 19 August 2016 (validity of approval is 24 months). The Company will seek activation of the SPPA after renewing approval from CEA*

In terms of the PPAs, companies are given a time period of 23 months and an additional 1 month to construct and commence commercial operation. Not meeting this timeline is a cause for termination of the PPAs.

III. Makari Gad Hydro Power Project - Nepal

The project will be set up across Makari Gad in Darchula district of the far western development region of Nepal. Installed capacity of the project will be 10 MW. The PPA covering a period of 30 years has been signed with the Nepal Electricity Authority. Expected annual energy generation is 69.8 GWh, with 53.2 GWh during the wet period and 16.6 GWh during the dry period. Accordingly, the plant factor works out to 80%. Gross head of the project is 924 m and the design flow is 1.35 m³/s.

The cost of the Makari Gad project is USD 22.50 Mn, funded through USD 6.75 Mn equity and USD 15.75 Mn debt. Of the total funds raised through the IPO, LKR 465 Mn will be utilized for construction and acquisition of fixed assets pertaining to the Makari Gad project. The land required for the project mainly consists of state land. Identification, surveying and securing of land is currently underway. Construction of access road to the project site has already commenced in September 2017. Project construction will begin in March 2018, after financial closure. The project is expected to be commissioned in June 2019.

Details of Approvals Required for Makari Gad Project in Nepal

Approving Authority	Status
Ministry of Environment - EIA Approval	Obtained
Nepal Electricity Authority – PPA	Obtained
Department of Electricity Development - Generation License	Obtained
Department of Electricity Development - Survey License for transmission line	Obtained

TABLE 3.4– PROJECT COMPANY AND PROJECT PARTNER DETAILS

Description	Pupulaketiya*	Bambarapana*	Makari Gad*
Project Company	Pupulaketiya Hydro Power (Private) Limited	Bambarapana Hydro Power (Private) Limited	Makari Gad Hydropower (Private) Limited
Pre-implementation LEF % Holding	100%**	NIL	NIL
Post-Implementation LEF % Holding	90%**	40%	45%
Project Partner and % holding	Pacific Hydro Electric SL (Private) Limited 10%	LTL Projects (Private) Limited 60%	LTL Holdings (Private) Limited 55%
Date and Authority of Incorporation	24 Sept 2009 Registrar of Companies, Sri Lanka	2 Feb 2010 Registrar of Companies, Sri Lanka	4 Feb 2014 Registrar of Companies, Nepal
Price at which Shares will be issued	Rs. 10.00	Rs. 10.00	NPR. 100.00 which is the par value of shares
Board of Directors	-D. S.Arangala -K. Maheshwaran	-U. C. T. Warnakulasuriya -H. D.Chaminda -K. P. M. Fernando -M. M. Cassim	-D. A. J. Nanayakkara -S. Ganegoda -K. C. Thakur
Principle Business	Carry on the business of generation, distribution, sales, marketing or application in whatsoever method or form of energy or electricity using hydro resources.		
No. of Shares Issued	90,000 shares	18,550,000 shares	468,389 shares

**In respect of the above mentioned projects, PPAs' have been signed after obtaining all the necessary approvals.*

***LEF's holding in Pupuleketiya project reduces to 90%, as a result of Pacific Hydro Electric SL (Pvt) Ltd's equity infusion at the latter stages of the project which is equivalent to 10% shareholding.*

Specific risks associated with the Objectives of the Offer

- a. **Cost overruns and timely execution of the planned projects** – In future, the estimated raw material prices for the project constructions could rise to unexpected levels which would lead to cost overruns and time delays for implementation of the new projects. The new projects can also encounter time delays in the event of any natural perils such as floods and landslides. The prices and supply of these raw materials are beyond the control of sector participants and depends on local and global economic conditions. In the event of cost over-runs in excess of higher tariffs, the Company plans to resort to internally generated funds and/or bank borrowings. The signed SPPA for the said projects indicate a specific timeline to complete and to begin commercial operations of the projects. Hence, timely achievement of the objectives will not be adversely impacted.
- b. **Risk of not being able to obtain the state land required for the Pupuleketiya project**- In terms of securing land for the proposed Pupuleketiya project, based on past experience of the Management, the Company does not foresee a situation where it will not be able to secure lands that are required for the said project. It is not unusual to encounter procedural delays in completing this process. Having regard to this, the Divisional Secretary of the area where the project is being set up, has given permission to construct the project pending completion of the formalities relating to land acquisition. Hence, risk of not being able to secure lands identified for this particular project is minimized.
- c. **Risk of not being able to renew the lapsed CEA approval and reactivate the PPA** - Pupuleketiya projects' Central Environmental Authority (CEA) approval and the Standardized Power Purchase Agreement signed with CEB have lapsed. Procedural delays in renewing CEA approval and reactivation of PPA are common in this sector. Based on past experience, the Company expects renewal of CEA approval by 31 December 2017 and reactivation of the PPA within 3 months thereafter. Since the project has already obtained CEA approval and PPA has already been signed, it is unlikely that CEA approval will not be renewed or PPA will not be reactivated. The Company does not envisage commencing construction of the project until CEA approval is renewed and accordingly project is expected to commence commercial operation in October 2019. The Company is confident that it will meet fresh timelines stipulated in renewed CEA approval and reactivated PPA as it plans to commence commercial operation in October 2019. CEA and CEB are unlikely to impose limitations on the renewed approvals or on the features or timeline of the project.
- d. The Related Party Transaction Review Committee (RTP) of LEF has discussed in detail, at the meeting held on 29 November 2016, regarding the related party transactions stemming from objectives of the IPO and recommended to the Board to settle the Rs. 300 Mn bridge finance loan obtained from DFCC Bank PLC and also recommended to redeem the Rs. 180 Mn cumulative redeemable preference shares of DFCC Bank PLC out of the proceeds of the IPO. Thus, non-achievement of the said objectives is eliminated.

In the event the funds are not utilized for the proposed objectives (for reasons beyond the control of the Company) and utilized for such other purpose, such utilization for other purposes shall be done only after the Company makes an initial announcement to the market, and after the receipt of shareholder approval on the objective deviation by means of an Extraordinary General Meeting (EGM) and receipt of other relevant regulatory approvals. CSE will be notified of the outcome of the EGM.

The Company will begin utilizing IPO proceeds from FY 2017/18 onwards depending on the progress of construction of each project. The funds would be invested in Treasury Bills, Repurchase Agreements and Fixed Deposits in commercial banks at current market rates (interest rates vary between 9.30% p.a. - 11.00% p.a. depending on the tenure and the type of investment) during the interim period until utilization.

LEF undertakes to disclose the progress of the utilization of proceeds in all of their future interim and annual financial statements, until funds are fully utilized for the respective objectives stated in the Prospectus in the format presented below.

Continuous Disclosure regarding status of utilization of funds raised via IPO

IPO Proceeds utilization as at dd-mm-yyyy

Objective number	Objective as per Prospectus	Amount allocated as per prospectus in LKR	Proposed date of Utilization as per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g.: whether lent to related party/s etc.)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

In the event the proceeds raised are fully utilized in terms of the objectives disclosed in the prospectus prior to submission of the Company's next immediate financial statements (i.e. either interim financial statements or annual report), the Company to disclose the fact that proceeds have been utilized in its entirety as per the above template.

3.2 The Offer

The Offer contemplated herein shall constitute an invitation made to the general public to purchase One Hundred and Twenty Million (120,000,000) New Ordinary Voting Shares of the Company at the Share Offer Price of Sri Lanka Rupees Ten (LKR 10.00) per Ordinary Voting Share.

3.3 Nature of the New Shares

The Offered Shares shall, upon allotment, rank equal and pari passu in all respects with the other existing Ordinary Voting Shares of the Company and such Shares shall confer on the holder thereof the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in any dividend that may be paid by the Company after the allotment of the Offered Shares and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

3.4 Size of the Offer

If fully subscribed, the Offer would raise Sri Lankan Rupees One Billion and Two Hundred Million (LKR 1,200,000,000.00).

3.5 Share Offer Price

The Share Offer Price for the Ordinary Voting Shares will be Sri Lankan Rupees Ten (LKR 10.00) per Share. The Board of Directors of LEF is of the opinion that the Share Offer Price is fair and reasonable to the Company and to all existing shareholders of the Company.

Basis for Offer Price

The Share Offer Price was determined by the Company in consultation with the Independent Valuers to the Offer and the Financial Advisor and Manager to the Offer in accordance with the independent valuation report compiled by the Independent Valuer to the Offer. A copy of the independent valuation report is enclosed as Annexure E of this Prospectus. The Company has also considered the qualitative factors such as Business Operations of LVL Energy Fund Limited provided in Section 4.0 of this Prospectus, when arriving at the Offer Price.

In compliance with CSE Listing Rule 3.1.4 (c), the Valuer declared that that the Valuer is neither a related party of the applicant entity as defined in Sri Lanka Accounting Standards nor has a significant interest or financial connection with the applicant entity and/or the group; the Valuer is a member of good standing in a professional association relevant to the valuation assignment undertaken and has the necessary skills and resources available at his disposal to arrive at a competent independent opinion in determining the IPO Price and the Valuer has made all the inquiries that he believes are desirable and appropriate in order to arrive at a competent independent opinion. Further, the qualifications and experience of the Independent Valuer can be found in Section 08 of Annexure E.

The net asset value of the ordinary voting share excluding minority interest was LKR 4.90 as at 31 March 2017, and the Share Offer Price is 2.04 times the Net Asset Value.

The investors should read the following summary with the risk factors included under Section 12 of this Prospectus and the details of the Company and its financial statements included in this Prospectus. Summary of Share price valuations derived from the Independent Valuer's Report (IVR) is given below;

Valuation Method	Source	Value (LKR)	(Discount)/Premium to IPO Price
Net Assets Value per share	Prospectus	5.21	92.3%*
SOTP Value (Lower)	IVR	10.60	(5.66%)
SOTP Value (Upper)	IVR	16.62	(39.8%)
PER Valuation	IVR	13.18	(24.1%)

* SOTP Valuation is the best model to grasp the full value of the Company.

With passage of time the Independent Valuer prepared four valuation reports since 07 March 2017 in support of the listing application. As per the reports the lower value had reduced from LKR 11.50 to LKR 10.60 whilst the upper value has increased from LKR 16.50 to LKR 16.62.

3.5.1 Quantitative Factors

The following quantitative aspects were taken into consideration;

Earnings per Share (EPS) and Return on Equity (ROE)

For the Period Ended	Basic Earnings per Share (LKR)*	Diluted Earnings per Share (LKR)*	Return on Equity (%)****
31 March, 2013 - Audited	1.76	1.76	9.58
31 March, 2014 - Audited***	0.53	0.53	14.09
31 March, 2015 - Audited	0.67**	0.67**	14.74
31 March, 2016 – Audited	0.71	0.71	15.72
31 March, 2017 – Audited	0.94	0.94	18.73
Average	0.92	0.92	14.57

*LEF does not have any dilutive instruments in its capital structure; Basic Earnings per Share and Diluted Earnings per Share are given in respect of the Group financial information

**Subsequent to subdivision of shares in the proportion of 1:6, as per the resolution dated 18 September 2014

*** Restated in 31 March 2015 Audited Financial Statements

****Excluding minority interest

Price Earnings Ratio (P/E)

The P/E in relation to the Share Offer Price of LKR 10.00 was,

- Based on the basic EPS for the financial year ended 31 March 2017 of LKR 0.94, the P/E is 10.64 times.
- Based on the average EPS of LKR 0.92, the P/E is 10.87 times.
- The P/E range of the industry peers is as given below;

	Name of the Peer Company	P/E*
Highest	Lotus Hydro Power PLC	202.90 times
Lowest	Vallibel Power Erathna PLC	11.34 times
Industry Composite**		14.30 times***

Source – CSE (Comparable listed companies in the power sector), Audited financial statements

* Closing price as at 31 July 2017 & EPS for the YE 31 March 2017 were considered in deriving the P/E ratio for peer entities

**Sector Classification – Power & Energy

*** Published by the CSE as at 03 August 2017

Net Asset Value (NAV) and Price to Book Value Ratio (P/BV)

The P/BV in relation to the Share Offer Price of LKR 10.00 was,

- Based on the NAV per share for the financial year ended 31 March 2017 of LKR 4.90, the PBV is 2.04 times.
- Based on the NAV per share for the quarter ended 30 June 2017 of LKR 5.21, the PBV is 1.92 times.
- Post IPO NAV per share is LKR 6.14, adjusted to reflect the NAV as at 30 June 2017 and Number of Shares in Issue assuming the full subscription of the Shares via the IPO.
- The P/BV range of the industry peers is as given below;

	Name of the Peer Company	P/BV*
Highest	Vallibel Power Erathna PLC	2.70 times
Lowest	Lotus Hydro Power PLC	0.98 times
Industry Composite**		1.10 times***

Source – CSE (Comparable listed companies in the power sector), Company quarterly statements

* Closing price as at 31 July 2017, Book Value as at 31 March 2017 excluding Minority Interest

**Sector Classification – Power & Energy

*** Published by the CSE as at 03 August 2017

Peer Entity Accounting Ratios

A peer company comparison of the quantitative factors discussed above using market data as at 31 March, 2017 is provided below;

Peer Company	Net Asset Value per Share (LKR)	Earnings per Share (EPS) (LKR)	P/E (x)	P/BV (x)	Return on Equity (%)
Resus Energy PLC	14.87	(1.35)	N/A	1.42	(9.11)
Lotus Hydro Power PLC	6.00	0.03	202.90	0.98	0.48%
Panasian Power PLC	2.44	0.04	66.45	1.19	1.79
Vallibel Power Erathna PLC	2.78	0.66	11.34	2.70	23.82
Vidullanka PLC	2.41	0.05	95.16	2.16	2.27

Source – CSE (Comparable listed companies in the power sector), Company quarterly report

Closing price as at 31 July, 2017

Sector Classification – Power & Energy

Book Values/ Equity Value and Return on Equity are calculated excluding Minority Interest

3.5.2 Qualitative Factors

The following qualitative factors were considered by the Company when arriving at the Share Offer Price.

- The important role the power & energy sector plays in the Sri Lankan economy and its expected growth potential
- LEF's proven track record and significant expertise in successful power project investments
- LEF's heavily diversified portfolio of projects in terms of source of energy and geographical diversification in and outside of Sri Lanka
- The backing of solid project partners who are industry leaders in the power generation and EPC contract segments

3.6 Basis of Allotment

The allotment of the Offered Shares will be made to various categories of Applicants, as set out below:

Investor Category	Percentage of Offer
Unit Trust Investor Category ¹	10%
Retail Individual Investor Category ²	40%
Non-Retail Investor Category ³	50%
	100%

¹ 'Unit Trust Investors' includes growth or balanced Unit Trusts operated by Managing Companies licensed by the Securities and Exchange Commission of Sri Lanka (SEC) to operate such Unit Trusts, where such Unit

Trusts comprises of not less than five hundred unit holders resident in Sri Lanka who together hold at least 50% of that fund.

Applications made under the Unit Trust Investor category should accompany a confirmation by the trustee confirming that such unit trust is in conformity with the criteria defined by the SEC directive dated 06 June 2011 – SEC/LEG/11/06/01 and CSE Listing Rule 3.1.5(b)(iii). Only one Application should be made under each category.

² Retail Individual Investor shall mean an individual investor who subscribes for a maximum of Ten Thousand (10,000) Shares or a value of not more than Rupees One Hundred Thousand (LKR 100,000.00) in a particular Share class, whichever is higher.

³ Investors who do not fall under the Retail Individual Investor Category stated above will be deemed as Non-Retail Investors for Share allotment purposes. (All corporate bodies incorporated or established in Sri Lanka or outside Sri Lanka, global, regional or country funds approved by the SEC and all provident funds, trust funds, and contributory pension schemes registered/incorporated/established in Sri Lanka, shall fall under the Non-Retail Investor Category irrespective of the quantum of Shares applied for).

The investor categories have been selected to ensure the broadest possible spread of shareholders while treating all Applicants in a fair manner.

In determining the basis of allotment within the Retail Individual Investor Category, investors who subscribe for a smaller number of Shares shall be given priority.

In the event of an under-subscription in the Unit Trust Investor Category, the Retail Individual Investor Category shall be given first priority in allotment of the under-subscribed Shares.

In the event of an under-subscription in the Retail Individual Investor Category, the Unit Trust Investor Category shall be given first priority in the allotment of the under-subscribed Shares.

In the event of an under-subscription in the Non-Retail Investor Category, Retail Individual Investor Category will be given first priority followed by Unit Trust Investor Category in the allotment of the under-subscribed Shares.

Redistribution will not apply in the event of an oversubscription or under-subscription in all three categories stated above.

It should be noted that the Board shall reserve the right to allocate up to 50% of the number of Shares to be allotted under this Prospectus on a preferential basis, to Non-Retail investor/s of strategic and operational importance with whom the Company might have mutually beneficial relationships in the future.

Out of the 50% of Shares on offer (that amounts to 60,000,000 Shares) allocated to the Non-Retail Investor Category, 50,000,000 Shares would be allotted to institutional, strategic investor/s on a preferential basis. The 50,000,000 Shares to be preferentially allotted to the said institutional, strategic investor/s would be 83.33% of the total number of Shares allotted to Non-Retail Investor Category and such preferential allotment to the said institutional, strategic investor/s would represent 41.67% of the total Shares on offer through the IPO. Hence, the post-IPO number of Shares to be held by the said institutional, strategic investor/s would represent 8.59% of the issued quantity of the Company.

In the event of an oversubscription, the Board will endeavour to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. The maximum allocation under preferential allotment is 50%.

A written confirmation informing successful Applicants on their allotment of New Shares will be dispatched within Ten (10) Market Days from the Offer Closure Date as required by the CSE.

3.7 Cost of the Offer

The total cost associated with the Offer is estimated to be approximately LKR 36 million which is c.3.00% of the value of the IPO. These include all direct costs and expenses associated with the Offer, inclusive of but not limited to the initial listing fees to the CSE, management/advisory fees payable to the Financial Advisor and Manager to the Offer, brokerage commission, underwriting commission, fees for the registrar function, legal, consultancy and accountancy fees, independent valuer's fees, advertising and promotional costs, printing costs and stamp duty. The costs will be recovered from internally generated funds.

3.8 Listing

The Offer herein contemplated comprises of One Hundred and Twenty Million (120,000,000) New Ordinary Voting Shares of the Company. If fully subscribed, the New Shares will amount to 20.61% of the Issued and Paid up Ordinary Shares of the Company, subsequent to the Offer.

An Application has been made to the CSE for permission for a listing of the entire Issued and Paid up Ordinary Voting Shares of the Company subsequent to the Offer.

LEF has already complied with Rule 2.1.2 (a), Rule 2.1.2 (b) and Rule 2.1.2 (c) of the CSE Listing Rules.

It is expected that the Company will meet the minimum Public Holding requirement set out in SEC Directive Ref: SEC/LEG/16/11/13 which stipulates that, 20% of the total number of Shares for which a listing is sought should be in the hands of a minimum number of 500 public shareholders and on the completion of the Issue pursuant to which the listing of the entire Ordinary Shares of the Company will take place on the Main Board of the CSE.

In the event of an under subscription where LEF is unable to meet the requirement of SEC Directive Ref: SEC/LEG/16/11/13, upon closure of the Offer, the Company would alternatively opt for a listing on the 'Diri Savi' Board of the CSE, subject to meeting the minimum public holding requirement set out in SEC Directive Ref: SEC/LEG/16/11/13.

Aforesaid SEC directive stipulates that 10% of the total number of Shares for which a listing is sought should be in the hands of a minimum number of 200 public shareholders and meets further requirements set out in the CSE Listing Rule 2.1.3, with regards to being listed on the Diri Savi Board.

However, in the event where LEF is unable to meet the requirements as per the SEC Directive dated 17 November 2016 (SEC/LEG/16/11/13), upon closure of the Offer, the Ordinary Voting Shares of the Company will not be listed on the CSE. In such an event the subscription amounts will be returned to the Applicants.

It should be noted that the aforesaid public holding requirements would be calculated by considering all Shares that are freely tradable, on the date of Listing.

The Shares mentioned in Section 8.1 will be locked in to be in compliance with CSE Listing Rules 2.1.1(d) and SEC's Letter dated 23 January 2017.

3.9 Brokerage

Brokerage at the rate of zero decimal five per centum (0.5%) of the value of the New Shares will be paid in respect of the number of New Shares allotted on Applications bearing the original seal of any bank operating in Sri Lanka or a member/trading member of the CSE or Acuity Partners or any other intermediary appointed by the Company and the Manager to the Offer involved in the marketing of the Offer.

3.10 Opening of Subscription List and Offer Closing Date

The subscription list for the New Shares will open at 9.00 a.m. on 14 December 2017 and shall, subject to the occurrence of the events in the following paragraph, remain open for Fourteen (14) Market Days (including the Offer Opening Date) until closure at 4.30 p.m. on 4 January 2018.

In the event of an oversubscription of the 120,000,000 New Shares, the Company shall inform the CSE in writing immediately of such fact and the subscription list will be closed at 4.30 p.m. on the same day on which it is fully subscribed. Also, the Board reserves the discretion to close the subscription list on any Market Day within the period of Fourteen (14) Market Days, irrespective of whether the Offer is oversubscribed or not, by providing One (01) Market Day's prior notice to the CSE.

4.0 BUSINESS OPERATIONS OF LVL ENERGY FUND LIMITED

4.1 Overview

LEF, incorporated in June 2006 as a fully owned subsidiary of Lanka Ventures PLC. LEF was formed for the purpose of consolidating all of LVL's investments in the energy sector. As a result, several joint-venture relationships were formed with reputed project developers in order to undertake the development and operation of power generation projects.

LEF holds stakes in six operational mini-hydro power projects with a cumulative capacity of 16.9 MW and total investment of LKR 574.8 million. The Company has two investments in wind power sector with a combined capacity of 15.3 MW. These two projects were undertaken by Pawan Danavi (Pvt) Limited and Nala Dhanavi (Pvt) Limited in which the company has a shareholding of 40% and 49% respectively. Aforementioned companies are accordingly treated as equity accounted investee companies in the financial statements of LEF. The first wind power project was commissioned in August 2012 and the second project was commissioned in June 2013. LEF's total investment in wind power sector is LKR 666.6 million.

On the thermal energy front, LEF has two investments with a combined capacity of 104.4 MW. LEF invested LKR 386.5 million in Raj Lanka Power Company, the project company of 52.2 MW thermal power plant in Rajshahi district in Bangladesh which commenced commercial operations in January 2014. LEF made its second investment of LKR 653.0 million in Lakdhanavi Bangla Power Company, the project company of Comilla power project of 52.21 MW thermal power plant which is located in Comilla district in Bangladesh which commenced commercial operations in January 2015. LEF's total investment in thermal power sector is LKR 1,039.5 million.

