

MINISTRY OF INDUSTRY AND COMMERCE

KAHATAGAHA GRAPHITE LANKA LIMITED

Fully Government owned Company



ANNUAL REPORT

2016 / 2017

HEAD OFFICE

561/3,
Elvitigala Mawatha,
Narahenpita,
Colombo 05.

Telephone : 011-2368738
Fax : 011-2058062
Email : kgll@sltnet.lk
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MINES

Kahatagaha Mine
Maduragogoda
Dodangaslanda

Telephone : 0372252015
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C O N T E N T S

Introduction	01
Chairman's Review	02
Audit Committee Report	04
Corporate Vision, Mission & Objectives	05
Organizational Structure	06
Report of the Directors	07
Financial Highlights	12
Annual Accounts	13
Notice of Meeting	14
Form of Proxy	15

INTRODUCTION

Kahatagaha Graphite Mines

Kahatagaha Mines are located in North Western Province of Sri Lanka at Maduragoda, **Dodangaslanda** in Kurunegala District, approximately 90 km. from the capital of Colombo, and managed by **Kahatagaha Graphite Lanka Limited** (KGLL). It is a fully government owned public limited liability Company, established under the Companies Act No. 07 of 2007, purviewed by the Ministry of **Industry and Commerce**. The major shareholder of the company is the **Secretary to the Treasury**. Main policymaking body of KGLL is the Board of Directors, headed by Executive Chairman and KGLL derives the essence of its corporate policy from line Ministry and the Treasury.

Kahatagaha Mines is at the elevation of 25 meters in a hilly terrain at Maduragoda, Dodamgaslanda, in Ridigama Divisional Secretary Division and the extent of the land is approximately 102 acres. Out of 102 acres of surface land, 76 acres of coconut cultivation is managed by KGLL.

There are two major mines in Sri Lanka namely - Bogala mines and Kahatagaha mines. Kahatagaha Mine is a combination of two mines, which were operated since 1872 as Kahatagaha and Kolongaha Mines and after undertaking by the government in 1973, the two mines are amalgamated and work as a single mine.

The Mine is 2000 feet (610 meters) deep and it is the deepest mine in Sri Lanka. Accessibility to the mine is by 2 shafts. The shaft at Kahatagaha reaches to 1132 feet (345 meters) level and Kolongaha goes up to 330 feet (101 meters) level. The shafts are sinking to the mines from two different locations. The below the shafts, bottom levels are accessed by series of winches, which goes up to 2000 feet (610 meters) level. Main shaft and the winches are used to mobilize underground workers to various levels of the mine, from 1132 to 2000 feet levels and to extract run off mine. The mine extends as far as 500 meters, at its widest point.

Uniqueness of Kahatagaha product

Sri Lanka is the only commercial source of supply of high Carbon Natural Crystalline Vein Graphite and particularly Kahatagaha Mine is capable of mining high purity Natural Vein Graphite over 99% carbon, in fully crystallized form. It is found as needles, lumps, rossets, and flakes, enjoying monopoly of high carbon crystalline vein graphite, with low ash content, having a proven reputation of world market acceptance as an unique product.

CHAIRMAN'S REVIEW

As, the Chairman of the Kahatagaha Graphite Lanka Ltd (KGLL), I do hereby express my review of the Annual Accounts for the year 2016/2017. The year under review was substantially positive considering the performance of the Company during this period.

PRODUCTION

During the year under review of 2016/2017, 811 M/T of graphite Run of Mine were extracted. This was a 5.1% improvement as against the previous year's output of 771 M.T. The company implemented a production based incentive scheme in order to increase the production to provide expecting orders from new customers. Hence the employees may engage in rigid production process with the view to achieving higher targets.

SALES & MARKETING

The processed graphite of 530 M.T was exported for Rs.112Mn. during the year and revenue increased by Rs.3.4 Mn, when compared with the previous year's revenue of Rs.109 Mn. Reasons for the improved income was the new orders received from the Australian buyer for higher grade processed graphite specially for graphite grade 97/99%C.

FINANCIAL POSITION

Usually, most of our cost components were fixed in nature and management gave its maximum effort to control expenses to increase profits. But the labour cost increased during the year due to compulsion on the management to implement a production based incentive scheme as a result of an unannounced, unauthorized underground protest by the labors. They conducted the strike in 2000 ft. underground level and management was helpless and was responsible for employees' lives. As a result a hurried agreement was reached according to then circumstances. However the management is now considering to amend this collective agreement to make it more effective to the company.

Company loss was Rs. 2.52 Mn. for the year, before tax, including a provision of Rs.4.4 Mn. for impairment as required by SLFRS for SMEs.

UNDERGROUND DEVELOPMENTS

However we operated without interruption even under the low financial situation. Necessary plants and equipment were provided by spending Rs. 4.4 Mn. for underground development works. Underground winches were fully repaired with new wire ropes and necessary safety equipment were also provided.

BUILDING RENOVATION

Some buildings were in a dilapidated condition and were not in a position of usage as a result of damages and not being used for a long period of time. Specially Chairman's Bungalow Keepers's house was completely dilapidated and given up for jungle. This house was fully renovated during the year under review and a protection wall of the Chairman's Bungalow which was damaged for a long period due to earth slip was also fully repaired.

COCONUT PLANTATION AND ESTATE DEVELOPMENT

We have already re-planted 52 acres of coconut plantation. The coconut estate is well managed and provided with 8 numbers of regular employees to maintain the estate and provided with infrastructure facilities and fertilizer etc. under the inter plantation project of pepper and banana plantation initiated with the assistance of Export Development Board and is being maintained well.

However, about 50 acres of the total 102 acres of mines land were not in a position to be used due to a court case with a restraining order for either party using this particular land and as a result this area has grown in to a jungle and being used by villagers. Further a few ex-employees are still occupying the employees quarters by force. Letters have been given to them to handover these buildings or face legal action. More than 9 acres of land is being used by the Yowun Senankaya and Samurdhi Bank without any payment or benefit to the Company. Even though tax is being paid by KGLL. Furthermore some parts of the land belonging to the Company is being occupied illegally by force and houses were built during the time KGLL was privatized.

WORKERS WELFARE AND PROBLEMS

Workers relationship is maintained by way of participative management in order to improve the efficiency and effectiveness of the employees coupled with the resources and motivation. The underground laborer's behavior is different from that of the surface worker due to the risky nature and the environmental nature of the job.

Safety equipment and safety uniforms were provided on time. Underground equipment's inclusive of the hoisting system is well maintained ensuring the safety of the employees. A Government doctor from Ridigama Hospital visits the Mines once a week to check the health condition of the workers, including their families. Annual medical checkup was conducted with the collaboration of Kurunegala Base Hospital and cases were referred for medical treatments. Our medical center is being managed well by an experienced male nurse with the available primary equipment and essential emergency medicines.

Whatever success achieved by KGLL during the year under review could not have been possible without the commitment and dedication of all the employees of this Organization, especially the underground workers. The contribution of the underground workers should always be remembered and appreciated as they are always exposed to high risks, when engaged in mining.

The co-directors too continuously gave their unstinted support, advice and cooperation to achieve betterment to the Company during the year under review.

I take this opportunity to thank the Hon. Minister of Industry and Commerce, the Hon. State Minister of Industry and Commerce, the Secretary and the entire staff of the Ministry of Industry and Commerce, the Secretary to the Treasury and staff who extended their support to KGLL and specially the members of the Board of Directors and all employees of KGLL. Finally we thank you from our organization as our Auditor General of the Auditor General's Department and also M/S Ernst & Young - Chartered Accountants and staff who extended their valuable services, satisfactorily this year without hesitation, as the Auditors of KGLL.



Al. Haj. M. Abdhul Majeed
Chairman

KAHATAGAHA GRAPHITE LANKA LIMITED

30th July 2018

AUDIT COMMITTEE REPORT

Role of the Audit Committee

The main object of the Audit Committee is encourage and safeguard the highest standards of integrity in financial reporting, risk management, compliance with statutory & regulatory requirement and maintenance of sound internal controls system.

Composition of the Audit Committee

The Audit Committee comprises of three Non-Executive Directors and chaired by a Non-Executive Director nominated by the General Treasury. Board Secretary performed as the convener of the committee. The composition of the Audit Committee is as follows;

Ms. N P A R Jayawardane - Chairperson

Mr. I M Junais - Director

Mr. B S Wimalasundara - Director

Meetings and Attendance

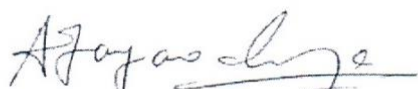
Meetings of the committee are convened quarterly and four meetings have been held during the year ended 31st March 2017. The Managerial officers of the company including the Accountant and the Internal Auditor appointed from Ministry of Industry and Commerce are invited to attend the meetings as and when required.

Activities

The Audit Committee discharged its duties by reviewing and discussing the Draft Final Accounts, External Audit Reports and the Internal Audit reports. The Audit Committee has reviewed these reports, recommended additional controls and risk mitigation strategies of minimizing the possibility of occurrence and impact of fraud, errors, operational and financial risks faced by the Company. In every meeting committee had discussed the matters in the Internal Audit Reports in depth and instruction were given to the Management for rectifying the issued highlighted. Some matters were referred to the Board of Directors for decisions to be taken after further discussion.

The committee observed that the external Auditor has submitted a true & fair view opinion for the year 2016/2017.

On behalf of the Committee,



Chairperson of the Audit Committee

CORPORATE VISION

“TO BE THE UNIQUE SOURCE OF THE NATURAL CRYSTALLINE VEIN GRAPHITE IN THE WORLD”

CORPORATE MISSION

“TO BE A DYNAMIC PARTNER WHO IS EFFECTIVE AND EFFICIENT IN THE ECONOMIC AND SOCIAL DEVELOPMENT OF SRI LANKA BY EARNING FOREIGN EXCHANGE WITH OPTIMUM UTILIZATION OF GRAPHITE MINERAL RESOURCE IN THE COUNTRY”

CORPORATE OBJECTIVES

“THE BUSINESS OBJECTIVES OF THE COMPANY ARE, MINING AND PROCESSING FOR EXPORT OF HIGH PURITY QUALITY GRAPHITE AND MAXIMUM VALUE ADDITION AND DEVELOPING GRAPHITE BASED INDUSTRIES”

ORGANIZATIONAL STRUCTURE

Kahatagaha Graphite Lanka Limited is organized under an Executive Chairman and a Board of Directors.

The operations of the Company are organized under the following areas:

- ✓ Mining
- ✓ Processing
- ✓ Mechanical & Electrical Engineering
- ✓ Marketing
- ✓ Personnel
- ✓ Administration
- ✓ Finance & Accounting
- ✓ Supplies & Stores
- ✓ General Civil Engineering
- ✓ Security

KAHATAGAHA GRAPHITE LANKA LIMITED

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2017

The Directors present herewith the audited Financial Statements for the year ended 31st March 2017. The Board of Directors is responsible for preparing and presenting the Financial Statements set out therein in accordance with the Sri Lanka Accounting Standards.

The Audited Financial Statements together with the Report of the Auditors thereon were approved by the Directors on 13th July 2017.

Principal Activities

The principal activities of the Company were.

1. To carry on the business of the part designated in Kolongaha, Kahatagaha Mines of the State Mining and Mineral Development Corporation which was created by Gazette Order published under the State Industrial Corporation Act No 49 of 1957.
2. To succeed to the ownership of property movable and immovable owned by and used by the part designated as Kolongaha – Kahatagaha Mines of the said State Mining and Mineral Development Corporation.

Review of Operations and Financial Highlights

The Financial Statements which include statement of profit or loss and comprehensive income, statement of financial position, statement of changes in equity and the notes to the financial statements of the company for the year ended 31st March 2017 are set out on pages from 3 to 24 of the Annual Report.

Respective Responsibilities of Directors and Auditors for the Financial Statements

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No.07 of 2007, the Sri Lanka Accounting and Auditing Standard Act and the Continuing Listing Rules of the Colombo Stock Exchange.

Accounting Policies

The details of the accounting policies adopted by the Company in preparation of the financial statements and the impact thereon, of changes in the Sri Lanka Accounting standard made during the year are disclosed on page no. 8 of the Annual Report.

Property, Plant and Equipment

The movements in property, plant and equipment during each year are set out in Note 20 to the Financial Statement.

Investments

Company has invested Rs.2,932,674.31 in NSB Saving Account to discharge employees' gratuity obligation.

Donation

Company has made no donations during the accounting period.

Auditor's Report

The Report of the Auditors on the Financial Statements is included in the Annual Report.

Retirement of Directors

In terms of Article 92 and 93 of the Articles of Association Messrs. Mohamed Shariff Liaquath Alikhan, Balasooriya Mudiyanse Nanda Wipula Bandara Balasooriya and Uthumankandu Muhamed Nizar retire by rotation and are eligible for re-election of themselves as Directors with the unanimous support of the continuing Directors.

In terms of Section 210 and 211 of the Companies Act No.07 of 2007 Al. Haj. Meerasahibu Abdhul Majeed who has exceeded the age limit of 70 years retires, and is eligible for re-election of himself as a Director with the unanimous support of the continuing Directors.

Directors as at 31st March 2017

The names of the Directors who held office as at 31st March 2017 are as follows:

Full Name

Al Haj Meerasahibu Abdhul Majeed

Mr. Ismail Mohamed Junais

Mr. Mohamed Shariff Liaquath Alikhan

Mrs. Nainanayake Pathirannehelage Anuja Roshani Jayawardane

Mr. Bandula Senadhi Wimalasundera

Mr. Uthumankandu Muhamed Nizar

Mr. Balasooriya Mudiyanseelage Nanda Wipula Bandara Balasooriya

The Board of Directors declare as follows:

- (1) the Company has not engaged in any activity which contravenes laws and regulations
- (2) All material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;
- (3) The Company has made all endeavours to ensure the equitable treatment of shareholders;
- (4) The business is a going concern, with supporting assumptions or qualifications as necessary; and they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith and, if it is unable to make any.

Remuneration of Directors

The total remuneration of the Board of Directors during the year under review is given in note no. 13 of the Financial Statements.

Directors interest in contracts and proposed contracts with the Company

The Directors interest in contracts and proposed contracts with the Company are disclosed in the Note No. 06 in financial statements.

Directors meetings

Details of the meetings of the Board of Directors are given below.

Name of the Director	No. of meetings attended
Al Haj M A Majeed	8/8
Mr. M S L Ali Khan	7/8
Mr. N P A R Jayawardena	8/8
Mr. I M Junais	6/8
Mr. B S Wimalasundara	8/8
Dr. N W B Balasooriya Appointed on 29/06/2016	6/6
Mr. U M Nizar Appointed on 29/06/2016	5/6

Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments in relation to the Government and to the employees have been settled to date or provided for in the books of the Company.

Contingent Liabilities and Capital Commitment

The Contingent liabilities and capital commitment made on account of capital expenditure as at 31st March 2017 are given in Note 8 of the Financial Statements.

Events after balance sheet date

The materiality of events after balance sheet was considered and where necessary, appropriate adjustments or disclosures have been made.

Post Balance Sheet Events

There are no significant events that have occurred after the balance sheet date which would have any material effect on the Company that require adjustments.

Going Concern

The Directors are confident that the company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

Contingent Liabilities

Details with regard to the contingent liabilities are given in note no. 8 to the financial statement.


Auditors

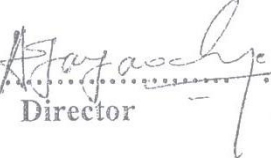
The Auditor General served as the Auditor during the year under review as the Auditor of the Company. Messrs Ernst & Young, Chartered Accountants assisted the Auditor General as per the PED Circular 01 of the Finance Ministry. The Auditor General has confirmed that he has had no interest in or relationship other than that of Auditors. They confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

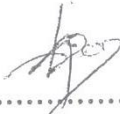
Fees payable to the Auditors for the financial year is given in Note 14 to the Financial Statements.