Total Group Revenue and Profit after Tax of LEF as at 31 March 2017 stood at LKR 236.89 Mn and LKR 464.93 Mn respectively. However, the revenue of the following 3 subsidiaries of LEF was not accounted in the Audited Financial Statements for the year ended 31 March 2017 for the following reasons;

Name of Subsidiary Company	Explanation
Lanka Energy International (Pvt) Ltd	Principal activity of the company is investing in the equity and equity related financial instruments of new and existing companies outside Sri Lanka which undertake projects with potential for high growth. Therefore, the main source of income is share of profit from associates.
LVS Energy (Pvt) Ltd	Principal activity of the company is investing in companies that establish, own and operate power generation projects in Sri Lanka. Therefore, the main source of income is dividend income from its subsidiary (Unit Energy Lanka (Private) Limited).
Pupulaketiya Mini Hydro Power (Pvt) Ltd	The Company obtained all necessary approvals and the SPPA was signed on 19 September 2014. The project construction is expected to commence in financial year 2017/18 and the project is to be completed by October 2019, which will result in revenue generation thereafter.

The total investments in operational power projects made by LEF currently stands at approximately LKR 2,280.9 million. Further LKR 740 million will be invested in three hydro power projects that are to be constructed in the near future.

Further information on Raj Lanka Power Company Limited and Lakdhanavi Bangla Power Limited is given below;

Raj Lanka Power Company Limited

Raj Lanka Power Company Limited was incorporated on 18 August 2011 by the Registrar of Joint Stock Companies and Firms, Bangladesh. LEF's shareholding in this Company is 20.25% and balance shares are held by Lakdhanavi Limited and A&A Fashion Sweaters Limited. This investment was made at the start-up stage of the project at the par value of Bangladeshi Taka 10.00 per share. The names of the Directors are as follows;

- Mr. U.D. Jayawardana
- Mr. M.J.M.N. Marikkar
- Mr. R.K. Pitigalage
- Ms. M. Begum
- Mr. D.S. Arangala
- Mr. K. Maheshwaran
- Mr. U.G. Sarath
- Mr. M.A. Wadud

Lakdhanavi Bangla Power Limited

Lakdhanavi Bangla Power Limited was incorporated on 18 August 2011 by the Registrar of Joint Stock Companies and Firms, Bangladesh. LEF's shareholding in this Company is 33.16% and balance shares are held by Lakdhanavi Limited and Sawam Holdings (Pte) Ltd. This investment was made at the start-up stage of the project at the par value of Bangladeshi Taka 10.00 per share. The names of the Directors are as follows;

- Mr. U.D. Jayawardana
- Mr. M.J.M.N. Marikkar
- Mr. R.K. Pitigalage
- Mr. D.A.J. Nanayakkara
- Mr. D.S. Arangala
- Mr. K. Maheshwaran
- Mr. U.G. Sarath
- Mr. M.A. Wijetunge

Table 4.1 below shows the Company's operational projects and the projects in the pipeline.

TABLE 4.1 – OPERATIONAL PROJECTS AND PROJECTS TO BE CONSTRUCTED

Project	Installed Capacity (MW)	Company Name	LEF Holding (%)	LEF Equity Investment (LKR Mn)	Project Partner*
OPERATIONAL PROJECTS					
Belihul Oya & Assupini Ella (Hydro)	6.2	Nividhu (Pvt) Ltd	25.0%	120.2	LTL Holdings (Pvt) Limited
Kadawala (Hydro)	6.0	Unit Energy Lanka (Pvt) Ltd	55.0%	135.4	VS Hydro (Private) Limited
Neluwa (Hydro)	2.2	Neluwa Cascade Hydro Power (Pvt) Ltd	49.0%	58.8	Hayleys Power Limited
Theberton (Hydro)	1.3	Sapthakanya Hydro Electric Company (Pvt) Ltd	85.0%	142.4	Developers of Guruluwana, Nuggedola & Agra Oya Hydro Projects
Campion (Hydro)	1.2	Campion Hydro (Private) Ltd	84.3%	118.0	Developers of Guruluwana, Nuggedola & Agra Oya Hydro Projects
Pawan Danavi (Wind)	10.2	Pawan Danavi (Pvt) Ltd	40.0%	424.0	LTL Holdings (Pvt) Limited
Nala Dhanavi (Wind)	5.1	Nala Dhanavi (Pvt) Ltd	49.0%	242.6	LTL Projects (Pvt) Limited
Rajshahi (Thermal - Bangladesh)	52.2	Raj Lanka Power Company Ltd	20.3%	386.5	Lakdhanavi Limited
Comilla (Thermal – Bangladesh)	52.2	Lakdhanavi Bangla Power Ltd	33.2%	653.0	Lakdhanavi Limited
Total	136.6			2,280.9	
PROJECTS UNDER CONSTRUCTION / TO BE CONSTRUCTED					
Pupulaketiya (Hydro)	1.4	Pupulaketiya Hydro Power (Pvt) Ltd	90%	135.0**	Pacific Hydro Electric SL (Pvt) Limited
Bambarapana (Hydro)	2.5	Bambarapana Hydro Power (Pvt) Ltd	40%	140.0	LTL Projects (Pvt) Limited
Makari Gad (Hydro)	10.0	Makari Gad Hydropower (Pvt) Ltd	45%	465.0	LTL Holdings (Pvt) Limited
Total	13.9			740.0	
Grand Total	150.5			3,020.9	

Investment in all projects were made at start-up stage at no discount or premium except in the case of Nividhu (Private) Limited and Unit Energy Lanka (Private) Limited.

* Project partner is responsible for Implementing and carrying out operational and maintenance functions of the project.

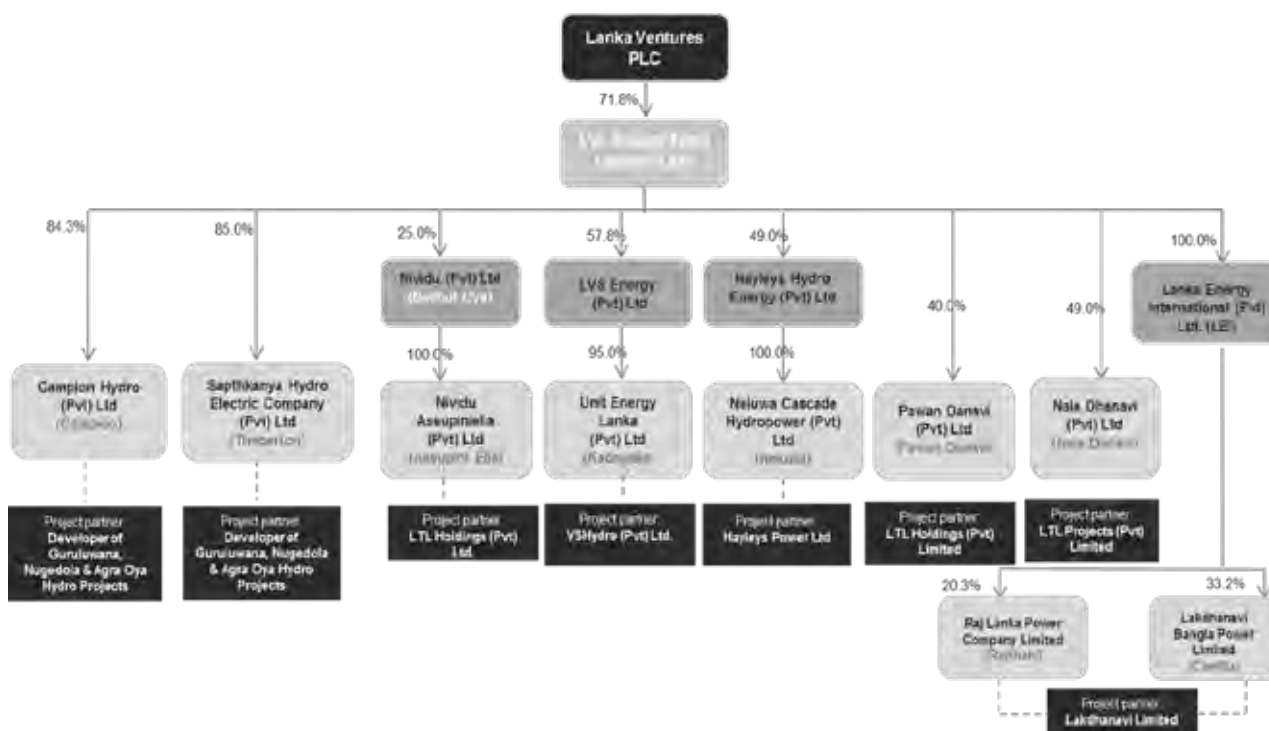
**In respect of the LKR 135 Mn identified for the Pupuleketiya power project in the above table, LKR 20 Mn has been already incurred by LEF at the initial stages of the said project. The balance amount LKR 115 Mn would be sourced from the IPO.

LEF does in-house project evaluations using project appraisal techniques such as IRR and NPV to determine financial viability of identified projects before investing. LEF does not do valuations or obtain valuations from external sources for investments as they are start-up ventures.

Investment in all projects was made at the start-up stage at no discount or premium except in the following instances:

- (i) Increase in shareholding in Nividhu (Private) Limited from 15% to 25% in June 2016 with the purchase of 2,187,667 shares for a total consideration of LKR 87,167,215/- from a foreign shareholder who sold its stake of 6,560,000 shares to the other shareholders.
- (ii) Increase in shareholding in Unit Energy Lanka (Private) Limited from 47% to 55% in August 2016 with the purchase of 1,704,737 shares for a total consideration of LKR 34,094,740/- from foreign and local shareholders.

4.2 Group Structure – Operational Projects



Populaketiya is not included in group structure as it is still not an operational project. All companies shown under the group structure are operational projects.

Lanka Ventures PLC - Lanka Ventures PLC (LVL) was incorporated in February 1992 as a venture capital company. The original shareholders of the company included Asian Development Bank, John Keells Holdings PLC, Forbes & Walker Limited and DFCC Bank PLC. The company obtained a listing for its shares at the Colombo Stock Exchange in 1995.

Following the listing on the CSE, Hatton National Bank PLC also became a major shareholder of the Company. As at 31 March 2009, DFCC Bank PLC and Hatton National Bank PLC were the major shareholders of the company with shareholdings of 58% and 20% respectively. In January 2010, the two banks sold their shareholdings to Acuity Partners (Private) Limited, a joint venture company equally held by the two banks. Accordingly, Acuity Partners (Private) Limited held 79.58% of LVL as at 30 June 2017.

From its inception LVL had been investing in a wide array of sectors, though, mainly focusing on investments in energy and healthcare sectors. In June 2006 LVL formed a fully owned subsidiary under the name LVL Energy Fund (Private) Limited to channel all its investments in the energy sector.

Table 4.2 below shows the key financial data of Lanka Ventures PLC for the past five years.

Table 4.2 – Selected Financial Data for Lanka Ventures PLC

For the Year Ended 31 March	2013	2014	2015	2016	2017
LKR '000					
Investment Income	71,875	46,335	49,815	31,338	5,226
Power Generation Income	-	46,270	239,090	248,351	224,457
Total Income	121,591	122,701	298,717	303,478	251,140
Operating Profit	82,875	30,432	168,680	172,858	120,968
Share of Profit Net of Tax of Equity Accounted Investees	62,900	222,023	263,955	303,892	424,188
Finance Cost	(37,823)	(86,647)	(64,195)	(103,178)	(163,402)
Income Tax	(7,039)	(15,537)	(45,353)	(41,946)	(40,742)
Profit for the Year	100,913	150,271	334,577	331,626	451,245
Profit Attributable to Equity Holders of the Company	89,636	139,299	186,322	187,247	288,635
Shareholders' Funds (Mn)	1,096.73	1,302.69	1,523.22	1,632.46	1,726.65
Total Assets (Mn)	1,856.29	2,779.99	3,578.03	3,841.85	4,153.22
Earnings per Share (LKR)	1.79	2.79	3.73	3.74	5.77
Net Asset per Share (LKR)	21.93	26.05	30.46	32.65	34.53

4.3 Project Partners

LTL Holdings (Pvt) Ltd – Starting with an investment of LKR 25 mn in the early 1980s, LTL Holdings (Pvt) Ltd (LTL Holdings) has become one of the premier engineering companies in Sri Lanka, enjoying international recognition and is now worth approximately LKR 25 Bn. Formally known as Lanka Transformers Group of Companies, LTL Holdings has a very strong commitment to excellence, which is showcased in their superior products such as transformers, fabricated steel structures and switch gear. They were awarded the Engineering Excellence Award by The Institute of Engineers Sri Lanka in 2015. Catering to over 20 countries globally, over 50% of their products are exported, subsequent to meeting the entire domestic requirements.

LTL Holdings is renowned as Engineering, Procurement and Construction (EPC) contractors of major power projects (thermal, hydro and wind) and has a well-earned reputation as the trusted brand for Grid Substations and Power Generating Stations. LTL Holdings has also pioneered independent power production in Sri Lanka and currently operates 300 MW Kerawalapitiya thermal power plant as well as the two 52 MW Power Plants in Bangladesh. They have also in the past built and operated a number of emergency power plants to help meet the power shortages in the national system.

VS Hydro (Pvt) Ltd. – The Vidya Silpa group of companies of which VS Hydro (Pvt) Ltd (VS Hydro) is an integral part, is a small but growing and innovative group of companies focusing entirely on science, IT and renewable energy technology with several group companies. VS Hydro is the flagship company in the group involved in owning, design, development, operation and maintenance of small hydropower projects in Sri Lanka and overseas.

VS Hydro was incorporated in 2003 as the successor to the hydropower sector operations carried out by Vidya Silpa, a company owned by the Sumanasekera family which was established by Vidya Nidhi Premasiri Sumanasekera, the pioneer of private sector owned small hydro power plants in Sri Lanka.

VS Hydro has been involved in the development of 15 hydro power projects in Sri Lanka with a total installed capacity of 52.8 MW, including the largest private sector hydro power projects implemented in Sri Lanka to date. In addition to implementing projects on behalf of their clients, VS Hydro has also developed several projects on their own, with joint venture partners who came in as financiers for the projects. VS Hydro has significant shareholding in these projects and carries out operation and maintenance of these projects as well. In 2006, the company made a decision to expand its operations overseas and as a result, suitable opportunities were explored in East Africa and South-East Asia and have been involved in the development of seven hydro power plants in Uganda and Kenya.

Hayleys Power Ltd – Hayleys Power currently provides 5.2 MW capacity of hydro power to the National Grid and supplies a total of 20 GWh of energy annually to the Grid. Hayleys Power is further developing several more hydro power plants in order to provide 15 MW to the National Grid in the future.

Hayleys Power also provides complete turnkey solutions, develops and constructs power projects and supplies turbine generators for hydro power projects. The group also added another 10 MW capacity to the National Grid through its wind turbine generators by commencing commercial operations of Nirmalapura Wind Power plant in August 2012. The venture is the latest step towards boosting the power requirements of the nation through renewable and sustainable ‘green’ energy.

4.4 Current Projects of LEF

Belihul Oya Mini Hydro Power Plant – The project area is located about 10.5 km North East of Balangoda Town near Balangoda Haputale main road. The catchment area of the project is about 21.5 km². The upper boundary of the catchment extends up to Horton Plains. This catchment is mainly fed by the North East monsoon and the average rainfall is about 2,638 mm. This produces an average daily flow of 0.98 m³/s. Gross head of the project is 178 m and design flow is 1.5m³/s. The installed capacity of the project is 2.2 MW and average energy generation is 9.0 GWh per annum. There are two units of Turgo type of turbines with the capacity of 1.1 MW each and M/s Wasserkraft Volk AG was the equipment supplier for the project.

The project was commissioned in May 2002. At the installed capacity of 2.2 MW and the annual average energy generation of 9.0 GWh, the plant factor works out to 47%. Table 4.3 shows the plant performance over the years.

TABLE 4.3 – PLANT PERFORMANCE OF BELIHUL OYA

Year	Annual Generation (MWh)	Annual Revenue (LKR Mn)
2008	9,729	87.5
2009	8,371	87.2
2010	11,292	124.1
2011	8,975	94.7
2012	6,925	67.6
2013	11,451	134.6
2014	8,796	131.9
2015	11,215	169.7
2016	4,195	62.1

Assupini Ella Mini Hydro Power Plant – The project is located in the upper reaches of Maha Oya on the border of Gampola and Mawanella electorates. The catchment area at the intake is 27 km² with an average rainfall of 2,134 mm per year. This produces an average river flow of 1.5m³/s. Gross head of the project is 210 m and design flow is 2.2 m³/s. The installed capacity of the project is 4.0 MW and average energy generation is 16.3 GWh per annum. There are two units of Pelton type turbines with the capacity of 2 MW each. M/s VA Tech was the equipment supplier for the project.

The project was commissioned in November 2005. At the installed capacity of 4.0 MW and annual average energy generation of 16.3 GWh, the plant factor works out to 47 %. Table 4.4 shows the plant performance over the years.

TABLE 4.4 – PLANT PERFORMANCE OF ASSUPINI ELLA

Year	Annual Generation (MWh)	Annual Revenue (LKR Mn)
2008	17,060	153.6
2009	16,953	178.9
2010	17,903	199.1
2011	16,314	170.0
2012	12,460	119.8
2013	16,754	195.8
2014	16,311	243.2
2015	18,161	272.7
2016	5,487	79.8

Kadawala Mini Hydro Power Plant – The project area lies between Watawala and Kadawala in the Ginigathhena electorate of Nuwara Eliya district. The project land is owned by Carolina Estate of Watawala Plantations PLC. The catchment area of the project is about 26 km². Since the project site is located in the wet zone area, the catchment receives a high annual rainfall (approximately 4,406 mm/year) mainly from the Southwest monsoon between May and October. The installed capacity of the project is 6 MW and the average energy generation is 13 GWh per annum. Gross head of the project is 132 m and design flow is 5.2 m³/s. There are two units of horizontal shaft Francis type of turbines and M/s Voith Siemens Hydro Kraftwerkstechnik GmbH & Co was the equipment supplier for the project.

The project was commissioned in March 2008. At the installed capacity of 6 MW and the annual average energy generation of 13 GWh, the plant factor works out to 25%. Table 4.5 shows the plant performance over the years.

TABLE 4.5 – PLANT PERFORMANCE OF KADAWALA

Year	Annual Generation (MWh)	Annual Revenue (LKR Mn)
2008	11,275	100.9
2009	12,324	131.1
2010	14,398	160.4
2011	9,540	99.7
2012	9,026	86.3
2013*	4,754	56.0
2014	14,671	218.5
2015	15,090	225.1
2016	11,712	167.3

* The plant was non-operational between May and September 2013 due to repairs undertaken following a flash flood.

Neluwa Mini Hydro Power Plant – The project lies across Gin Ganga and is located on the border of Galle and Kalutara districts. The catchment area at the diversion site is about 340 km². The catchment receives an average annual rainfall of 3,973 mm which produces an average river flow of 22.24 m³/s. Gross head of the project is 6 m and design flow is 40 m³/s. The installed capacity of the project is 2.2 MW and average energy generation is 6.3 GWh per annum. There are two open-fume Kaplan type turbines with a rated output of 1.1 MW per turbine and M/s Gugler Hydro Energy GmbH was the equipment supplier for the project.

The project was commissioned in January 2008. At the installed capacity of 2.2 MW and the annual average energy generation of 6.3 GWh, the plant factor works out to 33%. Table 4.6 shows the plant performance over the years.

TABLE 4.6 – PLANT PERFORMANCE OF NELUWA

Year	Annual Generation (MWh)	Annual Revenue (LKR Mn)
2008	5,668	51.7
2009	6,748	72.1
2010	6,445	72.3
2011	6,469	68.4
2012	6,517	57.8
2013	6,120	72.0
2014	6,022	90.3
2015	6,258	94.0
2016	4,150	60.7

Theberton Mini Hydro Power Plant – The project lies across Maskeli Oya at Therberton Estate located in Kiriwaneliya village in Nuwara Eliya district. The catchment area is about 10 km² with an average annual rainfall of 4,086 mm, and an average daily flow of 1.10 m³/s. The project has a design flow of 1.95 m³/s with a gross head of 90m.

The installed capacity is 1.3 MW and the expected energy generation is 4.6 GWh per annum. There is one 0.8 MW Francis type turbine supplied by Fuchun Industry Development Company and one 0.5 MW Turgo type turbine supplied by Hongya Power Generating Equipment. The plant was commissioned in September 2015. At the installed capacity of 1.3 MW and expected annual energy generation of 4.6 GWh, the plant factor works out to 41%. Table 4.7 shows the plant performance.

TABLE 4.7 – PLANT PERFORMANCE OF THEBERTON

Year	Annual Generation (MWh)	Annual Revenue (LKR Mn)
2015*	1,707	29.7
2016	3,324	58.1

*September - December 2015

Campion Mini Hydro Power Plant – The project lies across Kehelgamuwa Oya in Bogawantalawa in Nuwara Eliya District. The catchment area is about 27 km² with an average annual rainfall of 2,384 mm and an average daily flow of 1.35 m³/s. The project has a design flow of 2.1 m³/s with a gross head of 76 m.

The installed capacity is 1.2 MW and the expected energy generation is 4.76 GWh per annum. There are two Francis type turbines of 0.4 MW and 0.8 MW each supplied by Hongya Power Generating Equipment, China. The project was commissioned in May 2017. At the installed capacity of 1.2 MW and expected annual generation of 4.76 GWh, the plant factor works out to 45%. No generation data is available as the plant was commissioned only in May 2017.

Pawan Danavi Wind Power Plant – This project is located in Kalpitiya peninsula in Puttalam district. The installed capacity of the project is 10.2 MW comprising 12 turbines of 850 KW each supplied by Gamesa. The hub height and rotor diameter of the turbines are 65 m and 58 m respectively.

The project commenced commercial operation in August 2012. At the installed capacity of 10.2 MW and expected annual energy generation of 30.1 GWh per annum, the plant factor works out to 34%. Table 4.8 shows the plant performance over the years.

TABLE 4.8 – PLANT PERFORMANCE OF PAWAN DANAVI

Year	Annual Generation (MWh)	Annual Revenue (LKR Mn)
2012*	3,190	79.7
2013	29,403	739.2
2014	26,595	672.1
2015	24,218	614.9
2016	25,663	656.8

*Supply restricted to 2 MW until March 2013.

Nala Dhanavi Wind Power Plant – This project is also located in Kalpitiya Peninsula in Puttalam district in close proximity to Pawan Danavi project. The project comprises six turbines of 850 KW each supplied by Gamesa. The project commenced commercial operation in June 2013.

At the installed capacity of 5.1 MW and expected annual energy generation of 15.3 GWh, plant factor works out to 34%. Table 4.9 shows the plant performance over the years.