M/s. Ernst & Young, Chartered Accountants will be appointed to assist the Auditor General as per PED Circular 01 of the Finance Ministry for the ensuing year and a resolution to appoint them and to authorize the Directors to fix their remuneration will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD OF KAHATAGAHA GRAPHITE LANKA LIMITED


.....
Director

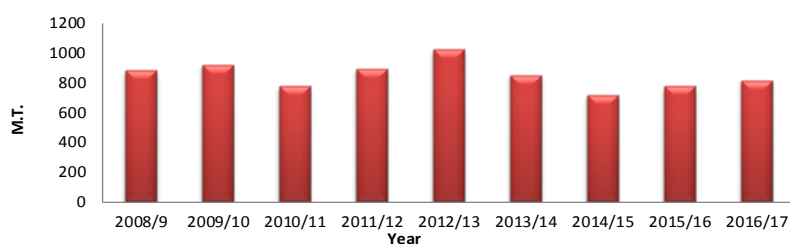

.....
Director


.....
Accounting Systems Secretarial
Services (Pvt) Ltd

FINANCIAL HIGHLIGHTS

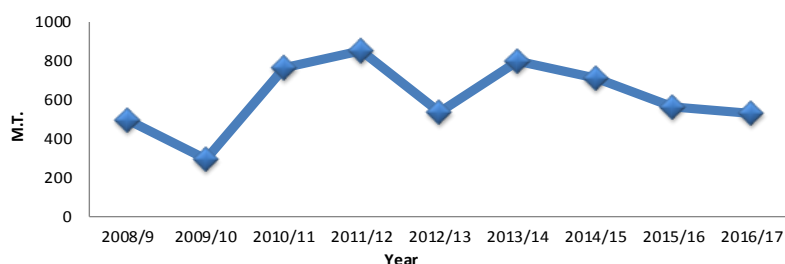
Production

Year	M.T.
2008/9	877
2009/10	915
2010/11	771
2011/12	888
2012/13	1018
2013/14	848
2014/15	712
2015/16	771
2016/17	811



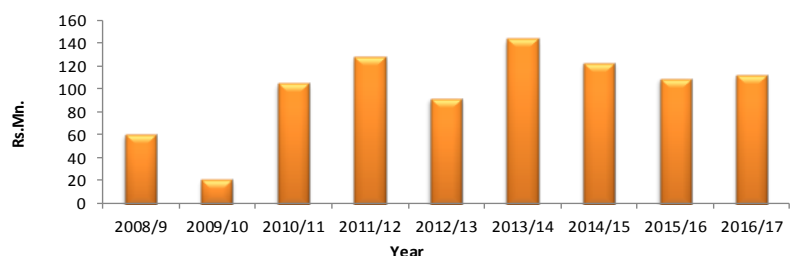
Sales

Year	M.T.
2008/9	497
2009/10	295.2
2010/11	760.3
2011/12	850.3
2012/13	537.8
2013/14	793
2014/15	708.5
2015/16	558.6
2016/17	530



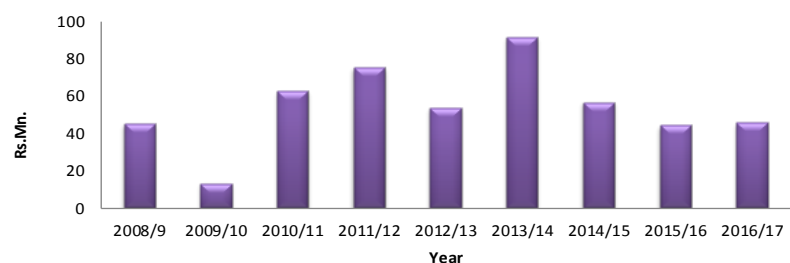
Revenue

Year	Rs.Mn.
2008/9	60.4
2009/10	21.1
2010/11	105
2011/12	128
2012/13	91.6
2013/14	143.6
2014/15	122.5
2015/16	109
2016/17	112.4



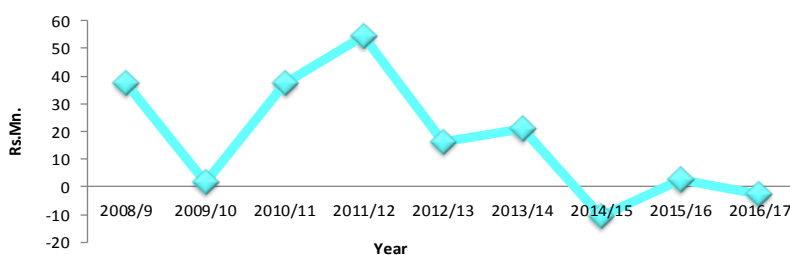
Gross Profit

Year	Rs.Mn.
2008/9	44.8
2009/10	13.1
2010/11	62.4
2011/12	74.9
2012/13	53.5
2013/14	91.36
2014/15	56.35
2015/16	44.08
2016/17	45.47



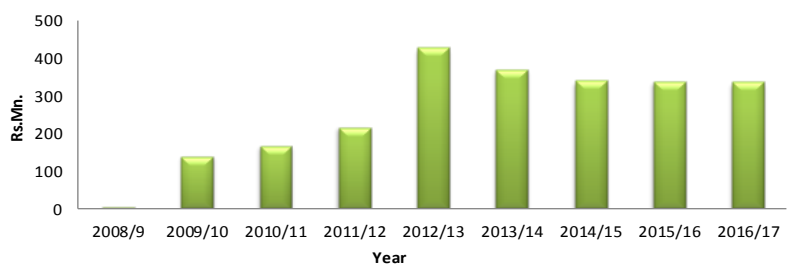
Net Profit Before Tax

Year	Rs.Mn.
2008/9	37.3
2009/10	1.5
2010/11	37.7
2011/12	54.3
2012/13	16.4
2013/14	21.18
2014/15	-10.84
2015/16	2.39
2016/17	-2.52



Net Assets

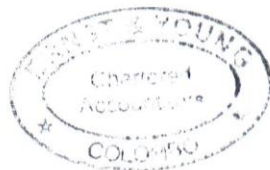
Year	Rs.Mn.
2008/9	4.4
2009/10	137
2010/11	166
2011/12	214
2012/13	423.4
2013/14	367.5
2014/15	337
2015/16	336
2016/17	334



KAHATAGAHA GRAPHITE LANKA LIMITED

ACCOUNTS 2016/17

CONTENT	PAGE
Corporate Information	1
Auditor's Report	2 - 3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flow	7
Significant Accounting Policies	8 - 14
Financial Statement Disclosures	15
Notes to the Accounts	16 - 22
Income Tax Computation	23 - 24



KAHATAGAHA GRAPHITE LANKA LIMITED

CORPORATE INFORMATION AS AT 31ST MARCH 2017

NAME OF THE COMPANY
KAHATAGAHA GRAPHITE LANKA LIMITED

LEGAL FORM
LIMITED LIABILITY COMPANY UNDER MINISTRY OF FINANCE

SHAREHOLDING & OWNERSHIP
100% OWNED BY SECRETARY TO THE TREASURY ON BEHALF OF THE GOVERNMENT OF SRI LANKA

REGISTERED OFFICE (HEAD OFFICE)
No. 561/3, ELVITIGALA MAWATHA, NARAHENPITA, COLOMBO 05

MINES
KAHATAGAHA MINE, MADURAGODA, DODANGASLANDA

COMMUNICATION	
<u>HEAD OFFICE</u>	<u>MINES</u>
TELE : 011-2368738	TELE : 037-2252015
FAX : 011-2058062	FAX : 037-4931711
E MAIL : kgll@sltnet.lk	
WEBSITE : www.kgraphite.lk	

STATUTORY STATUS
LIMITED LIABILITY COMPANY INCORPORATED IN SRI LANKA UNDER
THE COMPANIES ACT NO. 7 OF 2007.

COMPANY REGISTRATION NO
PB 1513

DIRECTORS AS AT 31ST MARCH 2017
AL HAJ MEERASAHIBU ABDHUL MAJEED
ISMAIL MOHAMED JUNAIS
MOHAMED SHARIFF LIAQUATH ALIKHAN
NAINANAYAKE PATHIRANNEHELAGE ANUJA ROSHANI JAYAWARDANE
BANDULA SENADHI WIMALASUNDERA
UTHUMANKANDU MUHAMED NIZAR
BALASOORIYA MUDIYANSELAGE NANDA WIPULA BANDARA BALASOORIYA

SECRETARY
ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PVT) LTD
No. 02, CASTLE LANE, COLOMBO 04.