TABLE 4.9 – PLANT PERFORMANCE OF NALA DANAVI

Year	Annual Generation (MWh)	Annual Revenue (LKR Mn)
2013	8,657	180.2
2014	14,192	297.5
2015*	13,091	276.2
2016	13,879	294.2

Rajshahi (Bangladesh) Thermal Power Plant – The 52.2 MW thermal power plant promoted under the project company Raj Lanka Power Co. Ltd, is located in Rajshahi district in Bangladesh approximately 200 km from Dhaka. The plant is designed to use Heavy Furnace Oil (HFO) as the main fuel and Diesel can be used as a back-up fuel. The facility includes six complete HFO/Gas based reciprocating engines (Wärtsilä 20V32) each coupled with a generator (ABB AMG - 11.115MVA). The construction work was completed and the plant commenced commercial operations in January 2014. The plant was setup and is operated by Lakdhanavi Limited (LDL) which currently manages a thermal capacity in excess of 300 MW in Sri Lanka.

Lanka Energy International (Pvt) Ltd (LEI), a subsidiary of LEF, has invested a sum of LKR 386.5 million (USD 3 million) and holds 20.3% of equity ownership in the project. The project company is expected to be listed on the Dhaka Stock Exchange (DSE) at a future date providing for an exit for LEI's investment. Table 4.10 shows the plant performance over the last two years.

TABLE 4.10 – PLANT PERFORMANCE OF RAJSHAHI

Year	Annual Generation (MWh)	Annual Revenue (BDT Mn)
2014	170,089	2,993,082
2015	164,879	2,956,603
2016	204,102	2,874,577

Comilla (Bangladesh) Thermal Power Plant – The 52.2 MW thermal power plant promoted under the project company Lakdhanavi Bangla Power Ltd, is located in Comilla district in Bangladesh approximately 100 km from Dhaka. The plant is designed to use HFO as the main fuel and Diesel can be used as a back-up fuel. The facility includes six complete HFO/Gas based reciprocating engines (Wärtsilä 20V32) each coupled with a generator (ABB AMG - 11.115MVA). The construction work was completed and the plant commenced commercial operations in January 2015. The plant was setup and is operated by LDL.

LEI has invested a sum of LKR 653 million (USD 5 million) and holds 33.2% of equity ownership in the project. This project company is also expected to be listed on the Dhaka Stock Exchange (DSE) at a future date providing an exit for LEI's investment. Table 4.11 shows the plant performance.

TABLE 4.11 – PLANT PERFORMANCE OF COMILLA

Year	Annual Generation (MWh)	Annual Revenue (BDT Mn)
2015	147,886	2,464,996
2016	174,848	2,501,342

4.5 Tariff Structure for Mini Hydro and Wind Power Projects

The projects are under two tariff categories namely avoided cost based tariff and three-tier tariff. Avoided cost based tariff applies to 15-year PPAs signed prior to 2008 and the tariff is announced every year by the CEB. The three tier tariff that applies to 20-year PPAs is determined at the time of signing the PPA and is set out in the PPA. In the case of projects that come under the avoided cost based tariff, their tariff in any given year cannot be less than 90% of the first year tariff. Table 4.12 shows the Tariff Structures for each of the projects.

Table 4.12 – Tariff Structures

Project Type	PPA Signed	Tariff Rate Signed at	Current Tariff (LKR/kWh)
Mini Hydro Projects			
		Dry/Wet	Dry/Wet
		Avoided Cost	Avoided Cost
Assupini Ella	Dec 2004	6.06 / 5.85 (LKR/kWh)	16.32 / 14.22
Kadawala	Feb 2008	9.65 / 8.94 (LKR/kWh)	16.32 / 14.22
Neluwa	April 2005	6.05 / 5.30 (LKR/kWh)	16.32 / 14.22
Belihul Oya	May 2002, PPA extended from May 2017 to May 2022	5.23 (LKR/kWh)	5.23
Project Type	PPA Signed	Current Tariff	
Hydro Projects			
Makari Gad	Dec 2015	Tariff Rate is signed at 8.40 / 4.80 (NPR/kWh) and the tariff to increase at 3% p.a. in first 5 years and remain constant thereafter	
Project Type	PPA Signed	Three Tier	Three Tier
Mini Hydro Projects			
Theberton	April 2014	17.39 (LKR/kWh)	17.47
Campion	April 2014	17.39 (LKR/kWh)	N/A
Pupulaketiya	Sept 2014	17.39 (LKR/kWh)	N/A
Bambarapana	Apr 2015	17.39 (LKR/kWh)	N/A
Project Type	PPA Signed	Three Tier	Three Tier
Wind			
PawanDanavi	Dec 2009	24.99 (LKR/kWh)	25.52
Nala Dhanavi	Dec 2010	20.81 (LKR/kWh)	21.25

4.6 Assumptions and Risk Factors Associated with the Future Plans of LVL Energy Fund Limited

The Company expects to explore further investment opportunities in South Asia in order to diversify its investment portfolio and thereby further minimize risks.

The prospects for private sector driven energy projects in Sri Lanka and South Asia region with particular focus on Nepal and Bangladesh would be well supported by the expected positive future outlook of the industry in these countries. Assumptions and risk factors associated with these markets are discussed in detail in Section 12.

5.0 CORPORATE STRUCTURE

5.1 Board of Directors

The Board of Directors guides and supervises the business and operations of the Company. The Board consists of two (02) Non-Executive Independent Directors, five (05) Non-Executive Non-Independent Directors (including the Chairman) and one (01) Executive Director. As at the date of this Prospectus, the composition of the Board is as follows.

TABLE 5.1 - DETAILS OF LVL ENERGY FUND LIMITED BOARD OF DIRECTORS

Name	Age	Address	Designation
Mr. L. H. A. L. Silva	57	75/1A Dutugemunu Street, Kalubowila, Dehiwela	Non-Executive Chairman
Mr. A. J. Alles	51	4/3, Sunset Wing, Trillium Residencies, 153, Elvitigala Mawatha, Colombo 08	Non-Executive Director
Mr. S. E. De Silva	68	155/4, Galle Road, Colombo 04	Non-Executive Independent Director
Mr. T. W. De Silva	57	6/9, Layards Road, Colombo 05	Non-Executive Director
Mr. A. R. Munasinghe	73	29, Station Road, Dehiwela	Non-Executive Independent Director
Mr. M. R. Abeywardena	50	248/25, Lotus Grove, Off Hill Street, Dehiwela	Non-Executive Director
Mr. M.A. Wijetunge	57	8, Rampart Road, Ethul Kotte	Non-Executive Director
Mr. D. S. Arangala	59	17/4, Salmal Mawatha, Nedimala, Dehiwela	Chief Executive Officer/Executive Director

5.2 Profiles of the Board of Directors

Mr. L. H. A. L. Silva – Non Executive Chairman

Mr. Silva is the CEO of DFCC Bank PLC since 15 August 2017.

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

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

Mr. A. J. Alles – *Non-Executive Director*

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

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

Mr. S. E. De Silva - *Non-Executive Independent Director*

Mr. De Silva was an Executive Director of WKV Group of companies. He joined DFCC Bank PLC in 1987 and functioned in different positions until retirement in 2004 as a Vice President. Prior to joining DFCC, Mr. De Silva has worked in the copper industry in Zambia and steel industry in Sri Lanka. He has wide experience and considerable exposure to the renewable energy sector. He functioned as a director of several companies operating mini-hydro power generation plants in Sri Lanka and Uganda.

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

Mr. T. W. De Silva – *Non-Executive Director*

Mr. Tyrone de Silva is the Executive Vice President responsible for Strategic Planning and Subsidiaries at DFCC Bank PLC. He also oversees the Investment Banking business of the Bank which is carried out through Acuity Partners (Private) Limited. Mr. De Silva joined DFCC Bank in 1989 and has been involved in the Bank's Corporate Finance and Capital Markets businesses throughout his career. He has participated in DFCC Bank's corporate structuring transactions including the set up or acquisition of subsidiaries and associates of the DFCC Group. Besides his planning function at DFCC Bank, Mr. De Silva is also involved in the strategic planning and performance monitoring of the member companies in the DFCC Group. In the latter part of his career, Mr. De Silva was placed in charge of Corporate Banking at DFCC Bank and was subsequently appointed as the Head of the Bank's Lending Business in the capacity of Executive Vice President. In October 2015, he took on his present responsibilities.

Mr. De Silva is a member of DFCC Bank's management committees dealing with Credit, Investments, Special Loans and Information Technology. He also participates in various Board Sub-Committees and serves as Director on the Boards of DFCC Group companies including Lanka Ventures PLC and those in which the Bank has a significant interest. Prior to his career at DFCC Bank, he was employed as a foreign exchange and money broker for a period of seven years gaining an in-depth exposure to foreign exchange and fixed income trading, structuring of swap deals and other hybrid transactions.

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

Mr. A. R. Munasinghe - *Non-Executive Independent Director*

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

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

Mr. M. R. Abeywardena - *Non-Executive Director*

Mr. Ray Abeywardena is the Managing Director/Group CEO of Acuity Partners (Private) Limited. He has been associated with Sri Lanka's capital markets for over 30 years, primarily as a Stockbroker and since 2009 as an Investment Banker. Prior to being appointed as Group CEO/MD of Acuity Partners (Private) Limited, Mr. Abeywardena served as the CEO/MD of Acuity Stockbrokers (Pvt) Ltd from 2001 to end 2008. From 1998-2000, he functioned as the Managing Director of Forbes ABN Amro Securities.

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.

Mr. M. A. Wijetunge - *Non-Executive Director*

Mr. Wijetunge is a Marine Engineer by profession and an entrepreneur. He is the inventor of highly specialized anti-ballistic composite material for body armour and de-mining vehicle armour.

Mr. D. S. Arangala - *Chief Executive Officer/Executive Director*

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

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

Related Party Transactions

We hereby declare that DFCC Bank PLC, who acts as one of the Underwriters and Bankers to the Offer and Acuity Partners (Private) Limited who acts as the Financial Advisor and Manager to the Offer and LVL Energy Fund Limited are related parties and have common Directors on each of the said entities Board. Nevertheless, there is no conflict of interest arising between the said parties as all transactions are carried out at arm's length. Please refer below table for the details of common directors of the above said related parties.

TABLE 5.2 – COMMON DIRECTOR'S DETAILS

Common Director's Name	Company Name	Capacity
Mr. L. H. A. L. Silva	DFCC Bank PLC	Chief Executive Officer/ Executive Director
	Acuity Partners (Pvt) Ltd	Non-Executive Director
	LVL Energy Fund Limited	Chairman
Mr. T. W. De Silva	Acuity Partners (Pvt) Ltd	Non-Executive Director
	DFCC Bank PLC	Executive Vice President
	LVL Energy Fund Ltd	Non-Executive Director
Mr. M. R. Abeywardena	Acuity Partners (Pvt) Ltd	Managing Director/Group Chief Executive Officer
	LVL Energy Fund Ltd	Non-Executive Director

5.3 Other Directorships Held by the Board of Directors

TABLE 5.3 - OTHER DIRECTORSHIPS

Name of Director	Other Directorships Held
<ul style="list-style-type: none"> ▪ Mr. L.H.A.L. Silva 	<ul style="list-style-type: none"> ▪ DFCC Bank ▪ DFCC Consulting (Private) Ltd ▪ Synapsys Limited ▪ Lanka Financial Services Bureau Ltd ▪ Acuity Securities Limited ▪ Acuity Partners (Private) Limited ▪ Lanka Industrial Estates Limited ▪ Sri Lanka Banks' Association (Guarantee) Limited ▪ Lanka Ventures PLC - Chairman
<ul style="list-style-type: none"> ▪ Mr. A. J. Alles 	<ul style="list-style-type: none"> ▪ Hatton National Bank PLC ▪ Lanka Financial Services Bureau Limited ▪ HNB Grameen Finance Limited - Chairman ▪ Lanka Ventures PLC ▪ Acuity Partners (Private) Limited
<ul style="list-style-type: none"> ▪ Mr. S. E. De Silva 	<ul style="list-style-type: none"> ▪ DFCC Consulting (Private) Limited ▪ Lanka Ventures PLC
<ul style="list-style-type: none"> ▪ Mr. T. W. De Silva 	<ul style="list-style-type: none"> ▪ Lindel Industrial Laboratories Limited - Chairman ▪ Acuity Partners (Private) Limited ▪ Acuity Stockbrokers (Private) Limited ▪ Acuity Securities Limited ▪ DFCC Consulting (Private) Limited ▪ Lanka Industrial Estates Limited ▪ National Asset Management Limited ▪ Plastipak Industrial Textiles (Private) Limited ▪ Plastipak Lanka Limited ▪ Synapsys Limited ▪ Sun Tan Beach Resorts (Private) Limited ▪ Guardian Acuity Asset Management Limited ▪ Lanka Ventures PLC

▪ Mr. A. R. Munasinghe	▪ Lanka Ventures PLC
▪ Mr. M. R. Abeywardena	<ul style="list-style-type: none"> ▪ Acuity Partners (Private) Limited ▪ Acuity Stockbrokers (Private) Limited – Chairman ▪ Acuity Securities Limited - Chairman ▪ Guardian Acuity Asset Management Limited - Chairman ▪ Lanka Ventures PLC ▪ Softlogic Life Insurance PLC ▪ Colombo Stock Exchange – Chairman ▪ Central Depository Systems (Pvt) Ltd – Chairman ▪ Associated Newspapers of Ceylon Ltd
▪ Mr. M. A. Wijetunge	<ul style="list-style-type: none"> ▪ Dinima High Performance Materials (Private) Limited - Chairman ▪ Harsha International (Private) Limited ▪ Sawam Holdings Pte Ltd ▪ Lakdhanavi Bangla Power Ltd
▪ Mr. D. S. Arangala	<ul style="list-style-type: none"> ▪ Lanka Energy International (Private) Limited ▪ Nividhu (Private) Limited ▪ Nividhu Assupiniella (Private) Limited ▪ LVS Energy (Private) Limited ▪ Unit Energy Lanka (Private) Limited ▪ Hayleys Hydro Energy (Private) Limited ▪ Pupalaketiya Mini Hydro Power (Private) Limited ▪ Pawan Dhanavi (Private) Limited ▪ Nala Danavi (Private) Limited ▪ Saphakanya Hydro Electric Company (Private) Limited ▪ Raj Lanka Power Company Limited ▪ Lakdhanavi Bangla Power Limited ▪ Champion Hydro (Private) Limited ▪ Durdans Heart Centre (Private) Limited ▪ Renuka Agri Foods PLC

5.4 Directors' Interest in Shares

5.4.1 Directors' Direct Shareholdings in the Company

The Directors' direct shareholdings in the Company as at the date of the Prospectus are tabulated below.

TABLE 5.4 – DIRECTORS' SHAREHOLDINGS IN LEF AS AT THE DATE OF THE PROSPECTUS

Name of Director	Number of Shares Held	Percentage of Shareholding (%)
Mr. L. H. A .L Silva	Nil	-
Mr. A. J .Alles	Nil	-
Mr. S. E. De Silva	06	0.0000013%
Mr. T. W. De Silva	Nil	-
Mr. A. R. Munasinghe	Nil	-
Mr. M. R. Abeywardena	Nil	-
Mr. M. A. Wijetunge	67,911,668	14.69%
Mr. D. S. Arangala	4,455,000	0.96%

5.4.2 Sale or Purchase of Shares by the Directors

There were no sales, transfers or purchases of shares made by the Directors of the Company during the last 12 months prior to the date of this Prospectus.

5.4.3 Directors' Emoluments

The Directors, including the Chief Executive Officer, were paid LKR 4,381,000.00 as remuneration and fees during FYE 2016/17. The Directors, including the Chief Executive Officer, are expected to be paid remuneration and fees during FYE 2017/18 to an approximate extent of LKR 4,600,050.00.

5.4.4 Directors' Interest in Assets

The Directors hold no interest in assets acquired, disposed or leased by the Company during the two years preceding the IPO. Furthermore, it is not proposed that the Directors will hold any interest in assets to be acquired, disposed or leased by the Company in the two years subsequent to the IPO.

5.4.5 Directors' Interest in Material Contracts

There are no contracts or arrangements in force as at the date of this Prospectus in which the Directors of the Company are materially interested in relation to the business of the Company.

5.4.6 Statement – Directors

The Directors of the Company has not been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

5.5 Stated Capital of the Company

As at the date of this Prospectus, the stated capital of the Company, in terms of section 58 of the Companies Act is Sri Lankan Rupees One Billion Eight Hundred and Ninety Three Million Nine Hundred and Seventy Two Thousand Two Hundred and Sixty Eight (LKR 1,893,972,268) constituting of monies received by the Company for the issue of Four Hundred and Sixty Two Million Two Hundred and Seventy Eight Thousand One Hundred and Seventeen (462,278,117) fully paid up Ordinary Voting Shares and Ninety Six Million (96,000,000) preference shares (from and out of which Seventy Seven Million Two Hundred and Fifty Thousand (77,250,000) preference shares have been redeemed).

The stated capital as per the Statement of Financial Position reflects only the subscription monies received in respect of ordinary shares of the Company. The cumulative redeemable preference shares in issue are treated as a liability in terms of LKAS 32 and shown accordingly in the Statements of Financial Position.

5.6 Overview of the Capital Structure

The detailed breakdown of the stated capital of the Company is given below.

TABLE 5.5 - STATED CAPITAL OF LEF

	31 March 2015	31 March 2016	31 March 2017
Stated Capital (LKR)	1,897,300,020	1,940,270,020	2,111,472,268
No. of Ordinary Shares in Issue	412,470,836	420,252,836	462,278,117*
No. of Preference Shares	54,000,000	57,000,000	40,500,000

LEF had ordinary shares outstanding 420,252,836 as at 31 March 2016. Subsequently, LEF carried out a rights issue on 30 June 2016 at the ratio of 1:10 and the number of shares issued at the rights issue worked out to 42,025,281 shares instead of 42,025,283 shares (10% x 420,252,836). The difference of 02 shares arises as a result of rounding down the decimals of number of shares to be issued for each shareholder when computed on an individual basis.

*Rights issue - an additional 42,025,281 shares at a price of LKR 8.00 and a ratio of 1:10

Statutory restrictions on free transferability of shares

From the outstanding 462,278,117 ordinary shares, SEC via the letter dated 23 January 2017, has determined that shares held by the promoters, directors, key management personnel and parties acting in concert, which amounts to 409,537,287 ordinary shares would be subject to a “lock-in” for a period of Twelve (12) months from the date of listing.

TABLE 5.6 – DETAILS OF ISSUANCE OF ORDINARY SHARES

Date	Year 2013/14		Year 2014/15		Year 2015/16		Year 2016/17	
	No. of Shares	Price per Share (Rs.)	No. of Shares	Price per Share (Rs.)	No. of Shares	Price per Share (Rs.)	No. of Shares	Price per Share (Rs.)
1-Apr-13	58,000,444*							
27-May-13	1,000,000	45	-	-	-	-	-	-
2-Oct-13	1,111,110	45	-	-	-	-	-	-
21-Oct-13	1,000,000	45	-	-	-	-	-	-
21-Feb-14	1,132,288	45	-	-	-	-	-	-
26-Mar-14	934,823	45	-	-	-	-	-	-
	63,178,665	-	-	-	-	-	-	-
30-May-14	-	-	225,000	45	-	-	-	-
24-Jun-14	-	-	375,000	45	-	-	-	-
8-Jul-14	-	-	376,891	45	-	-	-	-
	-	-	976,891	-	-	-	-	-
18-Sep-14	-	-	384,933,336**	-	-	-	-	-
26-Nov-14	-	-	5,000,000	8	-	-	-	-
31-Dec-14	-	-	2,625,000	8	-	-	-	-
6-Mar-15	-	-	3,162,500	8	-	-	-	-
13-Mar-15	-	-	10,687,500	8	-	-	-	-
30-Mar-15	-	-	6,062,500	8	-	-	-	-
	-	-	412,470,836	-	-	-	-	-
30-Jun-15	-	-	-	-	7,782,000	1.67	-	-
30-Jun-16	-	-	-	-	-	-	42,025,281	8

Article 12(2) of the Articles of Association of the Company provides that the Company may subdivide all of the shares of the Company or all of the shares in a particular class of shares in the Company into a greater number of shares, in proportion to those shares, leaving unaffected the relative voting and distribution rights of the holders of those shares, by following a procedure to effect such subdivision as the Board may consider appropriate. Accordingly, the Board of the Company has the power and the authority to carry out a sub-division of shares following such procedure as it may consider appropriate and it is not necessary to obtain the approval of shareholders for a sub-division of shares of the Company that is affected with the authority of the Board. Preference shareholders weren't entitled for rights issue nor were they subject to subdivision of shares.

*Total issued No of shares as at 1 April 2013

** On 18 Sep 2014, Company had a sub division of shares in the proportion of 1:6.

5.7 Twenty Largest Shareholders of the Company as at the date the Prospectus

TABLE 5.7 – TWENTY LARGEST SHAREHOLDERS OF THE COMPANY AS AT THE DATE OF THE PROSPECTUS

	Name	No. of Shares	Percentage (%)
1	Lanka Ventures PLC	331,885,609	71.79%
2	Mr. M. A. Wijetunge	67,911,668	14.69%
3	Equity Investments Lanka Limited	15,033,330	3.25%
4	Guardian Capital Partners PLC	10,312,500	2.23%
5	Mr. D. S. Arangala	4,455,000	0.96%
6	AWIS Holdings (Private) Limited	3,300,000	0.71%
7	Mr. K. Maheshwaran	3,000,000	0.65%
8	Ms. M. M. F. Zareena	2,970,000	0.64%
9	Merchant Bank of Sri Lanka & Finance PLC	2,500,000	0.54%
10	Mr. C. R. Perera	2,310,000	0.50%
11	J. B. Cocoshell (Private) Limited	2,100,000	0.45%
12	Mr. K. T. Konesh	2,090,000	0.45%
13	Dinima High Performance Materials (Pvt) Ltd	1,880,004	0.41%
14	Mr. J. D. N. Kekulawala	1,375,000	0.30%
15	Dr. W. S. E. Fernando	1,062,500	0.23%
16	Mr. N. D. P. Hettiaratchy	750,000	0.16%
17	Askold (Private) Limited	750,000	0.16%
18	Mr. N. A. R. R. Silva	687,500	0.15%
19	Mr. W. M. D. B. Iddawela	625,000	0.14%
20	Cocoshell Activated Carbon Co (Pvt) Ltd	625,000	0.14%

5.8 Senior Management

As mentioned under Section 5.10, the Company has entered into a Fund Management Agreement with LVL. Administration expenses including staff costs attributable to the Chief Executive Officer and Directors' Fees are given in Note 10 to the Audited Financial Statements.

5.9 Statement – Chief Executive Officer

The Chief Executive Officer of the Company has not been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

5.10 Management Agreements

I. Fund Manager - Lanka Ventures PLC (LVL):

All investment and divestment decisions are made by LEF. Identification of investment opportunities, project appraisal and monitoring and day to day administrative functions such as treasury management and preparation of accounts are done by LVL. Please refer Annex D for further details of the Management Agreement.

II. Business Experience and Competencies:

Publicly listed venture capital Company operating in venture capital business from 1992. LEF was managed by LVL since inception in 2006.

III. Nature of duties outsourced: Administrative and other day to day functions of LEF are carried out by the management of LVL. There are no duties outsourced to third parties.