AUDITORS
AUDITOR GENERAL OF SRI LANKA
ASSISTED BY
ERNST & YOUNG,
CHARTERED ACCOUNTANTS,
NO. 201, DE SERAM PLACE,
COLOMBO 10.

BANKERS
BANK OF CEYLON
KOLLUPITIYA AND REDIGAMA.



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

TCM/B/KGLL/16/17

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

03 July 2018

To the Shareholders of the
Kahatagaha Graphite Lanka Limited

Report of the Auditor General on the Financial Statements of the Kahatagaha Graphite Lanka Limited for the year ended 31 March 2017.

The audit of the financial statements of the Kahatagaha Graphite Lanka Limited ('the Company') for the year ended 31 March 2017 comprising the statement of financial position as at 31 March 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

+94-11-2887028-34

+94-11-2887223

ag@auditorgeneral.gov.lk

www.auditorgeneral.gov.lk

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Report on Other Legal and Regulatory Requirement

As required by Section 163 (2) of the Companies Act No. 07 of 2007. I state the followings:

- a. The basis of opinion and scope and limitations of the audit are as stated above.
- b. In my opinion :
 - I have obtained all the information and explanations that were required for the audit and as far as appears from my examinations, proper accounting records have been kept by the Company
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.



H.M. Gamini Wijesinghe

Auditor General

BW/MRK/MFI

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KAHATAGAHA GRAPHITE LANKA LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of Kahatagaha Graphite Lanka Limited, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes (set out on pages 08 to 24).

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

B

(Contd..2/)

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sejeevani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCA FCCA

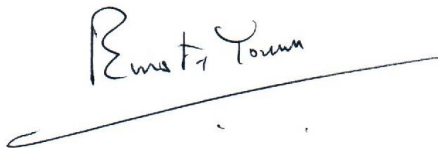
A member firm of Ernst & Young Global Limited

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

24 October 2017
Colombo



KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31ST MARCH

	NOTES	2017 LKR	2016 LKR
REVENUE			
Sale of Graphite	10	112,413,523.45	109,011,825.22
Direct Cost, Mining Cost	11	(66,934,529.41)	(66,156,139.20)
GROSS PROFIT/(LOSS)		45,478,994.04	42,855,686.02
Sundry Income	12	2,459,435.10	890,704.12
LESS: OPERATING COST			
Personnel Cost	13	(24,295,764.82)	(23,931,547.49)
Establishment & Administration Cost	14	(6,766,436.06)	(6,004,159.56)
Maintenance Cost	15	(440,845.78)	(293,196.28)
Utility Cost	16	(544,113.79)	(409,269.97)
Depreciation Cost	17	(6,482,396.87)	(6,870,398.57)
Gain on Foreign Exchange Gain/Loss		(2,396,026.32)	(1,754,133.05)
Defined Contribution Plan - Gratuity		(2,597,235.15)	(1,661,340.55)
Administration Cost		(44,122,818.79)	(40,924,045.47)
Selling and Distribution Cost	18	(1,557,958.20)	(1,415,495.28)
Other Cost	19	(376,453.80)	(762,314.98)
OPERATING PROFIT/(LOSS)		1,881,198.35	644,534.41
Impairment		(4,403,238.91)	-
PROFIT/(LOSS) BEFORE TAXATION		(2,522,040.56)	644,534.41
Taxation		(2,116,282.71)	(1,129,939.81)
Deferred Tax Expenses		3,219,378.32	(833,519.13)
PROFIT/(LOSS) AFTER TAXATION		(1,418,944.95)	(1,318,924.53)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) for the year			
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(1,418,944.95)	(1,318,924.53)



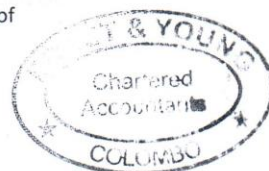
KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF FINANCIAL POSITION


AS AT 31 MARCH	NOTES	2017 LKR	2016 LKR
ASSETS			
Non Current Assets			
Property, Plant & Equipment	20	212,504,874.73	234,840,672.36
Non Operating Assets	21	3,796,760.34	3,009,330.26
Coconut Plantation Development		1,694,235.36	1,694,235.36
Gratuity Investment Fund		2,932,674.31	2,000,000.00
		220,928,544.74	241,544,237.98
Current Assets			
Stock	22	125,652,065.79	100,299,108.05
Debtors, Deposit & Receivable	23	15,871,697.21	18,595,391.01
Cash & Cash Equivalent	24	7,733,151.29	7,404,947.31
		149,256,924.29	126,299,446.37
TOTAL ASSETS		370,185,469.03	367,843,684.35
EQUITY AND LIABILITIES			
Capital And Reserves			
Stated Capital	25	13,000,000.00	13,000,000.00
Retained Earnings		321,103,302.54	322,526,747.68
		334,103,302.54	335,526,747.68
Long Term Liabilities			
Deferred Tax Liability	26	311,272.90	3,530,651.22
Gratuity Provision	27	10,510,916.20	8,762,764.00
		10,822,189.10	12,293,415.22
Current Liabilities			
Trade and Other Creditors	28	2,622,730.04	1,978,804.21
Provision For Taxation	29	7,029,236.06	6,412,953.35
Accrued Charges	30	15,608,011.29	11,631,763.89
		25,259,977.39	20,023,521.45
TOTAL EQUITY AND LIABILITIES		370,185,469.03	367,843,684.35

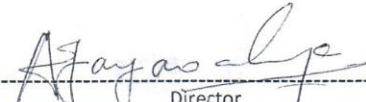
I certify that the Financial Statements have been prepared in compliance with requirements of the Companies Act No 7 of 2007.


Chief Financial Officer



The Board of Directors is responsible for the preparation of these Financial Statements signed for and on behalf of Board by


Chairman


Director

KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share Capital LKR	Revaluation Reserve LKR	Accumulated Profit/(Loss) LKR	Total LKR
Balance on 01st April 2015	13,000,000.00	250,220,462.70	73,750,228.61	336,970,691.31
Transfer to Retained Earnings	-	(250,220,462.70)	250,220,462.70	-
Prior year adjustment	-	-	(125,019.10)	(125,019.10)
Profit/(Loss) for the Year	-	-	(1,318,924.53)	(1,318,924.53)
Balance on 31 st March 2016	<u>13,000,000.00</u>	<u>-</u>	<u>322,526,747.68</u>	<u>335,526,747.68</u>
Balance on 01st April 2016	13,000,000.00	-	322,522,247.49	335,522,247.49
Other Comprehensive Income/(Loss)			-	-
Profit/(Loss) for the Year	-	-	(1,418,944.95)	(1,418,944.95)
Balance on 31 st March 2017	<u>13,000,000.00</u>	<u>-</u>	<u>321,103,302.54</u>	<u>334,103,302.54</u>

KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF CASH FLOW

YEAR ENDED 31ST MARCH2017
LKR2016
LKR

Cash Flows From/(Used in) Operating Activities		
Net Profit/(Loss) before Income Tax Expenses	(2,522,041)	644,534
Adjustments for :		
Gratuity Provision	2,597,235	1,661,341
Lease Interest	-	39,696
Prior Year Adjustment	(4,500)	230,250
Depreciation on Tangible Fixed Assets	21,504,785	21,769,679
Impairment on Non Operating Assets	4,403,239	-
Exchange Loss	(2,396,026)	(1,754,133)
Operating Profit before Working Capital changes	23,582,692	22,591,367
(Increase)/Decrease in Inventories	(25,039,215)	(15,960,308)
(Increase)/Decrease in Receivable	2,723,694	(6,343,090)
(Decrease)/Increase in Creditors	643,926	1,478,527
(Decrease)/Increase in Accruals	3,976,247	1,725,929
Net Cash Flow From/(Used in) Operating Activities	5,887,344	3,492,424
Cash Flow From/(Used in) Investing Activities		
Purchase of Tangible Fixed Assets	(4,673,399)	(665,780)
Gratuity Investment Fund	(932,674)	5,000,000
Net Cash Flows From/(Used in) Investing Activities	(5,606,073)	4,334,220
Cash Flow From/(Used in) Financing Activities		
Income Tax Paid	(1,500,000)	(3,006,310)
Gratuity Paid	(849,083)	(148,288)
Leasing payment	-	(2,315,936)
Net Cash Flows From/(Used in) Financing Activities	(2,349,083)	(5,470,534)
Effect of Foreign currency exchange of Cash & Cash Equivalent	2,396,026	1,754,133
Net Increase/(Decrease) Cash & Cash Equivalents	328,214	4,110,243
Cash and Cash Equivalents at beginning of the year	7,404,947	3,294,704
Cash and Cash Equivalents at end of the year	7,733,161	7,404,947
Cash & Cash Equivalents		
Bank Of Ceylon - Redigama	767,813	59,547
Bank Of Ceylon - Kollupitiya	25,358	1,349,312
DFC \$ A/C - BOC Kollupitiya	6,890,560	5,961,366
Petty Cash - Head Office	27,716	12,358
Petty Cash - Mine Office	21,714	22,365
	7,733,161	7,404,947