IV. Consideration as per agreement: LKR 1,000,000/- per annum

5.11 Dividends

5.11.1 Dividend Policy

Subject to the provisions of the Companies Act and the Articles of Association of the Company, the Board of Directors may recommend and declare distributions to shareholders by way of dividends from and out of the profits of the Company. The dividend rate will be determined based on a number of factors, including but not limited to the Company's earnings, investment requirements and overall financial condition.

5.11.2 Dividend History

The Company has declared and paid the following dividends during the last five financial years immediately preceding the date of this Prospectus;

TABLE 5.8 – DIVIDEND HISTORY – ORDINARY SHARES

LKR	Financial Year Ended				
	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	31 Mar 2017
Interim Dividend per Share	0.50	1.50	-	-	0.34
Final Dividend per Share	0.50	0.45	0.35	0.55	0.26
Total Dividend per Share for the Year	1.00	1.95	0.35	0.55	0.60
Total Dividend Paid (Amount)	56,778,222	120,097,730	137,395,418	231,139,060	277,366,870

DIVIDEND HISTORY – PREFERENCE SHARES

TABLE 5.9 – DIVIDEND HISTORY – PREFERENCE SHARES

	Cumulative redeemable preference shares - LKR 300 Mn - Agreement dated 03 Jan 2012				
	2013	2014	2015	2016	2017*
Outstanding Value as at 31 Mar (LKR)	300,000,000	240,000,000	180,000,000	120,000,000	60,000,000
Outstanding No of Shares as at 31 Mar	30,000,000	24,000,000	18,000,000	12,000,000	6,000,000*
Rate of Dividend	AWPLR + 0.5% p.a.				
Dividend Paid (LKR)	-	15,332,975	31,680,641	16,806,575	11,953,973

TABLE 5.10 – DIVIDEND HISTORY – PREFERENCE SHARES

	Cumulative redeemable preference shares - LKR 360 Mn - Agreement dated 27 Dec 2013				
	2013	2014	2015	2016	2017*
Outstanding Value as at 31 Mar (LKR)	-	150,000,000	360,000,000	240,000,000	120,000,000
Outstanding No of Shares as at 31 Mar	-	15,000,000	36,000,000	24,000,000	12,000,000*
Rate of Dividend	AWPLR + 0.5% p.a.				
Dividend Paid (LKR)	-	-	1,894,438	21,199,047	23,063,696

TABLE 5.11 – DIVIDEND HISTORY – PREFERENCE SHARES

	Cumulative redeemable preference shares - LKR 300 Mn - Agreement dated 01 Sep 2015				
	2013	2014	2015	2016	2017
Outstanding Value as at 31 Mar (LKR)	-	-	-	210,000,00	225,000,000
Outstanding No of Shares as at 31 Mar	-	-	-	21,000,00	22,500,000*
Rate of Dividend	AWPLR + 0.5% p.a.				
Dividend Paid (LKR)	-	-	-	6,310,731.90	30,338,577.47

* 18 Mn preference shares identified to be redeemed out of IPO proceeds are part of two preference share issues with DFCC aggregating to 66 Mn preference shares issued for the total consideration of LKR 660 Mn. In addition to this, LEF has issued 30 Mn preference shares for the total consideration of LKR 300 Mn to DFCC of which no part will be redeemed out of IPO proceeds. The balance outstanding as at 31 March 2017 of the said 30 Million preference shares was 22.5 Mn. Accordingly, from and out of the total 96 Mn preference shares issued by the Company to DFCC, 55.5 Mn have now been redeemed and the balance outstanding as at 31 March 2017 was 40.5 Mn amounting to a total outstanding value of LKR 405.0 Mn.

5.12 Details of Material Indebtedness

LEF's debt and loan capital particulars are as follows:

TABLE 5.12 – DEBT AND LOAN CAPITAL PARTICULARS AS AT 30 JUNE 2017

Financial institution	Principle value (LKR)	Capital outstanding as at 30 June 2017	Repayable within One Year (LKR)	Repayable after One Year (LKR)
Interest Bearing Borrowings				
HNB	300,000,000	206,250,000	75,000,000	131,250,000
DFCC	300,000,000	300,000,000	300,000,000	-
DFCC	140,000,000	140,000,000	140,000,000	-
Cumulative Redeemable Preference Shares*				
DFCC	300,000,000	60,000,000	60,000,000	-
DFCC	360,000,000	120,000,000	120,000,000	-
DFCC	300,000,000	225,000,000	75,000,000	150,000,000

In terms of CSE Listing Rule 3.1.12.e (ii) there are no further debt and loan capital particulars to be disclosed other than the particulars set out in the above table.

*Cumulative redeemable preference shares were issued at LKR 10.00 per share

There were no material contingent liabilities, including acceptances and guarantees outstanding as at the date of this Prospectus.

There were no mortgages or charges on assets of the Company as at the date of this Prospectus. There were no leases, lease purchases, hire purchases, and capital commitments of the Company as at the date of this Prospectus.

5.13 Working Capital

The Board is of the opinion that the working capital is sufficient for the purpose of carrying out day to day operations of the Company.

5.14 Material Contracts

There are no material contracts entered into by the Company other than those contracts entered into in the ordinary course of business.

5.15 Details of Commissions Paid

No commission has been paid in the Two (02) years preceding the Offer or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares of the Company.

5.16 Details of Benefits Paid to Promoters

No benefit has been paid or given within the Two (02) years preceding the Offer and there are no benefits intended to be paid or given to any promoter.

5.17 Taxation

Income Tax: Taxation will be based on the elements of income and expenditure as reported in the financial statements and computed at a concessionary rate of 12% as the Company is categorized as a venture capital firm.

5.18 Takeover Offers

There have been no takeover offers by third parties in respect of the Company's shares during the past two years and no takeover offers have been made by the Company in respect of shares of third parties.

5.19 Litigation, Disputes and Contingent Liabilities

There were no legal, arbitration or mediation proceedings pending against the Company as at the date of this Prospectus, which may have or which had in recent past any significant effects on the financial position or future operations or profits of the Company. There were no penalties imposed by any regulatory or statutory authority against the Company. Also, as at the date of this Prospectus, there are no material contingent liabilities that would affect the current and future profits of the Company.

5.20 Corporate Governance Practices

The Board of Directors is responsible for the governance of the Company and 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 development of best practices.

Remuneration Committee – Remuneration Committee of Lanka Venture PLC will function as the remuneration committee of LEF as well.

The Remuneration Committee of the Board comprises of three (03) Non-Executive Directors, the majority of whom are independent as shown below.

- Mr. S. E. De Silva – *Chairman (Non-Executive Independent Director)*
- Mr. T. W. De Silva – *(Non-Executive Director)*
- Mr. A. R. Munasinghe – *(Non-Executive Independent Director)*

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

Audit Committee – Audit Committee of Lanka Venture PLC will function as the Audit committee of LEF as well. The composition of the Committee is as follows:

- Ms. I. R. D Thenbandu* – Chairperson
- Mr. S. E. De Silva - *(Non-Executive Independent Director)*
- Mr. A. R. Munasinghe- *(Non-Executive Independent Director)*

**Ms. I.R.D Thenbandu is a Non-Executive Director of Lanka Ventures PLC (LVL), the parent entity of LEF and the Chairperson of LVL's Audit Committee. Ms. I.R.D Thenbandu is not a director of LEF.*

Related Party Transaction Review Committee (RPTRC) – Related Party Transactions Review Committee of Lanka Venture PLC will function as the Related Party Transactions Review Committee of LEF as well. The composition of the Committee is as follows:

- Mr. A. R. Munasinghe – Chairman (Independent Director)
- Mr. S. E. De Silva - (Independent Director)

The committee at the meeting held on 29 November 2016 discussed in detail, the related party transactions stemming from objectives of the IPO and decided to recommend to the Board to settle the LKR 300 Mn bridge finance loan that was obtained from DFCC Bank PLC and also recommended to redeem the 18 Mn cumulative redeemable preference shares of DFCC Bank PLC amounting to a total outstanding value of LKR 180 Mn out of the proceeds of the IPO.

Further, the Company declares that all related party transactions under the IPO objectives would be carried out in compliance with Section 9.0 of the CSE Listing Rules.

6.0 OTHER INFORMATION

6.1 Minimum Subscription and Underwriting

There is no minimum amount required to be raised in this Offer. However, due to the Underwriting arrangement detailed below, a minimum amount of LKR 700 Mn will be raised through this IPO.

In the event of an undersubscription of the IPO, LEF would still be able to meet the objectives of the issue through the LKR 700 Mn funding from Underwriting together with bank borrowings.

In terms of ranking of priority to allocate the minimum amount that will be raised through the LKR 700 Mn worth of underwriting arrangement detailed in Section 6.1 of this prospectus, LEF prioritizes to settle LKR 620 Mn debt identified in the objectives of the issue. The balance subscriptions through the Underwriting agreement, LKR 80 Mn together with bank borrowing of LKR 500 will be utilized for the purpose of funding Pupuleketiya and Makari Gad projects.

Details of Underwriting

The Company has entered into Underwriting Agreements with DFCC Bank PLC (DFCC) and Sampath Bank PLC (Sampath) with regards to the IPO. In the event of an undersubscription, DFCC Bank PLC and Sampath Bank PLC, the Underwriters, will collectively subscribe up to a maximum of 70,000,000 Shares (collectively underwrite 58.33% of the total Shares issued via the IPO) at the Share Offer Price amounting to a total value of LKR 700 Mn.

Of the said 70,000,000 Shares, 37,030,000 Shares will be underwritten by DFCC and 32,970,000 Shares will be underwritten by Sampath at the Share Offer Price, amounting to LKR 370.3 Mn and LKR 329.7 Mn respectively (i.e. DFCC and Sampath will underwrite 30.86% and 27.48% respectively of the total Shares issued via the IPO).

The Company shall seek a listing irrespective of whether the Offer is fully subscribed or not (subject to the Company satisfying the requirement of the SEC Directives for such a listing as more fully described in Section 3.8 of this Prospectus). In the event of an under subscription (subject to the Company satisfying the minimum public holding requirement as stipulated in SEC Directive Ref: SEC/LEG/16/11/13), the subscribers will be allotted the Shares they have applied for and the funds raised will be utilized to meet the objectives of the Offer, as stipulated in Section 3.1 of this Prospectus.

However, in the event the Company is unable to fulfil the minimum public holding requirement as stipulated in SEC Directive Ref: SEC/LEG/16/11/13, the money collected will be returned to Applicants on or before the expiry of Ten (10) Market Days from the Offer Closing Date (excluding the Offer Closing Date) and the Company will not be listed on the CSE.

Profile of the Underwriters

DFCC Bank PLC

DFCC Bank was set up in 1955 as Sri Lanka's pioneer Development Finance Institution on the recommendation of the World Bank and is one of the oldest development banks in Asia. It is renowned for its project financing and SME (Small and Medium Enterprises) financing expertise and has pioneered many new industries. In October 2015, DFCC Bank and its 99% owned subsidiary, DFCC Vardhana Bank were amalgamated. DFCC Bank

is now a fully-fledged Licensed Commercial Bank offering the range of development banking and commercial banking products and services. DFCC Bank is rated AA-(lka) by Fitch Ratings (Lanka) Limited.

DFCC Bank's services are delivered island-wide through 99 branches and 39 service points at Sri Lanka Post outlets. Customers also have access to over 3,600 ATMs across the country as well as zero cost cash withdrawals, via any Lankapay member bank. DFCC Bank also offers Internet and mobile banking services through innovative digital technology.

Sampath Bank PLC

Sampath Bank PLC is one of Sri Lanka's premier Licensed Commercial Banks and is ranked as the 3rd largest private sector bank in the country, operating through 229 Branches and 383 ATMs including 85 offsite ATMs. Incorporated in 1986 and listed on the main board of the Colombo Stock Exchange, Sampath Bank PLC is renowned for its pioneering role in Sri Lanka's banking industry. In 1988, Sampath Bank launched the first multipoint network of automated teller machine in Sri Lanka. The Bank also introduced the first debit card in South Asia in 1997.

Sampath Bank is one of the most technologically advanced banks in Sri Lanka since its landmark achievement of becoming the first bank in Sri Lanka to operate with a fully computerized database and related technologies in 1987.

The Bank continues to successfully combine both conventional brick and mortar banking concept with the latest developments in technology to deliver a superior banking experience to all customers.

The Bank serves a full spectrum of customer segments, including retail, large corporates, middle market and Small and Medium Enterprises. Sampath Bank's continued growth and success is founded on a highly diversified and well-balanced business model and a robust multi-channel environment.

Sampath Bank was awarded as the "Best Retail Bank 2016 in Sri Lanka" for three consecutive years, from 2014-2016 by the World Finance Magazine, UK. The Bank has also been honoured as "Sri Lanka's Best Bank" for the fourth time by the prestigious EuroMoney Award for Excellence in 2017. All latest financial information of Sampath Bank is available on the website of CSE www.cse.lk and the website of the Bank www.sampath.lk.

6.2 Inspection of Documents

Articles of Association, Auditor's Reports and the Audited Financial Statements for five (05) financial years immediately preceding the date of this Prospectus, Interim Financial Statements for the three (03) months ended 30 June 2017, independent valuation report by the Independent Valuer to the Offer and the Management Agreements of the Company and all other relevant documents, would be made available for inspection by the public during normal working hours at the registered office of the Company, Ocean Lines Building, 46/12, Nawam Mawatha, Colombo 02 for a of period not less than Fourteen (14) Market Days as per Rule 3.1.19 (a) of the CSE Listing Rules.

As stipulated in Rule 3.1.19 (b) of the CSE Listing Rules, the Prospectus, Application Form and Articles of Association of the Company will be available on the website of the CSE, www.cse.lk and website of the Company, www.lvlenergyfund.lk for a period of not less than Fourteen (14) Market Days. In addition to that, the above said documents will be hosted on the website of the Manager to the Offer, www.acuity.lk for a period of not less than Fourteen (14) Market Days.

As stipulated in Rule 3.1.19 (c) of the CSE Listing Rules, the independent valuation report prepared by the Independent Valuer to the Offer, justifying the Share Offer Price will be available on the website of the CSE, www.cse.lk and website of the Company, www.lvlenergyfund.lk for a period of Two (02) months commencing from the date of granting approval in-principle for listing of shares of the Company by the CSE. In addition to that, the above said document will be hosted on the website of the Manager to the Offer, www.acuity.lk for a period of Two (02) months commencing from the date of granting approval in-principle for listing of shares of the Company by the CSE

6.3 Degree of Dependence on Customers and Borrowers

The Company is dependent on the performance of a few customers in its normal course of business. Some of the key third parties whom the Company is reliant upon are discussed below.

Ceylon Electricity Board (CEB) / Bangladesh Power Development Board (BPDB)/Nepal Electricity Authority (NEA) – Project revenue is entirely dependent on its sole customer, the CEB, BPDP and NEA for the purchase of all the electricity generated by power projects across three different countries.

They have entered into SPPAs with project companies to purchase electricity for 15, 20 or 30 years as given in table 6.1 below.

Further to the above, the SPPAs signed also include a termination clause which could be triggered by events such as; the company failing to receive all approvals and permits required to operation of the facility within 23 months from the date of signing the SPPA, company failing to begin commercial operation within a month from the aforesaid milestone; the company fails to complete, abandons or cancels construction of the plant; the company fails to deliver an aggregate energy output equal to seven times the average energy output delivered during specific period as stipulated in relevant SPPA's etc. The Company will not deliberately default any of the SPPA conditions. However, in an occurrence of default which is beyond the control of the Company, the Company will make representations to the CEB/BPDB/NEA setting out the reasons for such default and make its best efforts to restore the operation of the SPPA.

TABLE 6.1 DETAILS OF SIGNED POWER PURCHASED AGREEMENTS

Project	Tenure of PPA (Years)	Starting From
Belihul-Oya	15	May 2002 (Extended from May 2017 up to May 2022)
Assupini-Ella	15	November 2005
Kadawela	15	March 2008
Neluwa	15	January 2008
Theberton	20	September 2015
Campion*	20	April 2017
Pupulaketiya	20	Commercial Operation Date
Bambarapana	20	Commercial Operation Date
Makari Gad	30	Commercial Operation Date
Pawan Danavi	20	August 2012
Nala Dhanavi	20	June 2013
Rajshahi	15	January 2014
Comilla	15	January 2015

* Funding for the Campion project was sourced from the bridge finance loan from DFCC Bank PLC, referred to in Section 3.1.

These power projects are 'must run' facilities under the SPPA's and accordingly the CEB, BPDP and NEA are obliged to purchase all energy output of the plants. The company is solely dependent on CEB, BPDB and NEA for generation of revenue. Dependency on CEB, BPDB and NEA based on installed capacity of projects will be as follows:

Utility	MW Capacity
CEB	36.1
BPDB	104.4
NEA	10.0
Total	150.5

7.0 PROCEDURE FOR APPLICATION

7.1 Eligible Applicants

Applications are invited from the following categories of investors, **having a Valid Account in the Central Depository System (Private) Limited (CDS Account):**

- I. Citizens of Sri Lanka who are resident in or outside Sri Lanka and above 18 years of age; or
- II. Companies, corporations or institutions incorporated or established within Sri Lanka; or
- III. Corporate bodies incorporated or established outside Sri Lanka; or
- IV. Approved unit trusts licensed by the SEC; or
- V. Approved provident funds and contributory pension schemes registered/incorporated/ established in Sri Lanka (in this case, Applications should be in the name of the Trustee/Board of Management in order to facilitate the opening of the CDS account); or
- VI. Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- VII. Global, regional and country funds approved by the SEC.

Applications made by **individuals less than 18 years of age** or those in the names of **sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.**

Applications from the Public shall be given priority when allocating Shares, 'Public' as defined in the CSE Listing Rules.

Applications submitted under the Unit Trust Investor Category should conform to the criteria defined by the SEC Directive (Ref: SEC/LEG/11/03/36 of 10 March 2011).

Eligible Applicants may fall into one of the following categories.

- i. Retail Individual Investor Category
- ii. Unit Trust Investor Category
- iii. Non-Retail Investor Category

Please refer Section 7.2.1 for the definitions of the aforementioned categories.

7.2 The Procedure for Application

Applicants applying for the New Shares should submit their Applications in the manner set out in this Prospectus.

The Prospectus will be made available free of charge from the collection points listed in Annex F. The Prospectus can also be downloaded from www.cse.lk, www.lvlenergyfund.lk and www.acuity.lk.

7.2.1 How to Apply

APPLICANTS SHOULD APPLY ONLY THROUGH ONE INVESTOR CATEGORY (INCLUDING JOINT APPLICANTS) AND WOULD BE PERMITTED TO SUBMIT ONLY ONE APPLICATION FORM. TWO OR MORE APPLICATIONS SUBMITTED BY THE SAME APPLICANT EITHER UNDER THE SAME CATEGORY OR A DIFFERENT CATEGORY WILL BE CONSTRUED AS MULTIPLE APPLICATIONS AND WILL BE REJECTED.

Only one Application should be made by an Applicant under the **Unit Trust Category**.

Applicants must apply for the New Shares on the Application Form, which constitutes part of this Prospectus. The Application Form should be legibly completed and be received by the Registrar to the Offer.

Retail Individual and Non-Retail Investor Category

Applicants falling under the **Retail Individual and Non-Retail Investor Categories** should apply for the Shares on the **WHITE coloured** Application Form printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will be made available from the collection points listed in Annex F and can also be downloaded from www.cse.lk , www.lvlenergyfund.lk and www.acuity.lk. **Exact size copies of the Application form printed on WHITE coloured paper as specified herein will also be permissible under the Retail Individual and Non-Retail Investor Categories.** The completed Application Forms should be submitted to the Registrars to the Offer.

‘Retail Individual Investor’ as defined by the CSE Listing Rules, shall mean an individual investor who subscribes for a maximum of 3,000 shares or a value of not more than LKR 100,000.00 in a particular share class, whichever is higher.

In this instance, local and foreign individual investor/s who apply for up to a maximum of 10,000 Shares (including 10,000 Shares) (value of not more than LKR 100,000.00) will be deemed as Retail Individual investors for share allotment purposes.

All non-resident applicants and corporate applicants should ensure that the passport number/company registration number and the CDS Identification Number (CDS ID) are stated in the relevant cages of the Application Form.

Unit Trust Investor Category

Applicants applying under the **Unit Trust Investor Category** must apply for the Shares using the separate **YELLOW coloured** Application Form printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will be made available through the registered office of the Company, Ocean Lines Building, 46/12, Nawam Mawatha, Colombo 02, and Acuity Partners (Private) Limited, 53, Dharmapala Mawatha, Colombo 03. **Exact size copies of the Application form printed on YELLOW coloured paper as specified herein will also be permissible under the Unit Trust Investor Category.** The completed Application Forms should be submitted directly to the Manager to the Offer, who will forward the same to the Registrars to the Offer.

Applications submitted under the Unit Trust Investor Category should submit a confirmation by the trustee confirming that such unit trust is in conformity with the criteria defined by the SEC Directive dated June 6 2011 (Ref: SEC/LEG/11/06/01) and CSE Listing Rules, 3.1.5(b)(iii).

‘Unit Trust Investors’ includes growth or balanced Unit Trusts operated by managing companies licensed by the Securities and Exchange Commission of Sri Lanka (SEC) to operate such Unit Trusts, where such Unit Trust comprises of not less than five hundred unit holders resident in Sri Lanka who together hold at least 50% of that fund.

An Applicant of a Joint Application, applying through another Application Form, is deemed to have made multiple Applications and will be rejected.

An Applicant who has made an Application under a margin trading account should not apply individually or jointly on a separate Application Form. Such Applications will also be construed as multiple Applications and will be rejected.

Subject to the above, the Company/Manager/Registrars to the Offer reserve the right to reject multiple Applications and suspected multiple Applications which are not allowed or to accept only one Application Form at their discretion.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to reject any Application or to accept any Application in full or part, for whatsoever reason.

Please note that Applicant information such as full name, address, NIC number/passport number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information shall take precedence over information provided in the Application Form.

Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts will be rejected.

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

PLEASE NOTE THAT AN ALLOTMENT OF SHARES WILL ONLY BE MADE IF YOU HAVE A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.

Applicants have the option of having their Shares 'locked' in the CDS. Shares that are 'locked' will not be available for trading purposes and will not be visible to the participant. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the Shares need to be deposited to his/her 'locked' balance in the CDS account, the said Shares would be deposited to Applicant's 'trading' balance in the CDS account.

Operation of a 'locked' balance in the CDS

In order to preserve the confidentiality of shareholder information and to ensure that securities are not made available for trading for those shareholders who do not want to trade the securities, the CDS provides a mechanism where securities can be 'locked' in the CDS account.

The CDS maintains two balances for each CDS account, namely a 'trading' balance and a 'locked' balance. The trading balance would be visible to the CDS participant and all dealings and trading would be permitted on the said trading balance, as done normally.

As opposed to the trading balance, the locked balance will not be visible to the CDS participant and all dealings on such locked balance would be suspended thereby maintaining the confidentiality of the information and also safeguarding the account holder from any unauthorized sale by a broker.

At the option and request of an account holder, the CDS would transfer a named quantity of securities from the locked balance to the trading balance of a CDS account and/or from the trading balance to the locked balance.

7.2.2 Number of Shares Applied

Application should be made for a minimum of One Hundred (100) Shares [for a value of Sri Lankan Rupees One Thousand (LKR 1,000/-)] and in multiples of One Hundred (100) Shares thereof.

Applications made for less than **One Hundred (100) Shares** or for a number which is not in multiples of One Hundred (100) Shares will be rejected and the accompanying cheques, bank drafts or bank guarantees will not be sent for clearing but be returned via ordinary post at the risk of the Applicant, or in the case of Joint Applicants, the first named Applicant. **The cheque or bank draft or bank guarantee or RTGS transfer should be issued/carried out to the exact value of the number of Shares applied for multiplied by the Share Issue Price.** Cheques, bank drafts, bank guarantees or RTGS transfers not conforming to the above requirement will be rejected at the outset.

Please refer Section 7.3.1 for details with respect to the mode of remittance.

7.2.3 Identification Information

All Applicants should disclose their identification/registration information by filling in the space provided in the Application Form for this purpose.

Applicants are requested to state their residency and nationality in the appropriate spaces provided in the Application Form.

The NIC, passport, or company registration number as the case may be, must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected.

Resident Applicants may use the passport for purposes of identification only if they do not have a NIC number.

Tabulated below is the relevant identification information that a prospective investor should provide depending on the legal status:

Citizenship/Legal Form	Identification Information				
	NIC Number	Passport Number	Company Registration Number	Common Seal/ Rubber Stamp	CDS Account Number
Sri Lanka Citizens	√				√
Sri Lanka Citizens with no NIC Number*		√			√
Foreign Citizens**		√			√
Corporate Entities***			√	√	√

** In the case of Sri Lankan citizens, the passport number will be accepted only when the NIC number is not available. The CDS account must be for the same passport number.*

*** Foreign citizens must state the passport number in the space provided.*

**** The company registration number must be provided. The common seal or rubber stamp should be affixed and the Application Form duly signed as stipulated in the constitutional documents of such Applicants.*

A valid CDS account number must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected. All information about the Applicant (i.e name, address, nationality and NIC or passport number) will be downloaded from the database of the CDS, based on the number given in the Application Form. In the event of any discrepancy between the information in the CDS and in the Application Form, the information in the CDS shall take precedence.

If the CDS account number is not indicated in the Application Form, or the number indicated in the form is found to be inaccurate/incorrect, or the account number indicated is not opened at the time of closing the Offering such Application will be rejected and no allotments of Shares will be made.

7.2.4 Key Responsibility of a Non-Resident Investor

Non-resident investors may be affected by the laws of the jurisdiction of their residence. If non-resident investors wish to apply for the New Shares, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

7.2.5 Margin Trading

Applicants who wish to apply through their margin trading account should submit the Applications in the name of the 'margin provider/Applicant's name' signed by the margin provider.

The Applicants should state the relevant CDS account number relating to the margin trading account in the space provided for the CDS account number in the Application Form. The Shares shall be uploaded to the CDS account indicated in the Application Form.

The NIC, passport, or company registration number of the Applicant as the case may be, must be stated in the Application Form.

Resident Applicants may use the passport for purposes of identification, only if they do not have a NIC number.

A photocopy of the margin trading agreement must be submitted along with the Application.

Please note that the margin provider can apply under its own name and such Applications will not be construed as multiple Applications. Details of multiple Applications are available under Section 7.2.1.

7.2.6 Applications Made Under Power of Attorney

In the case of Applications made under Power of Attorney (POA), a copy of the said POA, **certified by a Notary Public** to be a true copy of the original, should be lodged with the Registrars to the Offer along with the Application Form. **The original POA should not be attached.**

7.2.7 Joint Applications

If the ownership of the Shares is desired in the name of one Applicant, full details should be given only under the heading, **SOLE/FIRST APPLICANT** in the Application Forms. In the case of joint Applicants, the signatures and particulars in respects of all Applicants must be given under the relevant headings in the Application Form.

Joint Application Forms are permitted only for natural persons not exceeding three Applicants. Joint Applicants should note that there should not be a combination of residents of Sri Lanka and non-residents. An Applicant of a joint Application shall not apply through a separate Application Form either individually or jointly.

7.2.8 Submission of Applications

Application Forms properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance (cheque or bank draft or bank guarantee or RTGS transfer only) for the full amount payable on Application should be enclosed in a sealed envelope marked '**LVL Energy Fund Limited – IPO**' on the top left-hand corner and be addressed and dispatched by post or courier or delivered by hand to the Registrars to the Offer at the following address **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

Corporate Services (Private) Limited

No: 216, de Saram Place,
Colombo 10, Sri Lanka
Tel: +94 11 4605180
Fax: +94 11 4718220

Applications may also be handed over to the Financial Advisor and Manager to the Offer, Bankers to the Offer and its designated branches, members and trading members of the CSE as set out in Annex F **prior to 4.30 p.m. Local Time on the Offer Closing Date.**

In the case of Applications dispatched under the Unit Trust Category the Application Forms should be submitted to the Manager to the Offer, who will forward the same to the Registrars to the Offer. Applications submitted under the Unit Trust Investors category should accompany a written confirmation by the Trustee confirming that such unit trust is in conformity with the criteria defined by the SEC Directive dated 06 June 2011 (SEC/LEG/11/06/01) and CSE Listing Rule, 3.1.5(b) (iii).

In the case of Applications dispatched by courier or post, such Applications should reach the Registrars to the Offer **not later than 4.30 p.m. Local Time on the Market Day immediately following the Offer Closing Date.** Any Applications received after the above deadline shall be rejected even though the courier or post mark is dated prior to the Offer Closing Date.

7.3 Payment of Application Monies

7.3.1 Mode of Remittance

- (a) Payment in full for the total value of Shares applied for should be made separately in respect of each Application either by cheque or bank draft or bank guarantee drawn upon a licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, as the case may be subject to (b) below.
The remittances on Applications will be deposited in a separate bank account in the name of '**LVL Energy Fund Limited – IPO**'.
- (b) The amount payable should be calculated by multiplying the number of Shares applied for under a particular category by the Share Offer Price of LKR 10.00. If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee, the Application will be rejected.
- (c) **Payments for Applications for Shares of a value below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) may be supported by a cheque or bank draft or bank guarantee.** In such instances, Application Form should be accompanied by only one cheque or bank draft or bank guarantee and should be issued for the **full amount** indicated in the Application Form. **Any Application for Shares of**

a value below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) accompanied by two or more cheques or bank drafts or bank guarantees will be rejected at the outset.

Applicants making Applications for Shares of a value above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) will be permitted to submit multiple bank drafts (not cheques) or multiple bank guarantees or RTGS transfer on the Offer Opening Date. Such Applicants are required to attach a list to the Application Form giving details of payment, such as the amount of bank draft/bank guarantee, name of bank, name of branch and bank draft number/bank guarantee number.

Applications for Shares of a value above Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) accompanied by multiple bank drafts or multiple bank guarantees will not be rejected.

Cash will not be accepted. Anyone wishing to pay cash should obtain a bank draft from a Licensed Commercial Bank in Sri Lanka.

7.3.2 Cheques or Bank Drafts – Resident Sri Lankan Investors

Cheques or bank drafts should be drawn on any Licensed Commercial Bank in Sri Lanka and crossed '**Account Payee Only**' and made payable to '**LVL Energy Fund Limited – IPO**'.

Cheques or bank drafts accompanying Application Forms made for less than **One Hundred (100)** Shares, i.e. for a value of Sri Lankan Rupees One Thousand Only (LKR 1,000/-) or for a number which is not in multiples of One Hundred (100) Shares (as mentioned in Section 7.2.2) will not be sent for clearing and shall be returned via ordinary post at the risk of the Applicant, or in the case of joint Applicants, to the first named Applicant.

In the event that cheques are not realized within Two (02) Market Days from the date of presenting the same to the bank for clearing, the Directors reserve the right to reject the Applications and return the Application monies. No allocation of Shares will be made to such Applicants.

Applicants residing in outstation areas from which cheque clearance may take over Two (02) Market Days are advised to make payment via bank drafts to avoid any delays.

Cheques must be honored on the first presentation to the bank for the Application to be valid. Applications supported by cheques which are not honored on first presentation will be rejected.

7.3.3 Bank Guarantees – Resident Sri Lankan Investors

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 7.3.1 will be accepted. Bank guarantees will be presented to the respective banks only after the New Shares have been allotted. Bank guarantees should be issued by any Licensed Commercial Bank in Sri Lanka and in favour of '**LVL Energy Limited – IPO**' in a manner acceptable to the Company and payable on demand.

Bank guarantees should be valid for a minimum of One (01) month from Offer Opening Date (i.e. 14 December 2017).

Applicants are advised to ensure that sufficient funds / facilities are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Offer. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank

guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

7.3.4 RTGS Transfers – Resident Sri Lankan Investors

In case of RTGS transfers (only for Application valued above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), such transfer should be made to the credit of **'LVL Energy Fund Limited – IPO'** bearing the account number **007001011671 at DFCC Bank PLC – Corporate/City Branch with value on the Offer Opening Date (i.e. the funds to be made available to the above account/s).**

The Applicants should obtain a confirmation from the Applicant's bank, to the effect that arrangements have been made to transfer payment in full for the total value of Shares applied for to the credit of **'LVL Energy Fund Limited – IPO'** bearing the account number **007001011671 at DFCC Bank PLC – Corporate/City Branch** with value on Offer Opening Date (i.e. the fund to be made available to the above account on the Offer Opening Date and should be attached to the Application Form.

7.3.5 Foreign Currency Remittances

This section is applicable to;

- i. Citizens of Sri Lanka who are above 18 years of age and resident overseas;
- ii. Corporate bodies incorporated or established outside Sri Lanka;
- iii. Regional or country funds approved by the SEC;
- iv. Foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.

The abovementioned Applicants should make their payments using one of the following methods as the case may be.

- (a) A foreign investor may invest through a "Securities Investment Account" (SIA) maintained with any licensed commercial bank in Sri Lanka. The procedure for arranging payments through a SIA is presented below;
 - A Foreign Investor may use the services of a custodian bank as an intermediary when investing in the Sri Lankan securities market;
 - The intermediary may open a SIA, on investor's behalf;
 - In conjunction with the SIA, an account with the CDS must be opened in case the investor does not already possess a valid CDS account;
 - In respect of regional or country funds investing for the first time in Sri Lanka, the intermediary will facilitate the approval process regulated by the SEC;
 - Payment for Shares should be made through a bank draft or bank guarantee issued by a licensed commercial bank in Sri Lanka or through a RTGS transfer against the funds arranged through the SIA and made payable to **'LVL Energy Fund Limited – IPO'**.
- (b) A foreign investor may invest through inward remittances of foreign currency held in a Foreign Currency Banking Unit (FCBU) account of the Applicant maintained with any Licensed Commercial Bank in Sri Lanka. The procedure for arranging payments through a FCBU account is presented below;
 - The Applicant should forward the Application Form supported by an unconditional bank guarantee drawn on the Applicant's FCBU account pending allotment of the Offered Shares with confirmation from the LCB that upon notification of the allotment of Shares, the allotment value would be remitted through the Applicant's SIA.

- Upon allotment of Offered Shares, foreign currency to the extent of the Sri Lanka Rupee equivalent value of Offered Shares allotted would be called on the bank guarantee drawn on the Applicant's FCBU account.
 - The requisite funds would then be credited to a SIA opened in favour of the Applicant via the aforementioned FCBU account. This procedure would protect a prospective investor from any losses accruing due to fluctuating exchange rates.
- (c) In addition to the payments made through SIA and FCB as mentioned above, a foreign citizen resident in Sri Lanka under the Resident Guest Scheme may invest through a Resident Guest Foreign Currency Account (RGFCA) or Resident Guest Rupee Current Account (RGRCA) that investors maintain with any LCB in Sri Lanka. An investor who wishes to avail him/herself of this facility should make the payment for New Shares through a bank draft or an unconditional bank guarantee in Sri Lanka Rupees or by converting foreign currency funds available in the RGFCA/RGRCA as the case maybe (based on the guidelines provided by the Exchange Control Department of CBSL) and made payable to '**LVL Energy Fund Limited – IPO**'.

Cheques or bank drafts or bank guarantees should be endorsed by the issuing custodian bank, to the effect that, arrangements have been made to facilitate such payment to be made against funds available in the individual's SIA account. The endorsement must be clearly indicated on the cheque or bank draft or the bank guarantee. Alternatively, a document detailing the endorsement could be submitted along with the payment and Application.

Applications supported by foreign currency remittances should be made in conformity with requisite declarations accompanied by the documentation stipulated by the Controller of Exchange of the Central Bank of Sri Lanka.

Any refund payments to Foreign Investors are made in terms of Section 7.7 of this Prospectus.

7.3.6 Restrictions Applicable to Foreign Citizens Resident in Sri Lanka

Foreign citizens resident in Sri Lanka may make payments through Sri Lanka Rupee Accounts, only if they possess dual citizenship where one such citizenship is Sri Lankan. **Foreign citizens having Sri Lankan citizenship should attach a certified copy of the citizenship certificate with the Application Form.**

Foreign citizens residing in Sri Lanka having valid residency visas should note that they cannot make remittances via cheques or bank drafts or bank guarantees or RTGS transfers drawn upon Sri Lanka Rupee accounts maintained with any licensed commercial bank in Sri Lanka but may do so via SIA account as detailed in Section 7.3.5 above. **Applications made by foreign citizens not in accordance to the foregoing shall be rejected.**

7.4 Rejection of Applications

- i. Application Forms which are incomplete in any way and/or are not in accordance with the terms and conditions set out in this Prospectus will be rejected at the absolute discretion of the Company/Managers/Registrars to the Offer.
- ii. Any Application Form which does not provide the NIC, passport (where NIC is not available) or company registration number as the case may be, will be rejected.
- iii. Applications delivered by hand after 4.30 p.m. Local Time on the Issue Closing Date will be rejected. Applications received by courier/post after 4.30 p.m. Local Time on the succeeding Market Day

immediately following the Issue Closing Date, will also be rejected even if they carry a courier acceptance date/postmark date earlier than the Closing Date.

- iv. Applications made for less than One Hundred (100) Shares or for a number which is not in multiple of One Hundred (100) Shares will be rejected.
- v. **An Application which does not carry a CDS account number, or indicates a number of a CDS account which is not opened at the time of the closure of the subscription list (either at the time fixed for closing or on the date on which the Offering is subscribed), or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment of Shares will be made.**
- vi. Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts, will be rejected.
- vii. The company reserves the right to reject multiple Applications and suspected multiple Applications which are not allowed, as mentioned in Section 7.2.1.
- viii. Payment for Applications of New Shares of a value below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) accompanying two or more cheques and bank drafts or bank guarantees as mentioned in Section 7.3.1, will be rejected at the outset.
- ix. Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to reject any Application or to accept any Application in full or part, for whatsoever reason.

7.5 Banking of Payments

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Market Day after the Closure Date of the subscription list, in terms of the CSE Listing Rules.

7.6 Returning of Monies on Rejected Applications

Where an Application Form is rejected, the cheque or bank draft or bank guarantee received in respect of the Application will be returned via ordinary post at the risk of the Applicant. In the case of joint Applicants, the cheque or bank draft or bank guarantee received in respect of the Application will be returned to the first named Applicant.

Where the Application Form is accepted and the cheque or bank draft or bank guarantee is not honoured by the bank at the first presentation, the Application will also be rejected and the dishonoured cheque or bank draft or bank guarantee will be returned via ordinary post at the risk of the Applicant. In the case of joint Applicants, the dishonoured cheque or bank draft or bank guarantee will be returned to the first named Applicant.

7.7 Refunds on Applications

Where an Application is accepted only in part or rejected in its entirety subsequent to cheques being realised, the balance/entirety of the monies received on Application as the case may be, will be refunded, such refunds will be made on or before the expiry of Ten (10) Market Days from the Closure Date (excluding the Closure Date) as required by the CSE Listing Rules. As required by Section 2.4(k) of the CSE Listing Rules, Applicants would be entitled to receive interest at the rate of last quoted Average Weighted Prime Lending Rate (AWPLR) published during the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in

the event Central Bank of Sri Lanka ceases to publish the AWPLR) plus five per centum (5.00%) for the delayed period on any refunds not made by the expiry of the aforementioned period.

It is the responsibility of Non-Residents/Foreign Investors to ensure that their SIA details are accurately provided under “Refund Payment Instructions” on the Application Form to forward the refund to SIA through which the application was made.

Refunds via Sri Lanka Inter-bank Payment Systems (SLIPS)

1. The refund payment will be made to the bank account specified by the Applicant through the SLIPS on or before the expiry of Ten (10) Market Days from the Closure Date (Excluding the Closure Date) as required by the CSE Listing Rules and a payment advice shall be issued to the Applicant provided that the Applicant has submitted accurate and complete details of Applicant’s bank account in the Application Form. However, SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (LKR 5,000,000/-) imposed by the CBSL with effect from October 29, 2010 as per Operating Instruction Circular No. 11/2010 dated October 25,2010.
2. Even though the Applicant has requested for SLIPS transfer for refund amounts and submitted accurate and complete details of the bank account in the Application Form, refund amounts exceeding Sri Lanka Rupees Five Million (LKR 5,000,000/-) will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.
3. In the event the refund payment is effected via SLIPS based on the bank account details provided by the Applicant in the Application Form, but is rejected by the Applicant’s bank due to inaccurate or incomplete information, such refund payments would be made via a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In such instances, the Company together with the Registrars to the Offer will send the refund cheques to such Applicants at the earliest possible time and the Applicant should not hold the Company or the Registrars to the Offer accountable for such delays.

Bank codes and branch codes could be obtained from the following website, through the Quick Links access;
http://www.lankaclear.com/products_and_services/sl_interbank_payment_system_guideline.php

Refunds via Crossed Cheque

1. If the Applicant has not provided details of the bank account in the Application Form or has provided inaccurate or incomplete details of the bank account with respect to refunds via SLIPS, the refund payment will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Applicant Forms.
2. A request for cancellation of crossing on the refund cheque, in instances where the Applicant does not maintain a current account, should be addressed to the Registrars to the Offer in writing, stating the cheque number and the fact that the Applicant does not maintain a current account. The refund cheque and a clear photocopy of the Applicant’s NIC should accompany the letter.

In the event of a refund cheque being delivered by hand by a third party to the Registrars to the Offer for cancellation of crossing, a letter of authorization signed by the Applicant stating the NIC number of such third party should also be presented with the refund cheque. Refund cheques on which the crossings have been cancelled by the Registrars to the Offer should preferably be collected in person or by third party authorized by the Applicant. Where an Applicant has requested the delivery of the cheque on which the crossing has been cancelled via post, such cheque will be sent at the risk of the Applicant.

7.8 Successful Applicants and CDS Lodgement

The Shares allotted will be directly uploaded to the respective CDS accounts given in the Application Form before the expiry of Eighteen (18) Market Days from the Issue Closing Date as requested by the CSE Listing Rules.

A written confirmation, upon the completion of crediting the respective CDS accounts will be sent to the shareholder within Two (2) Market Days of crediting the CDS accounts by ordinary post to the address provided by each shareholder in their respective Applications.

Applicants have the option of having their Shares 'locked' in the CDS. Shares that are 'locked' will not be available for trading purposes and will not be visible to the participant. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the Shares need to be deposited to his/her 'locked' balance in the CDS account, the said Shares would be deposited to Applicant's 'trading' balance in the CDS account.

Refer Section 7.2.1 for the definition of 'locked'.

New Shares shall not be transferable by the shareholders during the period between the date of allotment of the New Shares and up to the date of listing (excluding the date of listing) of the Ordinary Shares on the CSE. Further, the Company shall not allot any Shares of the Company (other than the allotment of New Shares) or transfer existing Shares during the interim period between the date of the Initial Listing Application and the date of listing of the Shares of the Company.

Upon the Ordinary Shares being listed on the CSE, such Shares shall be freely transferable except for those Shares mentioned in Section 8.2 of this Prospectus, which will be locked-in to be in compliance with CSE Listing Rules 2.1.1(d) and SEC letter dated 23 January 2017.

7.9 Declaration to the CSE and Secondary Market Trading

The Company will submit to the CSE a "Declaration" on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the New Shares. Trading of the Ordinary Shares on the secondary market will commence on or before the Third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

8.0 CAPITAL STRUCTURE

8.1 Shareholding Structure Pre and Post IPO

The current and the post IPO shareholding structures are illustrated below.

TABLE 8.1 - SHAREHOLDING STRUCTURE – PRE AND POST IPO

Name	Pre IPO		Post IPO	
	Number of Ordinary Shares	Percentage	Number of Ordinary Shares	Percentage
Existing Shareholders	462,278,117	100.00%	462,278,117	79.39%
Existing Shareholders – Public	52,740,830	11.41%	52,740,830	9.06%
Existing Shareholders – Shares held by the promoters, directors, key management personnel and parties acting in concert	409,537,287	88.59%	409,537,287	70.33%
IPO Shareholders	-	-	120,000,000	20.61%
Total	462,278,117	100.00%	582,278,117	100.00%

In terms of CSE Listing Rule 2.1.1(d)(iv), the Company submitted an application dated 20 December 2016 to the SEC. Accordingly, the SEC approved the said application subject to the shares continued to be held by the promoters, directors, key management personnel and parties acting in concert, as defined in Section 8.2, namely 409,537,287 shares, as shown in Tables 8.3 and 8.4 below, would be subject to a “lock-in” for a period of Twelve (12) months from the date of listing. As such, these shares would not be available for secondary market trading on the CSE upon LEF obtaining listing of its shares subsequent to the IPO contemplated via this Prospectus until the expiry of the aforesaid Twelve (12) month period from the respective date of listing.

Further, the share allotments of all “Public” shareholders that took place during the period of Twelve (12) months immediately preceding the date of the Initial Listing Application (Annexure H), will not be subject to a lock-in, in terms of CSE Listing Rule 2.1.1 (d) (iv). Since there were no share transfers among the shareholders categorized neither as “Public” nor “Non-Public” during the period of twelve (12) months immediately preceding the date of an Initial Listing Application, no further shares will be subject to a lock-in, in terms of CSE Listing Rule 2.1.1 (d) (iii).