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31st MARCH 2017

1. CORPORATE INFORMATION

1.1 GENERAL

KAHATAGAHA GRAPHITE LANKA LIMITED had been a 'Peoplized' Company and re-vested in 1997 with the Government under the Rehabilitation of Public Enterprises Act. No. 29 of 1996. Now it is functioning as a fully government owned business undertaking and Registered under the Companies Act No. 07 of 2007. The Registered Office of the Company is located at No. 561/3, Elvitigala Mawatha, Narahenpita, Colombo 05.

1.2 Principal Activities and Nature of Operations

During the period, principal activities of the Company were Manufacturing and Export of Graphite.

1.3 Directors' Responsibility Statement

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

1.4 Comparative Figures

The previous figures and phrases have been re-arranged to comply with current year presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Company has been prepared on a historical cost basis, unless otherwise indicated. The financial statements are presented in Sri Lankan Rupees (LKR), unless otherwise indicated.

2.2 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS for SME"), as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these Financial Statements is in compliance with the requirements of the Companies Act No.07 of 2007.

These financial statements include comparative information for only one year (2016). On the transition, the entity did not choose to apply the fair value or revaluation as deemed cost exemptions in Fair value as deemed cost and Revaluation as deemed cost.

The Company has consistently applied the accounting policies used in preparation of its opening SLFRS Statement of Financial Position as at 01st April 2016 through all periods presented, as if these policies had always been in effect.

2.3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.



Judgements

In the process of applying the Company's accounting policies, management has made following judgements which have the most significant effect on the amounts recognised in the financial statements

a) Classification of Property

The Company determines whether a property is classified as investment property or an owner occupied property. Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of the Company, not for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. The Company determines whether a property qualifies as investment property by considering whether the property generates cash flows largely independently of the other assets held by the entity. Owner occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (leased out separately under a finance lease) or the financial accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Company considers each property separately in making its judgment.

b) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

c) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

d) Employee Benefits

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan using the Projected Unit Credit Method (PUC) as recommended by Section 28 of SLFRS for SME.

e) Impairment of Non-Financial Assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

f) Impairment of Trade & Other Receivable

The Company reviews at each reporting date all receivables to assess whether impairment should be recorded in the Income Statement. Management uses judgment in estimating such allowance considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.



3. Significant Accounting Policies

3.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Accrual basis has been followed in charging the expenditure items to the revenue.

a) Export Revenue

Export revenue is recognized based on actual exports effected on an accrual basis.

b) Interest Revenue

Interest revenue is accounted at the time of the received

c) Estate Crop Revenue

Estate income is recognized on cash basis.

d) Other Income

Other income is recognized on an actual basis.

3.2 Expenditure

All expenditure incurred in the running of the business and in maintaining the capital assets have been charge to Revenue on an accrual basis in arriving at the profit/(Loss) for the year.

3.3 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

b) Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.



Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in Equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except, where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case, the sales tax is recognized as a part of the cost of the asset or part of the expense items, as applicable or/and receivable and payable that are stated with the amount of sales tax included. The net amount of sales tax recoverable from or payable to the taxation authorities is included as a part of receivables or payables in the statement of financial position.

3.4 Property, Plant and Equipment

Property, Plant and Equipment is initially stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant and Equipment if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Income Statement as incurred.

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Under the LKAS 16 Valuations to be performed every 3-5 years or frequently enough to ensure that the fair value of a revalue asset does not differ materially from its carrying amount.

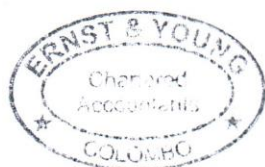
A revaluation surplus is recognised in Other Comprehensive Income and credited to the asset revaluation reserve in Equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Income Statement, such the increase is recognised in the Income Statement. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The provision for depreciation/amortization is calculated by using a straight line method on the cost/revaluation of all Property, Plant and Equipment in order to write off such amounts over the following estimated useful lives by equal instalments.

Depreciation Rates are as indicated Note 20 to the accounts.

No depreciation provided for non-operating assets.

During the year under review the depreciation component pertaining to production process charged to under direct mining cost.



Fair value of Property, Plant and Equipment

The Company has not carried out revaluation for Property, Plant & Equipment by using an independent valuation specialist to assess fair value. Therefore the Property, Plant & Equipment presented at original cost of valuation less accumulated depreciation.

Legal Case – Land Ownership

A Legal Cases Nos P 5745 & P 6070 at Kurunegala District Court pending against the Company in connection with 26 Ares land dispute. The Plaintiff named as A. A. Somasiri.

3.5 Financial Instruments - Initial Recognition and Subsequent measurement

Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of Section 11 of SLFRS for SME are classified as financial assets held for trading, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially an entity shall measure it at the transaction price. (Including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit and loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and bank balances, trade and other receivables, financial assets held for trading and available-for-sale financial assets and other financial assets.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Trade and Other Receivables

Trade and Other Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The losses arising from impairment are recognised in the Income Statement.

Derecognition

i) Financial Assets

A financial asset is primarily derecognised when:

- (a) The rights to receive cash flows from the asset have expired,
- Or
- (b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full.



Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include indications that the debtors or is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. The assets are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to the Income Statement.

Available-for-Sale Financial Instruments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair values have been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement is removed from Other Comprehensive Income and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the Income Statement; increases in their fair value after impairment are recognised directly in Other Comprehensive Income.

ii) Financial Liabilities

Initial Recognition and Measurement

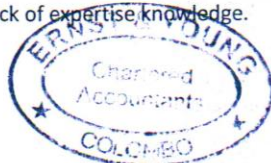
Financial liabilities within the scope of Section 11 of SLFRS for SME are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities excluding derivative financial instruments include trade and other payables, bank overdrafts, loans and borrowings, financial guarantees contracts, and other financial liabilities.

Financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

3.6 Inventories

Inventories are valued at the weighted average of cost and net realisable value; Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

It is reported that Company were unable to utilize on comprehensive method due to the limited resources available and lack of expertise knowledge.



The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Accordingly, the costs of inventories are accounted as follows.

Graphite – At weighted average cost.

Other Consumables- At weighted average cost.

Engineering supplies – At weighted average cost.

3.7 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is higher of asset's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3.8 Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.9 Cash and Cash Equivalents

Cash and short-term deposits are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of statement of cash flows, cash and short-term deposits consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents

3.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.11 Post-Employment Benefits

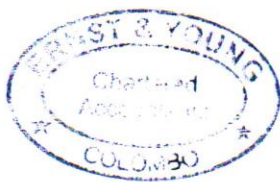
Defined Benefit Plan – Gratuity

The Company measures the retirement benefits of gratuity at the end of every financial year using the Projected Unit Credit Method (PUC) as recommended by Section 28 of SLFRS for SME.

a) Defined Contribution Plans

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees Provident Fund and Employee Trust Fund contributions, in line with respective statute and regulations. The company contributes 12% and 3% of gross remuneration of employees to Employee Provident Fund and Employee Trust Fund.



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31st MARCH 2017

FINANCIAL STATEMENT DISCLOSURES

4. STATED CAPITAL

Issued 1,300,000 Ordinary Shares of Rs. 10/- per share.

Name	No. Of Shares	Value of Shares	Ownership Percentage
Treasury Secretary	<u>1,300,000</u>	<u>13,000,000/-</u>	<u>100%</u>
	<u>1,300,000</u>	<u>13,000,000/-</u>	<u>100%</u>

5. ASSETS PLEDGED

No assets have been pledged as securities as at the date of Statement of Financial position.

6. DIRECTORS INTEREST

According to the information made available to us, no Director of the Company is directly or indirectly interested in any contract with the Company.

7. RELATED PARTY DISCLOSE

The Chairperson and Board of Directors of the Company are liable to receive allowances based on the Government Regulation which are disclosed under Note 13. The respective PAYE deducted only from the Chairperson allowances.

8. COMMITMENTS AND CONTINGENT LIABILITIES

The Company does not have significant contingent liabilities as at the date of Statement of Financial Position that requires disclosure.

9. EVENT AFTER THE REPORTING PERIOD

There have been no material events occurring after the date of Statement of Financial Position that require adjustment to or disclosure in the Financial Statements.



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH

	NOTES	2017 LKR	2016 LKR
10 SALE OF GRAPHITE			
Sales Income		112,413,523.45	109,011,825.22
11 DIRECT COST, MINING COST			
Stock Balance at beginning		84,241,789.18	67,125,394.66
Wages Cost	11-01	52,097,802.63	41,299,550.53
Support Service Cost	11-02	26,191,020.05	26,594,205.93
Depreciation	11-03	15,022,388.42	14,899,280.30
Royalty Payments		824,930.15	479,496.96
		178,377,930.43	150,397,928.38
Less Stock at closing		(111,443,401.02)	(84,241,789.18)
Add Cost of Mining During the Period		66,934,529.41	66,156,139.20
Wages Cost	11-01		
Salaries & Wages		33,931,061.90	30,803,003.90
Production Incentives		6,027,000.00	-
Overtime		2,476,886.21	990,403.67
Allowance		670,000.00	944,000.00
Defined Contribution Plan (EPF)		4,071,592.79	3,696,360.48
Defined Contribution Plan (ETF)		1,017,898.20	924,090.11
Staff Welfare		3,171,863.53	2,456,692.37
Bonus		731,500.00	1,485,000.00
		52,097,802.63	41,299,550.53
Support Service Cost	11-02		
Mining Expenses		8,636,086.45	8,266,338.38
Power and Electricity		12,204,705.67	14,247,013.27
Security Charges		5,350,227.93	4,080,854.28
		26,191,020.05	26,594,205.93
Depreciation	11-03		
Plant & Machinery		12,901,500.99	12,854,845.99
Generator		1,234,127.23	1,234,127.23
Under Ground Development		886,760.20	810,307.08
		15,022,388.42	14,899,280.30
12 SUNDRY INCOME			
Agricultural Income	12-01	355,688.75	752,814.75
Interest Income		114,614.38	117,389.37
Other Income		1,989,131.97	20,500.00
		2,459,435.10	890,704.12
Agricultural Income	12-01		
Income from sale of Crops		361,968.75	796,484.75
Less Expenses;			
Sundry Estate Expenses		(6,280.00)	(43,670.00)
		355,688.75	752,814.75



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH

NOTES

2017
LKR

2016
LKR

13 PERSONNEL COST

Directors Remuneration

Jayasinghe W D	-	669,380.00
Alikhan M S L	990,600.00	939,450.00
Junais I M	188,500.00	26,500.00
Wasala W M C P V	-	60,000.00
Majeed A M	1,191,200.00	435,671.99
Jayawardane	138,000.00	99,500.00
Wimalasundara B S	149,500.00	99,500.00
Dr Balasooriya N W B	87,000.00	-
Nizar U M	72,500.00	-
Pallepola	-	78,500.00
	<u>2,817,300.00</u>	<u>2,408,501.99</u>

Staff Salary and Wages

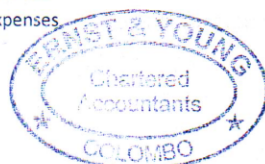
Administration Salary & wages	16,644,820.70	17,178,065.28
Overtime	890,573.33	515,518.74
Allowances	1,743,847.68	892,751.67
Defined Contribution Plan (EPF)	1,997,378.48	2,061,367.85
Defined Contribution Plan (ETF)	499,344.63	515,341.96
Bonus	302,500.00	360,000.00
	<u>22,078,464.82</u>	<u>21,523,045.50</u>

Total Personnel Cost

24,895,764.82 23,931,547.49

14 ESTABLISHMENT AND ADMINISTRATION COST

Rent	86,202.41	326,452.55
Rates & Taxes	21,043.84	15,083.85
Medical Aid	90,121.29	35,248.13
Insurance	474,097.11	327,893.18
Printing & Stationery	121,563.48	297,471.61
Postage	26,835.65	25,149.00
Legal & Professional Fees	75,970.00	64,732.10
Security Charge	1,783,409.31	1,360,284.76
Book & Periodicals	27,055.00	4,005.00
Secretarial Charges	159,277.50	134,285.00
Audit Fees	241,500.00	165,000.00
Audit Fees - Auditor General's Department Service Charges	41,659.00	24,750.00
Travelling & Transport	3,459,184.22	2,519,222.81
Staff Welfare	-	337,969.31
Electricity	-	681.30
License & Permits	15,567.25	94,073.82
Subscription	100,000.00	5,000.00
Annual Accounts Preparation & Translations	-	26,857.14
Sundry Expenses	3,450.00	-
Training Expenses	39,500.00	240,000.00
	<u>6,766,436.06</u>	<u>6,004,159.56</u>



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH	NOTES	2017 LKR	2016 LKR
Legal & Professional Fees	14-1		
Labour Tribunal Case		3,000.00	28,000.00
Land Dispute Case		28,000.00	15,000.00
Professional Charges		44,970.00	21,732.10
		<u>75,970.00</u>	<u>64,732.10</u>
15 MAINTENANCE COST			
Office Equipment Maintenance		119,781.78	154,601.28
Building Maintenance		114,680.00	12,800.00
Machinery Maintenance		206,384.00	125,795.00
		<u>440,845.78</u>	<u>293,196.28</u>
16 UTILITY COST			
Water Charges		14,504.47	10,075.50
Telephone		529,609.32	399,194.47
		<u>544,113.79</u>	<u>409,269.97</u>
17 DEPRECIATION COST			
Building		2,516,424.54	2,516,424.53
Electrical Equipments		357,336.00	357,336.00
Motor Vehicle		1,921,200.50	2,041,200.50
Office Equipments		710,810.39	693,610.39
Other Assets		600,187.07	885,388.78
Furniture & Fittings		376,438.37	376,438.37
		<u>6,482,396.87</u>	<u>6,870,398.57</u>
18 SELLING AND DISTRIBUTION COST			
Transport to Wharf - Export		864,000.00	768,000.00
Export Promotion Expenses		-	58,096.00
Sales Promotion		37,000.00	110,145.00
Advertising Expenses		30,040.00	44,442.00
Freight Expenses		626,918.20	434,812.28
		<u>1,557,958.20</u>	<u>1,415,495.28</u>
19 FINANCE AND OTHER COST			
Bank Charges		256,966.04	225,569.73
Unclimbed Value Added Tax on Lease		-	173,039.46
Lease Interest Charges		-	39,695.83
Penalty and surcharge		-	43,141.50
CSR - Community Support Expenses		84,999.50	25,000.00
Nation Building Tax		34,488.26	255,868.46
		<u>376,453.80</u>	<u>762,314.98</u>



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

AS AT 31ST MARCH2016
LKR2017
LKR

20 Property Plant and Equipment

Cost	Balance On 1st April 2016	Additions	Transfer to Consumable Stock	Non Operating Asset	Balance On 31st March 2017
Gross Carrying Amounts					
Free Hold Land	25,500,000.00	-	-	-	25,500,000.00
Building	83,880,817.70	-	-	-	83,880,817.70
Plant & Machinery	128,548,459.94	3,707,867.80	-	(3,241,317.81)	129,015,009.93
Electrical Equipment	1,786,680.00	-	-	-	1,786,680.00
Motor Vehicle	20,412,005.00	-	-	(1,200,000.00)	19,212,005.00
Other Assets	8,853,887.78	110,000.00	(212,017.28)	(2,750,000.00)	6,001,870.50
Office Equipment	3,468,051.94	91,000.00	-	-	3,559,051.94
Generator	15,426,590.40	-	-	-	15,426,590.40
U.G.Development	8,103,070.76	764,531.21	-	-	8,867,601.97
Furniture & Fitting	1,882,191.87	-	-	-	1,882,191.87
Total Assets	297,861,755.39	4,673,399.01	(212,017.28)	(7,191,317.81)	295,131,819.31