TABLE 8.2 - SHAREHOLDING STRUCTURE AND SHAREHOLDERS CATEGORY – PRE AND POST IPO

No.	Category of Shareholders		No of Shareholders	Locked - in Shares	The months after which the Shares will be available for trading	No. of Shares	No. of Shares as % of Total No. of Shares
Pre IPO Position							
1	Non-Public (excluding the shareholders identified under row 3 below)	Shares held prior to the Rights Issue	Nil	N/A	N/A	N/A	N/A
		Shares offered via the Rights Issue		N/A	N/A	N/A	N/A
2	Public (excluding the shareholders identified under row 3 below)	Shares held prior to the Rights Issue	34	N/A	N/A	46,431,164	10.04%
		Shares offered via the Rights Issue		N/A	N/A	6,309,666	1.36%
3	Promoters, Directors, Key management personnel and parties acting in concert (Parties identified by the SEC by way of their approval letter dated 23 Jan 2017)	Shares held prior to the Rights Issue	07	373,821,672	12	373,821,672	80.87%
		Shares offered via the Rights Issue		35,715,615	12	35,715,615	7.73%
Total			41	409,537,287	-	462,278,117	100.00%

Post IPO Position							
1	Non-Public (excluding the shareholders identified under row 3 below)	Shares held prior to the Rights Issue		N/A	N/A	N/A	N/A
		Shares offered via the Rights Issue		N/A	N/A	N/A	N/A
2	Public (excluding the shareholders identified under row 3 below)	Shares held prior to the Rights Issue		N/A	N/A	46,431,164	7.97%
		Shares offered via the Rights Issue		N/A	N/A	6,309,666	1.08%
3	Promoters, Directors, Key management personnel and parties acting in concert (Parties identified by the SEC by way of their approval letter dated 23 Jan 2017)	Shares held prior to the Rights Issue		373,821,672	12	373,821,672	64.20%
		Shares offered via the Rights Issue		35,715,615	12	35,715,615	6.13%
4	Public (IPO Shares)		-	N/A	N/A	120,000,000	20.61%
Total				409,537,287	-	582,278,117	100.00%

TABLE 8.3 – SHARES LOCKED-IN – PRE IPO

Category of Shareholders (Pre-Listing)	Locked-in Shares	The Months after which the Shares will be Available for Trading	No. of Shares	No. of Shares as a percentage of Total Number of Shares in Issue (Pre-Listing)
Promoters, directors, key management personnel and parties acting in concert	Shares held by Promoters, directors, key management personnel and parties acting in concert prior to the date of the Initial Listing Application - Locked-in	12 months from the date of listing	409,537,287	88.59%
Public *	Not Locked-in	Same day as the New Shares would be traded	52,740,830	11.41%
Total	-	-	462,278,117	100.00%

* 'Public' defined under the definition mentioned in CSE Listing Rules 2.1.1(d) (Refer Section 8.2 of the Prospectus)

The Company hereby confirms that the information furnished herewith shall remain unchanged to the date of listing.

Pre-IPO Public Holding (Shares held by the 'Public' as a percentage of the total Pre-IPO number of Shares), as per the 'Public' definition provided in the CSE Listing Rules is 11.41%.

TABLE 8.4 – SHARES LOCKED-IN – POST IPO

Category of Shareholders (Post-Listing)	Locked-in Shares	The Months after which the Shares will be Available for Trading	No. of Shares	No. of Shares as a percentage of Total Number of Shares in Issue (Post-Listing)
Promoters, directors, key management personnel and parties acting in concert	Locked-in	12 months from the date of listing	409,537,287	70.33%
Public *	Not Locked-in (Pre IPO Shares)	-	52,740,830	9.06%
Public	Not Locked-in (IPO Shares)	-	120,000,000	20.61%
Total			582,278,117	100.00%

* 'Public' defined under the definition mentioned in CSE Listing Rules 2.1.1(d) (Refer Section 8.2 of the Prospectus)

Post-IPO Public Holding (total unlocked-Shares post-IPO that will be held by the Public as a percentage of the total Shares in issue Post-IPO), as per the 'Public' definition provided in the CSE Listing Rules is 29.67%.

8.2 Free Transferability of Shares

In accordance with CSE Listing Rule 2.1.1(d):

- All Shares held by "Non-Public Shareholders"* prior to twelve (12) months from the date of an Initial Listing Application shall be locked-in for a period of six (06) months from the date of listing of the entity.
- All Shares held by "Public Shareholders"** prior to twelve (12) months from the date of an Initial Listing Application shall not be locked-in.

- All shares acquired by way of a transfer from another shareholder (irrespective of being Non-Public or Public Shareholders) during the period of twelve (12) months immediately preceding the date of an Initial Listing Application shall be locked in for a minimum of six (6) months from the date of listing or twelve (12) months from the date of acquisition of those shares, whichever is longer.
- All Shares acquired by way of an allotment during the period of twelve (12) months immediately preceding the date of an initial listing application shall be dealt with by the discretion vested in the Securities and Exchange Commission under Section 28A of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 where the Commission grants a waiver to an entity in terms of the said provision.

* Non-Public Shareholders, shall mean the following parties who hold, directly or indirectly, shares of the Company;

- a) its parent, any subsidiary or associate companies or any subsidiaries or associates of its parent company;
- b) its Directors who are holding office as directors of the entity and their close family members;
- c) Chief Executive Officer and his/her close family members;
- d) Key Management Personnel and their close family members;
- e) Any party acting in concert with the parties set out in a), b), c) and d) above;
- f) Shareholders whose shares are in a locked account with the CDS due to a statutory or regulatory requirement other than those shareholders exempted under (h) below and whose shares have been subject to a voluntary lock-in at the option of the shareholder
- g) Employees of the Company, who have been allotted shares of a Listed Entity which are directly or indirectly controlled by the management or the majority shareholder of the Company
- h) Any Entity or an individual or individuals jointly or severally holding 5% or more of the shares of the Listed Entity if the Company is a Diri Savi Board Entity and 10% or more of the shares if the Company is a Main Board Entity, except where such shareholder is;
 - i. a statutory institution managing funds belonging to contributors or investors who are members of the public; or
 - ii. an entity established as a unit trust or any other investment fund approved by the SEC; or
 - iii. not a related party declared in terms of Sri Lanka Accounting Standards or a party acting in concert declared in terms of the Company Takeovers and Mergers Code.

'Close Family Member' shall mean the spouse or a financially dependent child.

'Key Management Personnel' shall mean those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

** Public Shareholders shall mean any party who hold Shares of the Company other than the parties identified as 'Non-public shareholders' abovementioned.

The details of the lock-in periods for the shares are mentioned in Table 8.3 and 8.4 above, and the shares that will be subject to a lock-in will not be will be available for trading.

8.3 Other Securities

The Company has not issued any convertible debt securities or any other class of shares other than the shares stated above. Further there are no securities of the same or other class subscribed or sold privately in conjunction with this IPO.

8.4 Share Re-Purchases or Redemptions

The Company has not engaged in any share re-purchase, redemption or stated capital reduction exercises in relation to ordinary shares of the company in two years preceding the date of this Prospectus.

The details of redemption of cumulative redeemable preference shares in the Company during the two years preceding the date of this Prospectus are given below;

TABLE 8.5 – PREFERENCE SHARE REDEMPTIONS

Financial Year	Date Redeemed	Number of Shares Redeemed	Amount Redeemed (LKR)
2015/16	30-Sep-15	18,000,000	180,000,000.00
		18,000,000	180,000,000.00
2016/17	30-Sep-16	21,750,000	217,500,000.00
	31-Mar-17	3,750,000	37,500,000.00
		25,500,000	255,000,000.00
2017/18	30-Sep-17	21,750,000	217,500,000.00
		21,750,000	217,500,000.00

9.0 POWER SECTOR - SRI LANKA

9.1 Overview

Energy in Sri Lanka is produced primarily from Thermal Power & Hydro Power, with the balance being made up of Mini Hydro Power, Wind Power and other Non-Conventional Renewable Energy (NCRE) sources such as Dendro Power and Solar Power. The maximum recorded demand for electricity in 2016 was 2,453 MW, with the installed capacity at about 4,018 MW. The net generation for 2016 was 14,418 GWh (http://www.ceb.lk/index.php?aam_media=25917). The statutory body responsible for the supply of energy is the Ceylon Electricity Board (CEB), established in 1969 under the Ceylon Electricity Board Act No. 17 of 1969. The CEB comes under the purview of the Ministry of Power & Energy. The CEB is the largest electricity company in Sri Lanka, having almost a monopoly of the market, and controlling all the major functions of electricity generation, transmission & distribution and retailing in Sri Lanka. It is one of the only two on-grid electricity companies in the country; the other being Lanka Electricity Company (Pvt) Ltd, also known as LECO, in which CEB has a 55.2% majority stake. The Public Utilities Commission of Sri Lanka (PUCSL) is the regulator of the energy sector.

The CEB also has agreements with Independent Power Producers (IPPs) or Private Power Producers (PPPs) to produce energy from renewable sources such as mini hydro & wind. This is regulated by the Sri Lanka Sustainable Energy Authority (SLSEA).

TABLE 9.1 – OPERATIONAL STATISTICS - 2016

	Unit	2015	2016	Change YoY (%)
No. of Power Stations (with PPPs)	No	210	232	10.5
Installed Capacity (with PPPs)	MW	3,847	4,018	4.4
Maximum Demand (with PPPs)	MW	2,283	2,453	7.4
Net Generation (with PPPs)	GWh	13,090	14,148	8.1
Trans. & Distri. Losses (on Net Generation)	%	9.96	9.63	(0.3)
Gross Units Sold	GWh	11,786	12,785	8.5
Avg. Sale Price per Unit	LKR/kWh	16.00	16.18	1.1
% of Households Electrified	%	98.5 ^a	99.3 ^a	0.8
Avg. Electricity Consumption per kWh/person	kWh/person	562	603	7.3

^aEstimated

Source: CEB Statistical Digest, 2016 http://www.ceb.lk/index.php?aam_media=25917

9.2 Future Outlook

According to the Long Term Generation Expansion Plan, CEB projects electricity demand and generation in Sri Lanka to increase at a 5 year average growth rate of 5.9% respectively from 2018 to 2022. Accordingly, the power sector will be required to generate an output of circa 20,331 GWh by 2022. http://www.pucsl.gov.lk/english/wp-content/uploads/2017/05/LTGEP_2018-2037.pdf

As a result, the supply mix of the power sector is expected to move towards a thermal based generation system as the total hydro capacity has remained nearly the same over the past few years. Shown below is the expected capacity addition by plant type according to the 'Generation Expansion Plan' published by CEB.

TABLE 9.2 – CAPACITY ADDITIONS BY PLANT TYPE

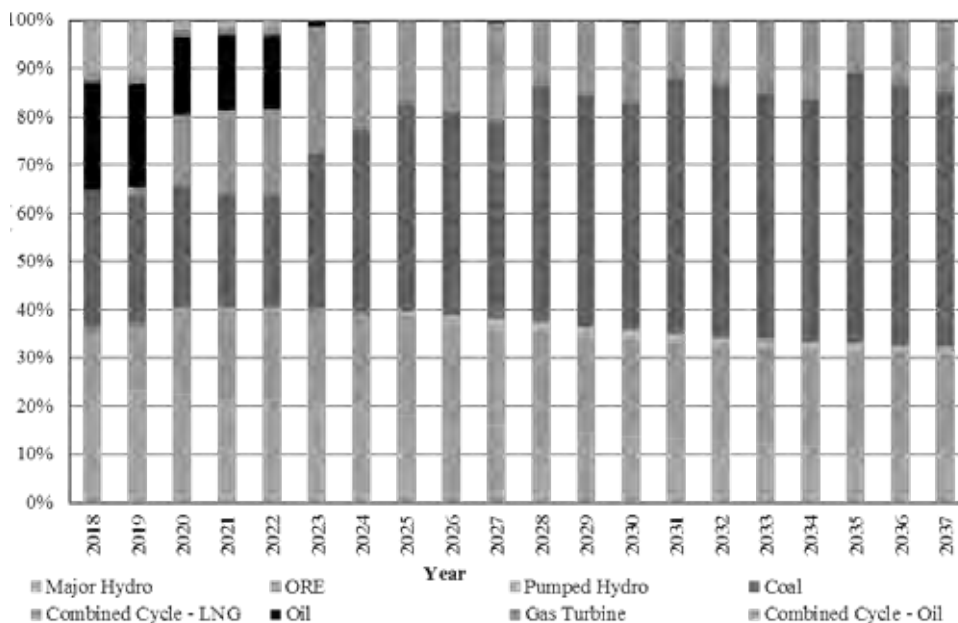
Type of Plant	2018 (MW)	2019-2022 (MW))	2023-2027 (MW)	2028-2032 (MW)	2033-2037 (MW)	Total Capacity Additions	
						MW	%
Gas Turbines	-	105	-	-	-	105	1.26%
Reciprocating Engines	320	-	-	-	-	320	3.83%
Coal	-	-	900	1,200	600	2,700	32.29%
Liquefied Natural Gas (LNG)	-	600	-	-	900	1,500	17.94%
Major Hydro	-	241	-	-	-	241	2.88%
Pumped Hydro	-	-	600	-	-	600	7.17%
Other Renewable Energy	180	726	613	615	763	2,897	34.64%
Total	500	1,672	2,113	1,815	2,263	8,363	100.00%

Source: CEB

http://www.pucsl.gov.lk/english/wp-content/uploads/2017/05/LTGEP_2018-2037.pdf

The share of coal based generation capacity is 25% and it only increases up to 32% by 2037. Current Major Hydro capacity contribution is 32% under average hydro condition where as it will be 23% and 15% in the year 2025 and 2037 respectively. Current share of oil based capacity is 31% and it gradually decreases with the introduction of LNG and Coal based thermal power plants in the first half of the forecast period and then the capacity share becomes negligible leading up to only 4% in 2037. Pumped Hydro capacity will be introduced to the system in 2025 and its capacity contribution in 2037 is 5%.

GRAPH 9.1 – CAPACITY MIX OVER THE NEXT TWENTY YEARS



Source: CEB

http://www.pucsl.gov.lk/english/wp-content/uploads/2017/05/LTGEP_2018-2037.pdf

Sri Lanka has become increasingly open to local and foreign investors involved in power projects. Opportunities exist for investors and developers in the private sector to build, operate, and own power projects. It takes substantial time for development of large power plants. However, Sri Lanka's utility is faced with an increasing need for generation capacity to meet immediate and growing demand. Sri Lanka's utility is currently entering into Letters of Intent with any qualified parties who can identify potential hydropower sites, and is signing PPA with these parties once all required regulatory compliances are met.

10.0 POWER SECTOR - BANGLADESH

10.1 Overview

Energy in Bangladesh is produced primarily from Natural Gas with the balance being made up of Hydro, Coal, Furnace Oil, and Diesel. According to the Bangladesh Power Development Board, (BPDB), currently, approximately 77% of the population has access to electricity with a per capita generation of 324kWh (http://www.bpdb.gov.bd/download/annual_report/Annual%20Report%202015-16.pdf, http://powerdivision.portal.gov.bd/sites/default/files/files/powerdivision.portal.gov.bd/page/4f81bf4d_1180_4c53_b27c_8fa0eb11e2c1/%28E%29_FR_PSMP2016Summary_revised.pdf).

The total installed capacity as of FYE 2016 in public and private sector was 12,365MW, which includes 2,974MW from IPP's 2,028MW from rental power plants, 600MW from India and the balance from other means. The system total generation for 2016 was 52,193Gwh (http://www.bpdb.gov.bd/download/annual_report/Annual%20Report%202015-16.pdf).

TABLE 10.1 – KEY STATISTICS

Particulars	2014/15	2015/16	Change (%)
Installed Capacity as of June (MW)	11,534	12,365	7.20
Maximum Peak Generation (MW)	7,817	9,036	15.59
Maximum Peak Demand (MW)	10,283	11,405	10.91
Net Energy Generation (GWh)	45,863	52,193	13.87
Transmission Loss (%)	2.74	2.73	(0.36)
Per Capita Generation (kWh)	290	324	11.79

Source: BPDB

10.2 Future Outlook

Due to shortage and inadequate new generation addition in the past few years, demand for electricity outpaced the generation capacity which caused persistent load shedding. In order to mitigate this demand-supply gap, an aggressive plan is prepared by the Government of Bangladesh for new generation addition.

The yearly generation addition program to support this forecasted peak demand is given below.

TABLE 10.2 – ANNUAL INCREMENTAL GENERATION PLAN (MW)

Year	2015	2016	2017	2018	2019	2020	2021	Total
Public	848	885	202	1,397	1,611	1,000	1,900	9,661
Private	1,110	328	130	630	1,152	1,811	612	5,773
Power Import		100	500				1,300	1,900
Total	1,958	1,313	2,650	2,027	2,763	2,811	3,812	17,334

Source: BPDB

http://www.bpdb.gov.bd/download/annual_report/Annual%20Report%202014-15.pdf

However, the challenges faced by the Bangladeshi power sector, such as system losses, delays in completion of new plants, low plant efficiency, erratic power supply, electricity theft, blackouts and shortages of funds for power plant maintenance still remain providing opportunity for more investment.

11.0 POWER SECTOR - NEPAL

11.1 Overview

According to the Nepal Electricity Authority, the annual peak demand of the Integrated Nepal Power System (INPS) in fiscal year 2015/16 was 1,385.3 MW, with 585 MW load shedding. Out of the power actually supplied, 2,168.49 GWh was contributed by the Nepal Electricity Authority, the Government authority responsible for generation, transmission and distribution of electricity, 1,173.14 GWh by IPP and 1,758.41 GWh was imported from India. Compared to the preceding fiscal year's figure of MW, the annual peak power demand of the INPS registered a growth rate of 7.30%. (*Nepal Electricity Authority Annual Report – 2015/16: http://www.nea.org.np/images/supportive_docs/year-review-2015-16.pdf*).

Total energy sales including sales to India remained stable at 3,743.71 GWh in 2015/16 as compared to the previous year. The total number of consumers at the end of 2015/16 grew by 6.07% and reached 2.97 million at the end of 2015/16. Out of the total number of consumers, domestic, industrial and other remaining consumer categories accounted for 94.18%, 1.47% and 4.36%, respectively. However, in terms of sales, the corresponding shares are 48.40%, 32.29% and 19.31% of total sales. (*Nepal Electricity Authority Annual Report – 2015/16: http://www.nea.org.np/images/supportive_docs/year-review-2014-15.pdf*).

TABLE 11.1 – TOTAL ENERGY AVAILABLE AND PEAK DEMAND

Particulars	2010	2011	2012	2013	2014	2015	2016*
Peak Demand (MW)	885.28	946.10	1,026.65	1,094.62	1,200.98	1,291.10	1,385.30
NEA Hydro Generation	2,108.65	2,122.08	2,357.43	2,273.11	2,288.23	2,365.64	2,168.49
NEA Thermal Generation	13.01	3.40	1.56	18.85	9.65	1.24	0.07
NEA Total Generation (GWh)	2,121.66	2,125.48	2,358.99	2,291.96	2,297.88	2,366.88	2,168.56
Power Purchased from India	638.68	694.05	746.07	790.14	1,318.75	1,369.89	1,758.41
Power Purchased from IPPs	591.43	1,038.84	1,073.57	1,175.98	1,070.47	1,268.93	1,173.14
Power Purchased Total (GWh)	1,230.11	1,732.89	1,819.64	1,966.12	2,389.21	2,638.81	2,931.55
Available Energy (GWh)	3,351.77	3,858.37	4,178.63	4,258.08	4,687.09	5,005.70	5,100.11

* *Provisional figures*

Source: NEA

11.2 Future Outlook

According to the Nepal Electricity Authority, it is expected that the NEA's current shortfall of supply over demand would continue for several years with peak load expected to reach 5,785.3 MW in 2033/34. This would further enhance growth potential for companies that are seeking investments in the energy sector in Nepal.

12.0 INVESTMENT CONSIDERATIONS AND ASSOCIATED RISK FACTORS

12.1 Risk Factors

Prior to investing in the New Shares, prospective investors should pay particular attention to the fact that the Company and its business activities are subject to a number of risk factors which may be within or outside the control of the Company.

The risk factors that follow may be considered material to investors in making an informed judgment on the Company. If any of the considerations and uncertainties given below develops into actual events, the Company's business, financial conditions or results of operations and prospects could be adversely affected. However, given the strategic initiatives employed by the Company, the business operation of the Company is expected to be sustainable in the foreseeable future.

12.2 Risks Related to the Industry

Political and economic stability – The significance of the electricity industry for a country's economic growth has been increasing over the years. Therefore, an unstable political environment could reduce the economic growth of the country and thereby reduce the demand for energy. Hence, the political stability of the country along with stable economic policies is vital for the development of the industry. The average electricity demand in Sri Lanka has traditionally reflected the GDP growth pattern and it is expected that growing investment in infrastructure development, especially in the Northern and Eastern parts of the island will accelerate economic development in the country which will create enhanced opportunities in the power sector.

Regulatory changes – The Sri Lankan government has traditionally exercised a significant influence over generation, transmission and distribution of electricity and the power sector. However, the sector could be affected by regulations imposed by the GOSL and LEF's current operations and all intended expansion plans will be sensitive to any changes in Government's energy policies. However, positive revisions to the power sector were witnessed with the enactment of the Electricity Act No. 20 of 2009 by the Government, which signified increased deregulation with enhanced private sector participation.

Globally with growing concerns on global warming and more emphasis on cleaner and greener technologies, environment protection laws are regularly being strengthened. There will be a move towards encouraging investments in green energy development such as tapping of unutilized hydro, wind and solar power. Apart from minor emissions during the construction and maintenance phases of these projects, they are considered as sources that supply greenhouse emission free electricity. They are encouraged to a greater extent at a time when the national grid is increasingly reliant on fossil fuels.

Changes in environmental regulation – The Company strictly adheres to all relevant environmental protection laws. However, new and stricter environmental regulations might come into existence in the future. If so, the Company might have to incur additional costs on compliance which may result in an increase in the cost base. However, the Company has an experienced management team and has taken due care in carrying out its operations within the regulatory framework which should mitigate the risk of failure to comply with these environmental laws.

12.3 Risks Related to Hydro and Wind Power Plant Operations

Fluctuations in weather conditions and future rainfall patterns – The Company is currently operating six mini-hydro power plants with a total capacity of 16.9 MW and is planning to develop three more hydro plants with a total capacity of 13.9 MW during the financial year 2017/18. As run-of-river hydro power technology is used in mini hydro power projects, the amount of power generated by a plant depends on the available water flow. The Asian monsoons have led to distinct seasonal variations in the rainfall patterns of Sri Lanka, giving rise to wet and dry seasons, with significantly higher water flow levels and power generation during the wet season. Further, the increasing levels of deforestation have led to prolonged draught weather conditions and sudden unexpected floods in many catchment areas, both of which are two extreme conditions that are detrimental to the power generation in a country. However, the geo-climatic setting in Sri Lanka is considered to be particularly conducive to harness hydroelectricity, especially given the humid conditions and the hilly terrain of the highlands of the country. Geographical diversification in LEF's hydro power project investments is expected to minimize the downside of seasonal variations in the rainfall patterns to a certain extent. When selecting projects for investment, services of professional consultants are obtained to conduct feasibility and hydrology studies to verify energy potential at each site.

Wind availability – In wind power projects the amount of power generated by a plant depends on the availability of wind resource at the site. LEF's wind power projects are located in Kalpitiya and according to the Wind Energy Resource Atlas, developed by National Renewable Energy Laboratory, US, North-Western coastal region from the Kalpitiya Peninsula North to Mannar Island and the Jaffna Peninsula contain the best sites that are well exposed to the strong Southwest monsoon winds. Further, given current economic climate and infrastructure status in Sri Lanka, the Kalpitiya Peninsula is the most promising site for near term potential for cost effective utility scale wind power development.