Item under column 3 of above schedule included property plant & equipment which later identified as consumable materials has been transferred to the consumable stock

Depreciation	Rate	Balance on 1st April 2016	Depreciation	Transfer to Consumable Stock	Non Operating Asset	Balance On 31st March 2017
Building	3%	6,661,999.05	2,516,424.54	-	-	9,178,423.59
Plant & Machinery	10%	37,631,682.11	12,901,500.99	-	(650,318.56)	49,882,864.55
Electrical Equipment	20%	1,059,768.00	357,336.00	-	-	1,417,104.00
Motor Vehicle	10%	6,123,601.50	1,921,200.50	-	(360,000.00)	7,684,802.00
Other Assets	10%	2,459,089.05	600,187.07	(63,605.18)	(825,000.00)	2,170,670.93
Office Equipment	20%	1,943,234.22	710,810.39	-	-	2,654,044.61
Generator	8%	3,702,381.69	1,234,127.23	-	-	4,936,508.92
U.G.Development	10%	2,403,690.64	886,760.20	-	-	3,290,450.84
Furniture & Fitting	20%	1,035,636.77	376,438.37	-	-	1,412,075.15
Total Depreciation		63,021,083.04	21,504,785.29	(63,605.18)	(1,835,318.56)	82,626,944.58
Total Written Down Value		234,840,672.36	(16,831,386.28)	(148,412.10)	(5,355,999.25)	212,504,874.73



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

AS AT 31 MARCH	NOTES	2017 LKR	2016 LKR
21 NON OPERATING ASSETS			
Cost (as at 1st April 2016)		3,009,330.26	3,753,596.73
Accumulated Depreciation (as at 31st March 2017)		(1,835,318.56)	(744,266.47)
Cost (as at 31st March 2017)		7,191,317.81	-
Transfer to Consumables		(165,330.26)	-
Impairment		(4,403,238.91)	-
Balance (as at 31st March 2017)		<u>3,796,760.34</u>	<u>3,009,330.26</u>
22 STOCK			
Stock Consumables		14,208,664.77	16,057,318.87
Stock-Graphite		<u>111,443,401.02</u>	<u>84,241,789.18</u>
		125,652,065.79	100,299,108.05
23 DEBTORS,DEPOSITS & RECEIVABLES			
Accounts Receivable	23-01	12,575,194.17	15,415,659.82
Purchase Advance	23-02	208,897.16	52,500.00
Deposits	23-03	20,000.00	25,908.16
Sri Lanka Telecom Deposit		5,000.00	5,000.00
Value Added Tax Receivables		3,060,105.88	3,077,323.03
Festival Advance		2,500.00	-
Advance for Web Site Development		-	19,000.00
		<u>15,871,697.21</u>	<u>18,595,391.01</u>
Accounts Receivable	23-01		
Asbery Graphite Mills Inc		-	8,839,926.00
ECO Pencils Private Ltd		122,500.00	360,000.00
Coconut Sales		760.00	-
Sample Sales		5,572.54	-
First Graphite Ltd		5,357,151.00	-
Lanka Graphite Ltd		322,138.63	-
Bill Ou		-	57,412.25
S Kato & Co.,		<u>6,767,072.00</u>	<u>6,158,321.00</u>
		12,575,194.17	15,415,659.25
Purchase Advance	23-02		
Rathnayake R M A		85,000.00	17,500.00
Jayathilake K P E B		60,000.00	-
Disanayaka D M S		40,000.00	-
Abans Ltd		16,435.00	-
State Timber Corporation		7,462.16	-
Sujatha Kumari		-	35,000.00
		<u>208,897.16</u>	<u>52,500.00</u>
Deposits	23-03		
Finlay Rentokill Ltd		-	5,908.16
Lanka Bell Ltd		<u>20,000.00</u>	<u>20,000.00</u>
		<u>20,000.00</u>	<u>25,908.16</u>



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

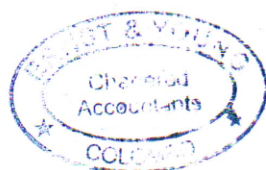
AS AT 31 MARCH	NOTES	2017 LKR	2016 LKR
24 CASH & CASH EQUIVALENT			
Bank Of Ceylon - Redigama		767,813.22	59,546.71
Bank Of Ceylon -Kollupitiya		25,358.19	1,349,311.91
DFC \$ A/C - BOC Kollupitiya		6,890,560.12	5,961,365.65
Petty Cash - Head Office		27,715.88	12,357.76
Petty Cash - Mine Office		21,713.88	22,365.28
		<u>7,733,161.29</u>	<u>7,404,947.31</u>
25 STATED CAPITAL			
Called Up Share Capital		13,000,000.00	13,000,000.00
		<u>13,000,000.00</u>	<u>13,000,000.00</u>
26 DEFERRED TAX LIABILITY			
Balance B/F		3,530,651.22	2,697,132.09
Prior Year Adjustment		-	-
Provision For The Year		(3,219,378.32)	833,519.13
Closing Balance		<u>311,272.90</u>	<u>3,530,651.22</u>
27 GRATUITY PROVISION			
Balance B/F		8,762,764.00	7,249,711.45
Provision For The Year		2,597,235.15	1,661,340.55
Paid During The Year		(849,082.95)	(148,288.00)
Closing Balance		<u>10,510,916.20</u>	<u>8,762,764.00</u>



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

AS AT 31 MARCH	NOTES	2017 LKR	2016 LKR
28 TRADE AND OTHER CREDITORS			
A C Paul & Co.		12,916.80	-
Adham Sheed		52,685.03	-
Gobinath Theenathayalan		4,060.38	-
Airline Traders		6,920.00	-
American Premium Water System (Pvt) Ltd		1,020.00	-
Asiri Lubricant		117,845.00	-
Asiri Trade Center		-	1,000.00
Cambridge Traders		338,995.00	24,500.00
Ceylon Paper Sacks Ltd		74,092.80	260,752.80
Chandana K A		10,000.00	-
Dammika Lanka Enterprises Pvt Ltd		36,630.00	23,040.00
Dinapala Super Center		-	235,000.00
Disanayaka Hardware		401,710.55	129,276.80
Eastern Trading Company		32,500.00	62,490.00
Finlay rentokill Ceylone (Pvt) Ltd		150,255.04	-
Hewage Distributors (Pvt) Ltd		40,456.94	61,858.54
Hitech Hardware (Pvt) Ltd		31,650.53	125,004.95
Industrial Safety Equipment Company Ltd		5,000.00	7,500.00
J D B Enterprises		-	109,644.48
Lalan Plastics (Pvt) Ltd		69,900.00	64,900.00
Lanka I B C Company (Pvt) Ltd		94,860.00	56,187.50
M P C S - Ridigama		371,995.00	511,140.00
Megapack Trading Company (Pvt) Ltd		10,631.40	9,200.00
Nanayakkara L D B S		12,500.00	-
National Trading Stores		27,648.00	-
New National hardware		6,510.00	20,290.00
P. H. P Lanka		-	14,880.00
Paper Corner		995.00	-
Rathkarawwa Servo Lube Distributors		-	107,622.34
Rotax 9Pvt) Ltd		23,220.00	-
S P Selliah & Company		-	30,000.00
Salim Textiles		231,379.00	-
Samota Trade Center		92,310.00	31,300.00
Sewmini Lee Mola		10.00	-
Solex Engineering		5.31	-
Spectra Industries Lanka (Pvt) Ltd		21,250.00	12,250.00
Sri Lanka Insurance		55,932.12	-
Sri Lanka State Trading (General) Cop		65,692.05	10,966.80
Stafford Motor Co.		147,027.50	-
Tender Deposit	30-01	-	70,000.00
United Motors Lanka PLC		30,226.59	-
Vanoja Motor Stores		43,900.00	-
		2,622,730.04	1,978,804.21