International crude oil prices – The international crude oil prices could affect the future revenues of four of the existing mini hydro power projects as their SPPA's are based on avoided cost based tariff, where the tariff is based on the avoided cost of the most expensive thermal unit displaced. Therefore, the tariff should follow, to some extent, the rate of increase of global crude oil prices.

However, the risk posed by a decline in future oil prices is countered to some extent with the existence of SPPA terms, where the minimum tariff applicable for the plants would not decline to less than 90% of the first-year tariff received from the CEB by that particular mini hydro power project.

Cost overruns of the planned projects – In future, the estimated raw material prices for construction such as sand, cement, steel, metal etc. and the purchase price of plant and equipment such as turbines, generators, penstock, pipes, etc. could rise to unexpected levels which would lead to cost overruns and time delays for implementation of the new projects, thus affecting the overall financial performance of the entity. The prices and supply of these raw materials are beyond the control of sector participants and depends on local and global economic conditions, competition, transportation costs, taxes and import duties etc. However, the new tariff structure applicable to the future projects is cost-based. Therefore, any increase in construction costs would translate to higher tariffs, which may negate, to some extent, the effect of higher cost of implementation on the Company's bottom line. In the event of cost over-runs in excess of higher tariffs, the Company plans to resort to internally generated funds and/or bank borrowings.

Expiry of SPPA terms – The existing power projects have an expected operational life span of up to 30 years and the SPPAs for existing/new plants have been signed for a period of 15, 20 or 30 years from the dates of their commercial operations. Thereafter, SPPAs will be extendable by mutual consent. However, the risk of

CEB exercising their right to refusal to purchase any electrical energy generated after the expiry of the SPPA term persists for all existing power projects in the sector.

Risks relating to competition in the power generation sector – All private sector power generation companies enter into a PPA which remains valid for a stipulated tenure. Therefore, increased competition in the power generation sector has no bearing on the current or future operations of the Company.

Exchange rate fluctuations – In order to set up and run the power plant, project companies procure plant and equipment from Europe and other countries, as such the payment will be made in foreign currency. Therefore, Rupee depreciation against foreign currencies can have a negative effect on the cost of the electro mechanicals of the project.

Execution risk – The Company's future performance depends partly on the execution of the planned new projects in a timely manner, on budget and at targeted efficiency levels. If any unforeseen business working capital shortages arise as a result of delay in executing the planned projects and operating the existing projects, the Company would resort to short-term borrowings.

Natural perils – Despite all the preventive maintenance and precautions undertaken by the project companies, the risk remains of damages caused by natural disasters such as earthquakes, landslides, earth-slips, floods, thunder storms and lightning and these have been mitigated to some extent by comprehensive insurance covers.

12.4 Risks Related to Thermal Power Plants

The following risks are identified for the projects that currently exist and may come up in the future in different geographical locations. Nevertheless, LEF has managed to mitigate the following risks in terms of the thermal power plants that are already in operation.

Project implementation risk – Implementation risk involves power plant construction risk, project management risk and machinery procurement risk in relation to the projects that may come up in the future. All above factors would ultimately lead to time and cost overruns and in certain circumstances abandonment of the project. The project company would be liable to pay liquidated damages to relevant authorities of the operational countries for time overruns caused due to delays on the part of the Company. Further, projects will be insulated against cost overruns, since a project partner would construct the power plants on a turnkey basis and will bear the risk of cost overruns. Therefore, the implementation risks related to thermal power plant projects are minimized.

Operation and maintenance (O&M) risk – This risk involves the inability of the power plant to operate at a desired level thereby reducing the revenue generation potential of the Company. Operations and maintenance risk could arise from use of inferior equipment, inexperienced personnel and lack of technical knowledge on proper operations and maintenance practices of power plants.

The operations and maintenance of the power plant would be undertaken by experienced personnel. The projects will utilize brand new equipment supplied by reputed manufacturers mainly in Europe reducing the risk of unscheduled break downs. The spare parts would be sourced only from original equipment manufacturers which are covered in the O&M agreement. Considering the above, the proposed project's O&M risk is mitigated to a greater extent.

Fuel supply risk – Uninterrupted supply of fuel is a pre-requisite for continuous operation of thermal power plants. Any disruption to fuel supply can affect the availability of the power plant and hence revenue generation potential. The Company would make arrangements to ensure uninterrupted supply of fuel. Further, the projects will include fuel storage tanks capable of storing sufficient fuel for uninterrupted fuel supply. The projects would have a properly managed fuel transportation system in place to ensure security of fuel supply.

Fuel price and inflation risk – This is the risk that volatilities of fuel prices and general inflation negatively affecting the profitability of the Company. The tariff structures for IPPs are designed in such a way that a project would have guaranteed profitability provided the plant maintains its availability factor. The fuel cost is a pass through item where fluctuations in fuel prices would be borne by the relevant Ministries of power and energy. Further, the tariff structure covers all foreign and local scalable cost items separately which are adjusted for local and foreign inflation indices so that inflation risk is passed on to the Ministries of power and energy.

Technology risk – Technological risk involves technological obsolescence, adopting an untested technology which may fail and lack of longevity of plant and equipment. Selecting the right technology is very critical for a power generation project that has a life span of 15 years. Technological failures could adversely impact on the efficiency of power generation and increase running costs of the power plant in the long term. Plant and equipment will be sourced from leading power plant manufacturers in the world. Further, the technology proposed to be used in the projects is well tested and the equipment suppliers will give an assurance with regard to the availability of spare parts during the life of the project.

Foreign exchange risk – Foreign exchange risk involves adverse fluctuations in the exchange rate that could increase the operating expenses of the Company. This could happen when revenue or operating expenses of the Company are incurred/denominated in foreign currency. The projects are not exposed to the foreign exchange risk related to operating expenses since the local and foreign operating expenses are computed in respective currencies in the tariff structure.

Environmental risks – Electricity generated using Heavy Furnace Oil will give rise to emissions that might cause harm to the environment. Also the process involves heavy machinery that might create noise/sound pollution that might cause inconvenience on the locality surrounding the plant. The projects would comply with all applicable environmental rules and regulations relevant to the country where the plants operate in. The projects will obtain environmental clearance from the Ministries of Environment and other regulatory authorities.

Credit risk – Credit risk involves the projects' inability to service the debt capital or repayment of debt capital promptly on due dates. This could happen due to lack of profit or cash flows to support the servicing of debt. PPA's ensure the revenue up to 15,20 and 30 years since the power and energy state authorities are obligated to pay at least the capacity charge (provided the plant is available) which is sufficient to service the debt. The payment obligations (undisputed) of such authorities have been unconditionally and irrevocable guaranteed by the relevant Government. Further, the escrow mechanism provides a better control over the cash flows of the projects to lenders.

Force majeure risk – In general, a force majeure event refers to events and/or circumstances that adversely affect the performance of either party relating to their respective obligations under the PPAs. Nonetheless these events would be considered relevant only if they are not within reasonable control of neither of the parties. Hence, an element of risk arises to this regard.

12.5 Capital Market Related Risks

Non-existence of prior market for the Shares

Prior to the IPO there has been no public market for the Company's Shares. There can be no assurance that an active trading market for the Shares will develop or if developed, will be sustained, or that the market price of the Shares shall not decline below the Share Issue Price. The Share Issue Price may not be indicative of the market price for the Company's Shares after completion of the IPO.

Price volatility in the secondary market

The price of the Shares may fluctuate due to and not limited to the following: variations in operating results, changes in operating environment, transitions in the regulatory front, strategic alliances or acquisitions, industrial or environmental laws, fluctuations in the market prices for products or raw materials, macroeconomic factors and external events. Price of Shares may follow general investor sentiment prevalent in the market at a given time. In addition, the price of the Shares in the market will fluctuate as a result of share trading volumes.

Shares May Not be a Suitable Investment for All Investors

Each potential investor in Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to evaluate Shares, the merits and risks of investing in Shares and the information contained or incorporated by reference in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in Shares and the impact the Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in Shares, including where the settlement currency is different from the currency in which such investor's principal financial activities are denominated;
- understand thoroughly the terms of Shares and be familiar with any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

13.0 STATUTORY DECLARATIONS

Statutory Declaration by the Directors

27 November 2017

We, the undersigned, who are named in the Prospectus as Directors of LVL Energy Fund Limited, hereby declare and confirm that we have read the provisions of the CSE Listing Rules and of the Companies Act No.7 of 2007 and any amendments to it relating to the issue of the Prospectus and that those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of LEF have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to LEF and making assumptions that are considered to be reasonable at the present point in time in our best judgement.

The parties to the Offer have submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Company.

Name	Designation	Signature
Mr. L.H.A.L Silva	Non-Executive Chairman	Sgd
Mr. A. J. Alles	Non-Executive Director	Sgd
Mr. S. E. De Silva	Non-Executive Independent Director	Sgd
Mr. T. W. De Silva	Non-Executive Director	Sgd
Mr. A. R. Munasinghe	Non-Executive Independent Director	Sgd
Mr. M. R. Abeywardena	Non-Executive Director	Sgd
Mr. M. A. Wijetunge	Non-Executive Director	Sgd
Mr. D. S. Arangala	Chief Executive Officer/Executive Director	Sgd

Statutory Declaration by the Manager to the Offer – Acuity Partners (Private) Limited

We, Acuity Partners (Private) Limited, of 53, Dharmapala Mawatha, Colombo 3 being the Financial Advisors and Managers to the Offer of LVL Energy Fund Limited, hereby declare and confirm to the best of our knowledge and belief that the Prospectus constitutes full and true disclosure of all material facts about the Offer and of LEF, whose Ordinary Shares are being Offered for Subscription.

Sgd.
Director

Sgd.
Director

Statutory Declaration by the Company

An application has been made to the CSE for permission to deal in and for a listing for all of the Ordinary Shares of the Company and those Ordinary Shares which are the subject of this Offer for Subscription. Such permission will be granted when shares are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Company or of the Shares Offered.

Sgd.
Director

Sgd.
Director

Statutory Declaration by the Independent Valuer to the Offer - Capital Alliance Partners Limited

We, Capital Alliance Partners Limited, acting as the "Independent Valuer to the Offer" (hereinafter referred to as the "Valuer") in connection with the proposed Initial Public Offer of LVL Energy Fund Limited, hereby declare that the Valuer is neither a related party of the applicant entity as defined in Sri Lanka Accounting Standards nor has a significant interest or financial connection with the applicant entity and/or the group; the Valuer is a member of good standing in a professional association relevant to the valuation assignment undertaken and has the necessary skills and resources available at his disposal to arrive at a competent independent opinion in determining the IPO Price and the Valuer has made all the inquiries that he believes are desirable and appropriate in order to arrive at a competent independent opinion.

Sgd.
Director

Sgd.
Director

ANNEXURE A : ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY



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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+94 - 11 254 1249
Internet : www.kpmg.com/lk

24 August 2017

The Board of Directors
LVL Energy Fund Limited
2nd Floor, SayuruSevana
46/12, NawamMawatha,
Colombo 02

Dear Sirs,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF LVL ENERGY FUND LIMITED.

This report has been prepared for the inclusion in the prospectus issued in connection with the initial public offering of 120,000,000 new ordinary voting shares at Rupees 10 each of LVL Energy Fund Limited.

We have examined the financial statements of LVL Energy Fund Limited (Company) and the consolidated financial statements of the company and its subsidiaries (Group) from the financial years ended 31 March 2013 to 31 March 2017, as auditors.

1 INCORPORATION

LVL Energy Fund Limited is a company with limited liability, incorporated and domiciled in Sri Lanka. It was incorporated on 26 June 2006 under the provisions of Companies Act No 17 of 1982 and it was reregistered under the provisions of Companies Act No 07 of 2007.

2 FINANCIAL STATEMENTS

2.1 FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS (REFER ANNEXURE 01)

A summary of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash flows of LVL Energy Fund Limited for the financial years ended 31 March 2013 to 31 March 2017, based on the audited financial statements of the company will be available at the registered office of the company as mentioned in Section 6.2 of the prospectus.

Summaries presented for Assets, Liabilities and Shareholder funds for and cash flow the financial years of March 2017, March 2016, March 2015, March 2014 and March 2013 are based on the financial statements prepared in accordance with SLFRSs which were effective from 01 January 2012 and applied from the date of transition of 1 April 2011.

1 | Page

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

M.R. Mihular FCA
T.J.S. Rajakaner FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
C.P. Jayatilaka FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Principals - S.R.I. Perera FCMA(UK), LL.B. Attorney-at-law, H.S. Gunewardene ACA
Ms. C.T.K.N. Perera ACA

2.2 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Financial Position as at 31 March 2017, related Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow for the year then ended and a summary of significant accounting policies and other explanatory notes are available at the registered office of the company as mentioned in Section 6.2 of the prospectus. We have audited these financial statements and our report dated 01 August 2017 is attached to the financial statements.

2.3 AUDIT REPORTS

We have audited the financial statements of the company and group for the financial years ended 31 March 2017, 31 March 2016, 31 March 2015, 31 March 2014 and 31 March 2013

We have issued unqualified audit opinions for 31 March 2017, 31 March 2016, 31 March 2015, 31 March 2014 and 31 March 2013.

2.4 APPLICATION OF ACCOUNTING STANDARDS AND ACCOUNTING POLICIES

The financial statements of the company and the group for the years ended 31 March 2013 to 31 March 2017 comply with applicable Sri Lanka Accounting Standards

The accounting policies of the company and group are stated in detail in the audited financial statements of LVL Energy Fund Limited for the year ended 31 March 2017. Changes in accounting policies of the company and the group during 31 March 2013 to 31 March 2017 are given below.

Financial Year	Adoption of revised/new accounting standards and related changes in accounting policies
31 March 2013	<p>The Institute of Chartered Accountants of Sri Lanka had issued a new volume of Sri Lanka Accounting Standards which became applicable for financial periods beginning on or after 01 January 2012. These were the group's first consolidated financial statements prepared in accordance with SLFRS and SLFRS 1 First time adoption.</p> <p>The company changed the basis of measurement of its investments from cost method to fair value method for the investments at available for sale financial assets and to amortized cost method for the held to maturity financial assets as specified in LKAS 39 Financial Instruments- Recognition and Measurement.</p> <p>Share issue expense which had been charged against the stated capital in 2011 was charged against retained earnings as required by LKAS 39</p> <p>Investment in Kankiriya-Thambiliya Mini Hydro Power (Private) Limited which had been classified as other long term investments was reclassified as investment in subsidiary from June 2012</p> <p>An associate company, Neluwa Cascade Hydro Power (Private) Limited recognized interest expense on the corporate guarantee in accordance with</p>

SLFRSs. Accordingly share of profits recognized under the previous GAAP was adjusted.

Retained earnings of Neluwa Cascade Hydro Power (Private) Limited which is an associate of the company as at 31 March 2011 was restated due to change in deferred tax which resulted in a change in share of earnings of the consolidated financial statements of LVL Energy Fund Limited in 2011. The Company had not adjusted consolidated financial statements for the year 2011. Upon identification of the error, retained earnings as at 31 March 2011 was restated accordingly.

31 March 2014 Investment in Raj Lanka Power Company Limited was previously classified as an available for sale financial asset under long term investments. This investment was reclassified as an investment in equity accounted investees with effect from 19 February 2013 as evidence of significant influence as set out in LKAS 28- Investment in Associates was noted over the investee

31 March 2015 Following the adoption of SLFRS 10 – Consolidated Financial Statements, Unit Energy Lanka (Private) Limited was treated as a subsidiary which was previously treated as an equity accounted investee. Accounts were re-stated to reflect this change.

During the financial year 2013/14 Raj Lanka Power Company Limited in Bangladesh had capitalized the cost of fuel used for machine testing purpose during the commission period. However it was subsequently revealed that part of such fuel were consumed during commercial operation of the plant which was required to be expensed in the profit or loss of 2013/14. Accordingly accounts were restated.

31 March 2016 There were no material changes

31 March 2017 There were no material changes

2.5 DIVIDENDS

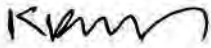
The company had paid the following dividends in respect of Ordinary Shares during the five years ended up to 31 March 2017.

Financial year	Gross Dividend (Rs)	Divided per share (Rs)
2013	29,000,222	0.50
2014	120,097,729	1.95
2015	137,395,418	0.35
2016	231,139,060	0.55
2017	277,366,868	0.60

2.6 EVENTS AFTER THE REPORTING DATE

There have been no material events after the reporting date that require adjustments or disclosure in the financial statements.

Yours Faithfully



Chartered Accountants

Colombo

SR/PK

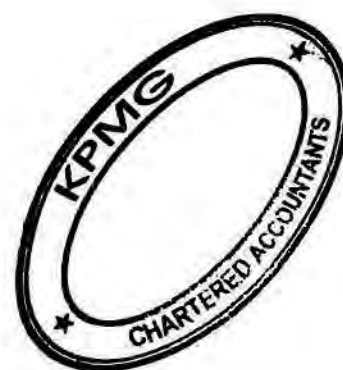
Consolidated Statement of Profit or Loss and Other Comprehensive Income

All amounts in Sri Lanka Rupees Thousands

	Note 1	Note 1	Company Note 1	Note 2	Note 1
	2017	2016	2015	2014	2013
<i>For the year ended 31 March</i>					
Revenue					
-Investment income	323,970	268,493	199,325	130,075	29,823
-Interest income	10,011	3,953	1,380	11,846	26,764
-Other income	16,414	1,066	8,963	5,415	2,103
-Subsidiary company income	-	-	-	-	-
	<u>350,395</u>	<u>273,512</u>	<u>209,668</u>	<u>147,336</u>	<u>58,690</u>
Operating expenses					
-Administrative expenses	(6,534)	(19)	(4)	(4)	(3)
-Other operating expenses	(2,775)	(2,930)	(8,538)	(2,380)	(3,276)
-Direct expenses - subsidiaries	-	-	-	-	-
Results from operating activities	<u>341,086</u>	<u>270,563</u>	<u>201,126</u>	<u>144,952</u>	<u>55,411</u>
Available for sale financial assets reclassified from OCI	108,263	-	-	-	-
Finance cost	(110,325)	(63,288)	(40,651)	(45,460)	(14,248)
Share of profit of equity accounted investees, net of tax	-	-	-	-	-
Profit before income tax	<u>339,024</u>	<u>207,275</u>	<u>160,475</u>	<u>99,492</u>	<u>41,163</u>
Tax expense	13	622	(482)	-	(3,616)
Profit for the year	<u>339,037</u>	<u>207,897</u>	<u>159,993</u>	<u>99,492</u>	<u>37,547</u>
Other comprehensive income, net of tax					
Net change in fair value of available for sale financial assets	(5,616)	(3,571)	32,028	28,453	(8,412)
Reclassification of available for sale reserve to profit/(loss)	(108,263)	-	-	-	-
Foreign operations-foreign currency translation difference	-	-	-	-	-
Other comprehensive income for the year, net of tax	<u>(113,879)</u>	<u>(3,571)</u>	<u>32,028</u>	<u>28,453</u>	<u>(8,412)</u>
Total comprehensive income for the year	<u>225,158</u>	<u>204,326</u>	<u>192,021</u>	<u>127,945</u>	<u>29,135</u>
Profit attributable to :					
-Equity holders of the company	339,037	207,897	159,993	99,492	37,547
-Non controlling interest	-	-	-	-	-
Profit for the year	<u>339,037</u>	<u>207,897</u>	<u>159,993</u>	<u>99,492</u>	<u>37,547</u>
Total comprehensive income attributable to :					
-Equity holders of the company	225,158	204,326	192,021	127,945	29,135
-Non controlling interest	-	-	-	-	-
Total comprehensive income for the year	<u>225,158</u>	<u>204,326</u>	<u>192,021</u>	<u>127,945</u>	<u>29,135</u>

Note 01 - Published Financial Statements

Note 02 - Restated in 2015



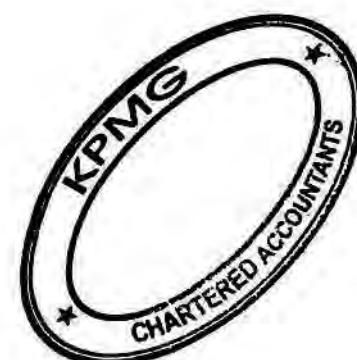
Consolidated Statement of Profit or Loss and Other Comprehensive Income

All amounts in Sri Lanka Rupees Thousands

	Note 1 2017	Note 1 2016	Group Note 1 2015	Note 2 2014	Note 1 2013
<i>For the year ended 31 March</i>					
Revenue					
-Investment income	279	23,820	40,703	34,979	30,352
-Interest income	12,158	6,934	2,481	12,597	26,778
-Other income	-	-	11	-	2,103
-Subsidiary company income	224,457	248,351	239,090	46,270	-
	236,894	279,105	282,285	93,846	59,233
Operating expenses					
-Administrative expenses	(6,975)	(527)	(41)	(4)	(3)
-Other operating expenses	(9,695)	(9,435)	(17,257)	(23,297)	(4,968)
-Direct expenses- subsidiaries	(88,767)	(81,499)	(72,162)	(31,252)	-
Results from operating activities	131,457	187,644	192,825	39,293	54,262
Available for sale financial assets reclassified from OCI	108,263	-	-	-	-
Gain on disposal of a subsidiary	900	-	-	-	-
Finance cost	(153,575)	(94,088)	(60,530)	(71,622)	(14,251)
Share of profit of equity accounted investees, net of tax	423,360	303,893	263,955	222,023	62,900
Profit before income tax	510,405	397,449	396,250	189,694	102,911
Tax expense	(45,472)	(40,540)	(44,082)	(15,536)	(3,730)
Profit for the year	464,933	356,909	352,168	174,158	99,181
Other comprehensive income, net of tax					
Net change in fair value of available for sale financial assets	(5,616)	(3,571)	32,028	28,453	(8,412)
Reclassification of available for sale reserve to profit/(loss)	(108,263)	-	-	-	-
Share of other comprehensive income from equity accounted investees	8,629	(59)	-	-	-
Foreign operations-foreign currency translation difference	6,356	64,470	17,356	-	-
Other comprehensive income for the year, net of tax	(98,894)	60,840	49,384	28,453	(8,412)
Total comprehensive income for the year	366,039	417,749	401,552	202,611	90,769
Profit attributable to :					
-Equity holders of the company	424,000	295,819	260,832	192,243	99,041
-Non controlling interest	40,933	61,090	91,336	(18,085)	140
Profit for the year	464,933	356,909	352,168	174,158	99,181
Total comprehensive income attributable to :					
-Equity holders of the company	325,105	356,659	303,790	220,696	90,629
-Non controlling interest	40,934	61,090	97,762	(18,085)	140
Total comprehensive income for the year	366,039	417,749	401,552	202,611	90,769

Note 01 - Published Financial Statements

Note 02 - Restated in 2015



Statement of Financial Position

All amounts in Sri Lanka Rupees Thousands

	Note 1	Note 1	Company Note 1	Note 2	Note 1
As at 31 March	2017	2016	2015	2014	2013
Assets					
Non current assets					
Property plant and equipment	-	-	-	-	-
Investment in subsidiaries	1,490,197	1,409,888	1,297,888	776,289	388,289
Investment in equity accounted investees	989,261	725,350	725,350	725,350	725,350
Intangible assets	-	-	-	-	-
Available for sale financial assets	-	146,860	150,431	118,403	136,423
Total non current assets	2,479,458	2,282,098	2,173,669	1,620,042	1,250,062
Current assets					
Loans and receivables	-	-	10,995	49,473	-
Amounts due from related parties	71,320	40,159	23,307	60,384	30,271
Income tax receivable	1,894	1,881	1,259	291	-
Other receivables	124,564	-	-	3,257	17,451
Cash and cash equivalents	47,717	62,868	64,222	11,648	86,822
Total current assets	245,495	104,908	99,783	125,053	134,544
Total assets	2,724,953	2,387,006	2,273,452	1,745,095	1,384,606
Equity					
Stated capital	1,706,472	1,370,270	1,357,300	1,093,040	860,020
Available for sale reserve	-	113,879	117,450	85,422	56,969
Retained earnings	64,764	4,571	29,257	10,784	36,050
Total equity	1,771,236	1,488,720	1,504,007	1,189,246	953,039
Liabilities					
Non current liabilities					
Interest bearing borrowings	150,000	225,000	200,000	-	-
Cumulative redeemable preference shares	150,000	315,000	360,000	330,000	240,000
Total non current liability	300,000	540,000	560,000	330,000	240,000
Current liabilities					
Interest bearing borrowings	377,408	77,297	1,269	-	-
Cumulative redeemable preference shares	273,311	280,395	207,441	90,022	70,186
Amounts due to related parties	-	-	-	106,181	89,672
Other payables	2,998	594	735	29,646	29,490
Income tax payable	-	-	-	-	2,219
Total current liabilities	653,717	358,286	209,445	225,849	191,567
Total liabilities	953,717	898,286	769,445	555,849	431,567
Total equity and liabilities	2,724,953	2,387,006	2,273,452	1,745,095	1,384,606

Note 01 - Published Financial Statements

Note 02 - Restated in 2015



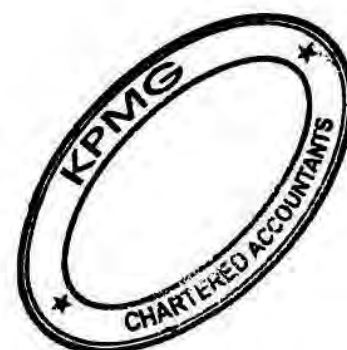
Consolidated Statement of Financial Position

All amounts in Sri Lanka Rupees Thousands

	Note 1 2017	Note 1 2016	Group Note 1 2015	Note 2 2014	Note 1 2013
<i>As at 31 March</i>					
Assets					
Non current assets					
Property plant and equipment	1,048,986	825,422	709,039	437,782	10,266
Investment in subsidiaries	-	-	-	-	-
Investment in equity accounted investees	2,597,549	2,206,180	2,076,798	1,816,796	999,023
Intangible assets	64,131	88,623	58,307	4,494	-
Available for sale financial assets	-	146,860	150,431	118,403	391,823
Total non current assets	3,710,666	3,267,085	2,994,575	2,377,475	1,401,112
Current assets					
Loans and receivables	9,962	11,056	52,880	65,690	-
Amounts due from related parties	437	437	310	2,282	26,777
Income tax receivable	2,106	1881	1,259	318	-
Other receivables	155,534	26,750	19,415	35,197	42,267
Cash and cash equivalents	83,316	128,231	115,325	13,298	87,135
Total current assets	251,355	168,355	189,189	116,785	156,179
Total assets	3,962,021	3,435,440	3,183,764	2,494,260	1,557,291
Equity					
Stated capital	1,706,472	1,370,270	1,357,300	1,093,040	860,020
Revaluation reserve	8,301	-	-	-	-
Available for sale reserve	-	113,879	117,450	85,422	56,969
Translation reserve	81,756	75,400	10,930	-	-
Retained earnings	467,644	322,161	283,405	185,708	116,872
Total equity attributable to equity holders of the company	2,264,173	1,881,710	1,769,085	1,364,170	1,033,861
Non controlling interest	171,355	272,005	214,310	384,038	91,812
Total equity	2,435,528	2,153,715	1,983,395	1,748,208	1,125,673
Liabilities					
Non current liabilities					
Interest bearing borrowings	314,397	370,000	384,842	111,165	-
Cumulative redeemable preference shares	490,000	402,000	450,000	330,000	240,000
Deferred tax liability	38,169	44,401	38,237	21,676	-
Total non current liability	842,566	816,401	873,079	462,841	240,000
Current liabilities					
Interest bearing borrowings	402,369	166,682	103,049	51,128	-
Cumulative redeemable preference shares	273,311	283,486	207,519	90,022	70,186
Amounts due to related parties	-	-	-	106,180	89,672
Other payables	6,260	6,546	11,240	35,881	29,567
Income tax payable	1,987	8,610	5,482	-	2,193
Total current liabilities	683,927	465,324	327,290	283,211	191,618
Total liabilities	1,526,493	1,281,725	1,200,369	746,052	431,618
Total equity and liabilities	3,962,021	3,435,440	3,183,764	2,494,260	1,557,291

Note 01 - Published Financial Statements

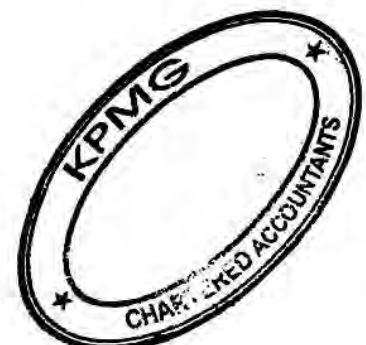
Note 02 - Restated in 2015



Statement of Changes in Equity

All amounts in Sri Lanka Rupees Thousands

Company	Stated capital	Available for sale reserve	Retained earnings	Total
Balance as at 31 March 2012	711,090	65,381	57,285	833,756
Profit for the year	-	-	37,547	37,547
Net change in fair value of available-for-sale financial assets	-	(8,412)	-	(8,412)
Total comprehensive income for the year	-	(8,412)	37,547	29,135
Transactions with equity holders recognized directly in equity				
contributions by & distribution to equity holders				
Issue of shares during the period	148,930	-	-	148,930
Share issue expenses	-	-	(2,004)	(2,004)
Final dividend paid for 2011/2012	-	-	(27,778)	(27,778)
Interim dividend payable for 2012/2013	-	-	(29,000)	(29,000)
	<u>148,930</u>	<u>-</u>	<u>(58,782)</u>	<u>90,148</u>
Balance as at 31 March 2013 (Note 01)	860,020	56,969	36,050	953,039
Profit for the year	-	-	99,492	99,492
Net change in fair value of available-for-sale financial assets	-	28,453	-	28,453
Total comprehensive income for the year	-	28,453	99,492	127,945
Transactions with equity holders recognized directly in equity				
contributions by & distribution to equity holders				
Issue of shares during the period	233,020	-	-	233,020
Share issue expenses	-	-	(4,660)	(4,660)
Interim dividend for 2013/2014	-	-	(91,667)	(91,667)
Interim dividend payable for 2013/2014	-	-	(28,430)	(28,430)
	<u>233,020</u>	<u>-</u>	<u>(124,757)</u>	<u>108,263</u>
Balance as at 31 March 2014 (Note 02)	1,093,040	85,422	10,784	1,189,246



Statement of Changes in Equity

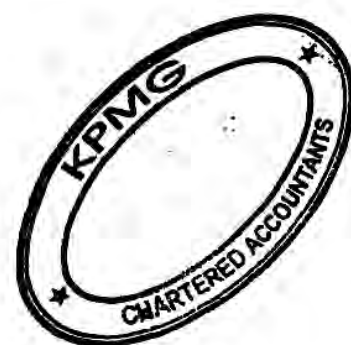
All amounts in Sri Lanka Rupees Thousands

Company

Balance as at 31 March 2014	1,093,040	85,422	10,784	1,189,247
Profit for the year	-	-	159,993	159,993
Net change in fair value of available-for-sale financial assets	-	32,028	-	32,028
Total comprehensive income for the year	-	32,028	159,993	192,021
Transactions with equity holders recognized directly in equity				
contributions by & distribution to equity holders				
Issue of shares during the period	264,260	-	-	264,260
Share issue expenses	-	-	(4,125)	(4,125)
Dividend paid	-	-	(137,395)	(137,395)
	264,260	-	(141,520)	122,740
Balance as at 31 March 2015 (Note 01)	1,357,300	117,450	29,257	1,504,007
Profit for the year	-	-	207,897	207,897
Net change in fair value of available-for-sale financial assets	-	(3,571)	-	(3,571)
Total comprehensive income for the year	-	(3,571)	207,897	204,326
Transactions with equity holders recognized directly in equity				
contributions by & distribution to equity holders				
Issue of shares during the period	12,970	-	-	12,970
Share issue expenses	-	-	(1,444)	(1,444)
Dividend paid	-	-	(231,139)	(231,139)
	12,970	-	(232,583)	(219,613)
Balance as at 31 March 2016 (Note 01)	1,370,270	113,879	4,571	1,488,720
Profit for the year	-	-	339,037	339,037
Reclassification of available for sale reserve to profit/(loss)	-	(108,263)	-	(108,263)
Net change in fair value of available-for-sale financial assets	-	(5,616)	-	(5,616)
Total comprehensive income for the year	-	(113,879)	339,037	225,158
Transactions with equity holders recognized directly in equity				
contributions by & distribution to equity holders				
Issue of shares during the period	336,202	-	-	336,202
Share issue expenses	-	-	(1,477)	(1,477)
Dividend paid	-	-	(277,367)	(277,367)
	336,202	-	(278,844)	57,358
Balance as at 31 March 2017 (Note 01)	1,706,472	-	64,764	1,771,236

Note 01 - Published Financial Statements

Note 02 - Restated in 2015



LVL Energy Fund Limited

Statement of Changes in Equity

All amounts in Sri Lanka Rupees Thousands

Group	Attributable to equity holders of the group			Retained earnings	Total	Non controlling interest	Total
	Stated capital	Revaluation reserve	Available for sale reserve				
Balance as at 31 March 2012	711,090	-	65,381	-	776,471	91,672	944,756
Profit for the year	-	-	-	99,041	99,041	140	99,181
Net change in fair value of available-for-sale financial assets	-	-	(8,412)	-	(8,412)	-	(8,412)
Total comprehensive income	-	-	(8,412)	99,041	90,629	140	90,769
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders	148,930	-	-	-	148,930	-	148,930
Issue of shares during the period	-	-	-	(2,004)	(2,004)	-	(2,004)
Share issue expenses	-	-	-	(27,778)	(27,778)	-	(27,778)
Final dividend for 2011/2012	-	-	-	(29,000)	(29,000)	-	(29,000)
Interim dividend payable for 2012/2013	-	-	-	(58,782)	(58,782)	-	(58,782)
Balance as at 31 March 2013 (Note 01)	860,020	-	56,969	116,872	1,033,861	91,812	1,125,673
Impact of changes in accounting policies	-	-	-	857	857	40,804	41,661
Restated balance as at 01 April 2013	860,020	-	56,969	117,729	1,034,718	132,616	1,167,334
Profit for the year	-	-	-	192,243	192,243	(18,085)	174,158
Net change in fair value of available-for-sale financial assets	-	-	28,453	-	28,453	-	28,453
Total comprehensive income	-	-	28,453	192,243	220,696	(18,085)	202,611
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders	233,020	-	-	-	233,020	-	233,020
Issue of shares during the period	-	-	-	493	493	269,507	270,000
Change in ownership without change in control	-	-	-	(4,660)	(4,660)	-	(4,660)
Share issue expenses	-	-	-	(91,667)	(91,667)	-	(91,667)
Interim dividend for 2013/2014	-	-	-	(28,430)	(28,430)	-	(28,430)
Interim dividend payable for 2013/2014	-	-	-	(124,264)	(124,264)	269,507	378,263
Balance as at 31 March 2014 (Note 02)	1,093,040	-	85,472	185,708	1,364,170	384,038	1,748,208



LVL Energy Fund Limited

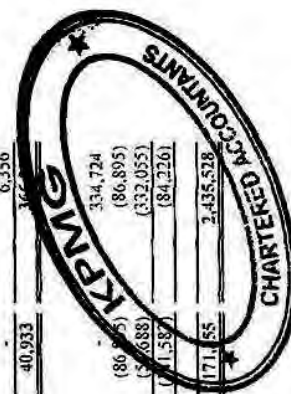
Statement of Changes in Equity

All amounts in Sri Lanka Rupees Thousands

Group	Stated capital	Revaluation reserve	Attributable to equity holders of the group	Retained earnings	Total	Non controlling interest	Total
			Reserve	earnings			
			Available for sale reserve				
			Translation reserve				
Balance as at 31 March 2014	1,093,040	-	85,422	185,708	1,364,170	384,038	1,748,208
Profit for the year	-	-	-	260,832	260,832	91,336	352,168
Net change in fair value of available-for-sale financial assets	-	-	32,028	-	32,028	-	32,028
Foreign operations - foreign currency translation difference	-	-	-	10,930	10,930	6,426	17,356
Total comprehensive income	-	-	32,028	260,832	303,790	97,762	401,552
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders							
Issue of shares during the period	264,260	-	-	-	264,260	-	264,260
Share issue expenses	-	-	-	(4,125)	(4,125)	-	(4,125)
Shares issued to minority shareholders by subsidiaries	-	-	-	(21,615)	(21,615)	47,093	47,093
Acquisition of NCI without change in control	-	-	-	(137,395)	(137,395)	(288,885)	(310,300)
Dividend paid	264,260	-	-	(163,135)	101,125	(267,490)	(166,365)
Balance as at 31 March 2015 (Note 01)	1,357,300	-	117,450	283,405	1,769,085	214,310	1,983,395
Profit for the year	-	-	-	295,819	295,819	61,090	356,909
Net change in fair value of available-for-sale financial assets	-	-	(3,571)	-	(3,571)	-	(3,571)
Equity accounted investees - share of other comprehensive income	-	-	-	(59)	(59)	-	(59)
Foreign operations - foreign currency translation difference	-	-	64,470	-	64,470	-	64,470
Total comprehensive income	-	-	(3,571)	295,760	356,659	61,090	417,749
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders							
Issue of shares during the period	12,970	-	-	(1,444)	11,526	48,000	59,526
Cumulative preference dividend - Neluwa Cascade Hydro Power (Private) Limited	-	-	-	(24,421)	(24,421)	-	(24,421)
Dividend paid	12,970	-	-	(231,139)	(231,139)	(51,395)	(282,534)
Balance as at 31 March 2016 (Note 01)	1,370,270	-	113,879	322,161	1,881,710	272,005	2,153,715
Profit for the year	-	-	-	424,000	424,000	40,933	464,933
Net change in fair value of available-for-sale financial assets	-	-	(5,616)	-	(5,616)	-	(5,616)
Reclassification of available for sale reserve to profit/(loss)	-	-	(108,263)	-	(108,263)	-	(108,263)
Share of other comprehensive income from equity accounted investees	-	8,301	-	328	8,629	-	8,629
Foreign operations - foreign currency translation difference	-	-	-	6,356	6,356	-	6,356
Total comprehensive income	-	8,301	(113,879)	424,328	325,106	40,933	366,039
Transactions with equity holders recognized directly in equity contributions by & distribution to equity holders							
Issue of shares during the period	536,202	-	-	(1,478)	534,724	(86,895)	447,829
Acquisition of NCI without change in control	-	-	-	(277,367)	(277,367)	(332,955)	(610,322)
Dividend paid	336,202	-	-	(278,843)	57,357	(1,138)	56,219
Balance as at 31 March 2017 (Note 01)	1,706,472	8,301	81,756	467,644	2,264,173	171,55	2,435,728

Note 01 - Published Financial Statements

Note 02 - Restated in 2015



Statement of cash flows

All amounts in Sri Lanka Rupees Thousands

	Company				
	Note 01 2017	Note 01 2016	Note 01 2015	Note 01 2014	Note 01 2013
For the year ended 31 March					
Cash flows from operating activities					
Profit before tax	339,024	207,275	160,475	99,492	41,163
Adjustments for:					
Interest income	(10,011)	(3,953)	(6,880)	(17,846)	(58,690)
Dividend income	(373,970)	(268,493)	(193,825)	(124,075)	-
Other income	(16,414)	(1,066)	(8,963)	(5,415)	-
Interest expense	51,709	20,991	9,591	-	-
Preference dividend	58,273	42,271	30,993	35,169	-
Depreciation	-	-	-	-	-
Amortization	-	-	-	-	-
Available for sale financial assets reclassified from OCI	(108,263)	-	-	-	-
Share of profit of equity accounted investees (net of income tax)	-	-	-	-	-
	(9,652)	(2,975)	(8,608)	(12,675)	(17,527)
Changes in					
Loans and receivables	-	1,066	-	-	-
Amounts due from related parties	(18,661)	(16,852)	37,077	(27,831)	(30,071)
Other receivables	(124,564)	-	3,257	-	1,035
Other payables	2,403	(141)	(28,911)	726	9,422
Amounts due to related parties	-	-	(106,180)	16,508	(6,614)
Cash generated/ (used) from operating activities	(150,474)	(18,901)	(103,365)	(23,272)	(43,755)
Interest paid	(51,598)	(19,963)	(8,322)	-	-
Taxes paid	-	-	-	(1,326)	(79)
Net cash from operating activities	(202,072)	(38,864)	(111,688)	(24,598)	(43,834)
Cash flows from investing activities					
Interest received	10,011	3,953	23,867	19,077	44,012
Dividend received	373,970	279,488	182,830	135,987	-
Disposal / acquisition of venture capital investments	-	-	40,000	-	-
Investment in subsidiaries	(111,894)	(112,000)	(521,600)	(388,000)	(265,666)
Investment in equity accounted investees	(87,167)	-	-	-	(282,550)
Cost incurred to obtain approval for power projects	-	-	-	-	-
Disposal / acquisition of property, plant & equipment	-	-	-	-	-
Net cash generated / (used) from investing activities	134,920	171,440	(274,903)	(232,936)	(504,204)
Cash flows from financing activities					
Dividends paid	(277,367)	(231,139)	(137,395)	(120,667)	(27,778)
Issue of ordinary shares	336,202	12,970	264,260	233,020	148,930
Net proceeds from interest bearing borrowings	225,000	100,000	200,000	-	-
Issue of ordinary shares - by subsidiary	-	-	-	-	-
Share issue expenses	(1,477)	(1,444)	(4,125)	(4,660)	(2,004)
Acquisition of non controlling interest	-	-	-	-	-
Net proceeds from cumulative redeemable preference shares	(165,000)	30,000	150,000	90,000	300,000
Preference dividend paid	(65,357)	(44,317)	(33,575)	(15,333)	-
Net cash generated / (used) from financing activities	52,001	(133,930)	439,165	182,360	419,148
Net increase/(decrease) in cash & cash equivalents	(15,151)	(1,354)	52,574	(75,774)	(128,890)
Cash & cash equivalents at 01 April	62,868	64,222	11,648	86,822	215,712
Cash & cash equivalents at 31 March	47,717	62,868	64,222	11,648	86,822

Note 01 - Published financial statements



Statement of cash flows

All amounts in Sri Lanka Rupees Thousands

	Note 01 2017	Note 01 2016	Group Note 01 2015	Note 02 2014	Note 01 2013
For the year ended 31 March					
Cash flows from operating activities					
Profit before tax	510,405	397,449	396,250	189,694	102,911
Adjustments for:					
Interest income	(12,158)	(6,934)	(7,981)	(18,597)	(58,703)
Dividend income	-	(22,936)	(33,921)	(28,675)	-
Other income	-	-	(11)	-	-
Interest expense	77,179	41,464	23,870	-	-
Preference dividend	75,171	52,077	35,061	35,169	-
Depreciation	30,038	17,867	17,853	17,779	-
Amortization	319	188	188	188	-
Available for sale financial assets reclassified from OCI	(108,263)	-	-	-	-
Share of profit of equity accounted investees (net of income tax)	(423,360)	(303,893)	(263,955)	(222,023)	(62,900)
	149,331	175,382	167,354	(26,465)	(18,692)
Changes in					
Loans and receivables	26,635	30,831	(22,537)	6,753	-
Amounts due from related parties	(3,914)	(127)	5,229	(3,399)	(26,397)
Other receivables	(104,612)	(7,335)	8,534	1,979	(1,875)
Other payables	(280)	(8,425)	(24,638)	(2,531)	9,447
Amounts due to related parties	-	-	(106,180)	16,507	(6,614)
Cash generated/ (used) from operating activities	67,160	190,327	27,764	(7,155)	(44,136)
Interest paid	(75,630)	(40,892)	(22,601)	-	-
Taxes paid	(15,661)	(6,693)	(23)	(1,373)	(95)
Net cash from operating activities	(24,031)	142,742	5,139	(8,528)	(44,231)
Cash flows from investing activities					
Interest received	12,158	6,934	147,773	109,808	44,010
Dividend received	210,765	226,982	22,926	40,587	-
Disposal / acquisition of venture capital investments	-	-	40,000	-	(255,400)
Investment in subsidiaries	-	-	-	-	-
Investment in equity accounted investees	(87,167)	-	(131,100)	(653,000)	(282,550)
Cost incurred to obtain approval for power projects	-	(30,504)	(54,001)	-	-
Disposal / acquisition of property, plant & equipment	(253,603)	(134,350)	(289,110)	(2,673)	(10,266)
Net cash generated / (used) from investing activities	(117,847)	69,062	(263,511)	(505,278)	(504,206)
Cash flows from financing activities					
Dividends paid	(332,055)	(282,534)	(163,093)	(120,667)	(27,778)
Issue of ordinary shares	336,202	12,970	264,260	233,020	148,930
Net proceeds from interest bearing borrowings	178,535	48,220	324,329	(21,538)	-
Issue of ordinary shares - by subsidiary	-	48,000	47,093	270,000	-
Share issue expenses	(1,478)	(1,444)	(4,125)	(4,660)	(2,004)
Acquisition of non controlling interest	(86,895)	-	(310,500)	-	-
Net proceeds from cumulative redeemable preference shares	85,000	30,000	240,000	90,000	300,000
Preference dividend paid	(82,346)	(54,110)	(37,566)	(15,333)	-
Net cash generated / (used) from financing activities	96,963	(198,898)	360,398	430,821	419,148
Net increase/(decrease) in cash & cash equivalents	(44,915)	12,906	102,027	(82,985)	(129,289)
Cash & cash equivalents at 01 April	128,231	115,325	13,298	25,284	214,224
Cash & cash equivalents at 31 March	83,316	128,231	115,325	15,298	7,115

Note 01 - Published financial statements

Note 02 - Restated in 2015