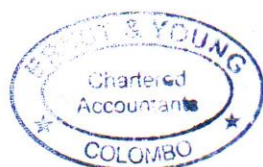


KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

AS AT 31 MARCH

	NOTES	2017 LKR	2016 LKR
Tender Deposit	30-01		
A Chandrakumar		-	5,000.00
A. H. M Kamil		-	5,000.00
Abeyrathne A. D. M. R. K		-	5,000.00
Adam Sahid H. M		-	5,000.00
Ashok M		-	5,000.00
K Raveendran		-	5,000.00
Kelum D. A. N		-	5,000.00
Nusrulla M. T. M		-	5,000.00
CR Construction		-	5,000.00
Peiris P. A. S		-	5,000.00
Ruwais M. R. M		-	5,000.00
Ruwan Pathmasiri		-	5,000.00
S Paramasshwaran		-	5,000.00
Wijeypala G. K		-	5,000.00
		<u>-</u>	<u>70,000.00</u>
29 PROVISION FOR TAXATION			
Opening Balance		6,412,953.35	8,289,323.13
Dividends Tax Paid		-	-
Income Tax Paid		(1,500,000.00)	(3,000,000.00)
Income Tax Payable for the Year		2,116,282.71	1,129,939.81
With Holding Tax		-	(6,309.59)
		<u>7,029,236.06</u>	<u>6,412,953.35</u>
30 ACCRUED CHARGES			
Audit Fees - Ranaweera Nagasinghe & Co.		165,000.00	165,000.00
Audit Fees - Earnest & Young		241,500.00	-
Audit Fees - Auditor General		66,409.00	24,750.00
Defined Contribution Plan (EPF) Payable		979,363.10	76,222.25
Defined Contribution Plan (ETF) Payable		109,713.33	733,761.45
Electricity Board		1,884,126.23	1,092,479.81
P.A.Y.E Tax Payable		(1,200.00)	1,800.00
Salaries & Wages Payable Account		4,807,240.02	4,816,847.38
Telephone Bills Payable		41,771.47	43,848.34
Alpex network security Ltd		7,058,219.68	4,421,186.20
Nation Building Tax Payable		255,868.46	255,868.46
		<u>15,608,011.29</u>	<u>11,631,763.89</u>



KAHATAGAHA GRAPHITE LANKA LIMITED

INCOME TAX COMPUTATION

YEAR OF ASSESSMENT 2016/17

Profit/(Loss) per Account	(2,522,040.56)
less: Interest Income	(114,614.38)
	(2,636,654.94)

Add Back:

Gratuity Provision	2,597,235.15	100%	2,597,235.15
Legal Fees (LT case)	3,000.00	0%	-
Legal Fees	28,000.00	100%	28,000.00
Impairment	4,403,238.91	100%	4,403,238.91
Depreciation	21,504,785.29	100%	21,504,785.29
Sales Promotion	37,000.00	25%	9,250.00
Advertisement	30,040.00	25%	7,510.00
Professional Charges	13,000.00	100%	13,000.00
CRS - Community Supporting Expenses	84,999.50	100%	84,999.50
			28,648,018.85
			<u>26,011,363.91</u>

Less:

Capital Allowances	(7,794,025.29)
Gratuity Paid of The Year	(849,082.95)
	<u>17,368,255.67</u>

Business Profit/(Loss) for the Year	17,368,255.67
Interest Income	114,614.38
Total Statutory Income	<u>17,482,870.05</u>

Total Taxable Income

	Income	Rate	
Export Income	17,368,255.67	12%	2,084,190.68
Interest Income	<u>114,614.38</u>	28%	<u>32,092.03</u>
Total Tax payable	<u>17,482,870.05</u>		<u>2,116,282.71</u>

DEFERRED TAX LIABILITY

Gratuity	Asset	10,510,916.20
Capital allowance to be claim	32,099,003.33	
Accounting depreciation to be claim	<u>43,509,625.02</u>	
Tax over claimed	11,410,621.69	
Capital expenses over deduct for taxable profit than accounting profit	Liability	(11,410,621.69)
Coconut Plantation Development	Liability	<u>(1,694,235.36)</u>
Deferred Tax Liability		<u>(2,593,940.85)</u>
Tax Rate	12%	<u>(311,272.90)</u>

Current Liability as at 31/03/2017	311,272.90
Opening Liability 31/03/2016	<u>3,530,651.22</u>
Over provision	<u>3,219,378.32</u>



NOTICE

KAHATAGAHA GRAPHITE LANKA LIMITED

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF KAHATAGAHA GRAPHITE LANKA LIMITED WILL BE HELD ON 14TH SEPTEMBER 2018 AT THE BOARD ROOM OF KGLL, NO.561/3, ELVITIGALA MAWATHA, NARAHENPITA, COLOMBO 05.

AGENDA

1. NOTICE
To receive the notice convening the meeting.
2. REPORT OF THE DIRECTORS, AUDITED ACCOUNTS AND THE AUDITOR'S REPORT THEREON
To receive and consider the Report of the Directors and Audited Accounts for the year ended 31st March 2017 with the Report of the Auditors thereon.
3. RE-ELECTION OF DIRECTORS
 - a) **Mr. Balasooriya Mudiyansele Nanda Wipula Bandara Balasooriya**
To re-elect **Mr. Balasooriya Mudiyansele Nanda Wipula Bandara Balasooriya** as a Director, who retires by rotation and offers himself for re-election, as per the Article 92 and 93 of Articles of Association of the Company.
 - b) **Mr. Uthumankandu Muhamed Nizar**
To re-elect **Mr. Uthumankandu Muhamed Nizar** as a Director, who retires by rotation and offers himself for re-election, as per the Article 92 and 93 of Articles of Association of the Company.
 - (d) **Al. Haj. Meerasahibu Abdhul Majeed**
To re-elect **Al. Haj. Meerasahibu Abdhul Majeed** as a Director, who has reached the age limit of 70 years referred to in Section 210 and 211 of the Companies Act No.07 of 2007.
4. RE-APPOINTMENT OF AUDITORS
To re-appoint the Auditor General as the Auditor of the Company for the ensuing year and to appoint **M/s. Ernst & Young, Chartered Accountants** to assist the Auditor General as per PED Circular 01 and to authorize the Directors to determine their remuneration.
5. Any other business of which due notice has been given

BY ORDER OF THE BOARD
KAHATAGAHA GRAPHITE LANKA LIMITED


ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PRIVATE) LIMITED SECRETARIES
SECRETARIES
16.08.2018

KAHATAGAHA GRAPHITE LANKA LIMITED

NO.561/3, ELVITIGALA MAWATHA, NARAHENPITA, COLOMBO 05.

PROXY FORM

I, the undersigned Secretary to the Treasury as being a member of Kahatagaha Graphite Lanka Limited, hereby appoint Mr/Ms. (name) of No (address) as my proxy to represent me and to vote for me and on my behalf for/or against the resolution and/or to speak at the **Annual General Meeting** of the Company, to be held on 14th September 2018 and at any adjournment thereof and at every poll which may be taken in consequence thereof

		For	Against
1	To approve the Audited Financial Statements for the year ended 31 st March 2017	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Mr. Mohamed Shariff Liaquath Alikhan as a Director of the Company .	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect Mr. Balasooriya Mudiyanse Nanda Wipula Bandara Balasooriya as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-elect .MrUthumankandu Muhamed Nizar as a Director of the Company .	<input type="checkbox"/>	<input type="checkbox"/>
5	To re-elect Al Haj Meerasahibu Abdhul Majeed as a Director of the Company as referred to in Section 210 and 211 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
6	To re-appoint The Auditor General as the Auditor of the Company for the ensuing year and to appoint M/s. Ernst & Young, Chartered Accountants to assist the Auditor General as per PED Circular 01 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7	To authorize Directors to determine Contributions to Charities	<input type="checkbox"/>	<input type="checkbox"/>
8.	To approve any other business of which due Notice has been given	<input type="checkbox"/>	<input type="checkbox"/>

.....
Shareholder

Signed thisday of 2018

Instructions as to the completion of Proxy Form

1. A member is entitled to appoint a proxy to attend and vote in his/her/their place.
2. A proxy holder need not be a member of the Company.
3. A member wishing to vote by proxy at the meeting may use the form enclosed and interpolate the 'right to speak'.
4. To be valid, the completed form of proxy must be lodged at the registered office of the Company not less than 48 hours before the meeting.
5. In the case of a Company /corporation the proxy must be under it's Common Seal, which should be affixed thereto.