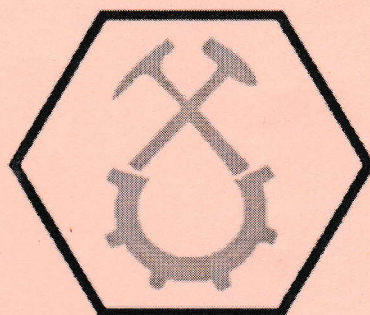


# MINISTRY OF INDUSTRY AND COMMERCE

## KAHATAGAHA GRAPHITE LANKA LIMITED

Fully Government owned Company



## ANNUAL REPORT

2017 / 2018

### HEAD OFFICE

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

Telephone : 011 - 2368738  
Fax : 011 - 2058062  
Email : [kgll@sltnet.lk](mailto:kgll@sltnet.lk)  
Website : [www.kgraphite.lk](http://www.kgraphite.lk)

### MINES

Kahatagaha Mine  
Maduragoda,  
Dodangaslanda.

Telephone : 037-2252015  
Fax : 037-4931711



# CONTENTS

Introduction	01
Chairman's Review	02
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# 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, previewed 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**

The period under review in KGLL did not come directly under my term of office. However, I am submitting this report as Chairman's review for the period 2017/2018, having assumed duties on 13.02.2020 under the Ministry of Industries, as Chairman. The year under review was substantially positive looking at the performance of the company.

### **PRODUCTION**

During the year under review of 2017/18, 750 M/T of graphite Run of Mine were extracted. This was a 7.52% decrease as against the previous year output of 811 M.T. Last year company implemented a production based incentive scheme in order to increase the production to provide prospective orders from new customers. But in the current year, the production incentive scheme didn't implement as expected due to implementation matters and production decreased. However the management now considering to amend the collective agreement to bring it more company effective level.

### **SALES & MARKETING**

The processed graphite 537 M.T were exported for Rs.123.4Mn. during the year and revenue increased by Rs.11 Mn. When compared with the previous year revenue of Rs.112.4 Mn. Reasons for the improved income was orders received from Australian market for higher grade processed graphite specially for 97/99% C.

### **FINANCIAL POSITION**

Usually, most of our cost components was fixed in nature and management gave it's maximum effort to control expenses to increase profits. However the Company reported a loss of Rs. 2.84 Mn. for the year before tax.



## **UNDERGROUND DEVELOPMENTS**

However even we operated under the low finance. Necessary plants and equipment were provided. for underground development works.

## **COCONUT PLANTATION AND ESTATE DEVELOPMENT**

We have already re-planted 52 acres of coconut plantation, The coconut estate well managed and provided 8 numbers of regular employees to maintain the estate and provided infrastructure facilities and fertilizer etc. under the inter plantation project pepper and banana plantation initiated with the assistance of export development board and maintaining well.

However about 50 acres of 102 acres of mines land were not in a position to use due to court case ordering neither party to use the particular land and as a result grown in to a jungle and being used by villagers. Further few ex-employees still occupying the employees quarters by force. More than 9 acres of land is being used by the Yowun Senankaya and Samurdhi Bank without any interest to the Company. Further some parts of the land belonging to the Company is being occupied by force and houses are built and occupied illegally.

## **WORKERS WELFARE AND PROBLEMS**

Workers relationship was 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 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 refer for medicine. Our medical center is being managed well by 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. This contribution of the underground workers should always be remembered and appreciated as they are always exposed to risks.

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

I take this opportunity to thank to the Hon. Minister of Ministry of Industries, the Hon. State Ministers of Ministry of Industries and , the Secretary and the entire staff of the Ministry of Industries, 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 thank you from our organization goes to Auditor General of the Auditor General's Department and staff who extended their services satisfactorily this year too without hesitation as the Auditors of KGLL.



Eng. Neel Waththuhewa  
Chairman

**KAHATAGAHA GRAPHITE LANKA LIMITED**

22nd November 2021



# AUDIT COMMITTEE REPORT

## Role of the Audit Committee

The main object of the Audit Committee is encourage and safeguards the highest standards of integrity in financial reporting risk management. Compliance with statutory and 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 converter of the committee. The composition of the Audit Committee is as follows.

Mr . A. D. L. G. Kalansuriya	-	Chairman
Mr . Janith Dinuk Schokman	-	Director
Mr. W. N. R. Damith Mewan	-	Director
Mrs. Nilani Jayasiri	-	Rep. Auditor General's Dept- Observer
Mr. B K M J Rodrigo	-	Chief Internal Auditor, Ministry of Industries Observer

## Meetings and Attendance


Meetings of the committee are convened quarterly and meetings have been held during the year ended 31<sup>st</sup> March 2018. The Managerial officers of the company including the Accountant and the Auditor appointed from Ministry of Industries are invited to attend the meetings as and when required.

## Activities

The Audit Committee discharges its duties by reviewing and discussing the Draft final Accounts, Internal and External Audit Reports. The Audit Committee has reviewed these reports including recommended Additional controls and risk mitigation strategies of minimizing the possibility of occurrence and impact of fraud and 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 instructions / recommendations 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 with regard to the final accounts of the year 2017/2018

On Behalf of the Committee.



**Chairman of the Audit Committee**

26.11.2021

## **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 31<sup>ST</sup> MARCH 2018**

The Directors present herewith the audited Financial Statements for the year ended 31<sup>st</sup> March 2018. 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 28<sup>th</sup> December 2021.

### **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 31<sup>st</sup> March 2018 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 Financial Statement.



## **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.

## **Directors as at 31<sup>st</sup> March 2018**

The names of the Directors who held office as at 31<sup>st</sup> March 2018 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

Dr. 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 endeavors 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 of the financial statements.

### **Directors meetings**

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

<b>Name of the Director</b>	<b>No. of meetings attended</b>
Al Haj M A Majeed	11/11
Mr. M S L Ali Khan	11/11
Mr. N P A R Jayawardena	11/11
Mr. I M Junais	11/11
Mr. B S Wimalasundara	11/11
Dr. N W B Balasooriya	09/11
Mr. U M Nizar	09/11

### **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 31<sup>st</sup> March 2018 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.

**BY ORDER OF THE BOARD OF KAHATAGAHA GRAPHITE LANKA LIMITED**

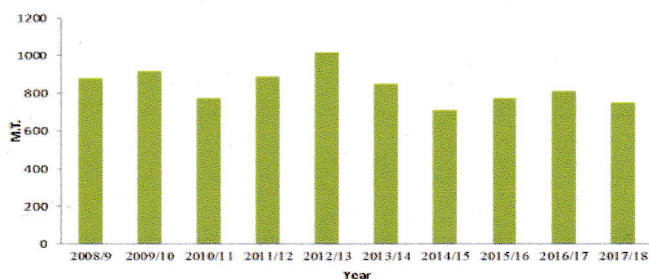
  
.....  
Director

ACCOUNTING SYSTEMS SECRETARIAL  
PRIVATE LIMITED - PVT. LTD.  
  
.....  
ACS (Pvt) Ltd.....  
DIRECTOR / SECRETARY

# Financial Highlights

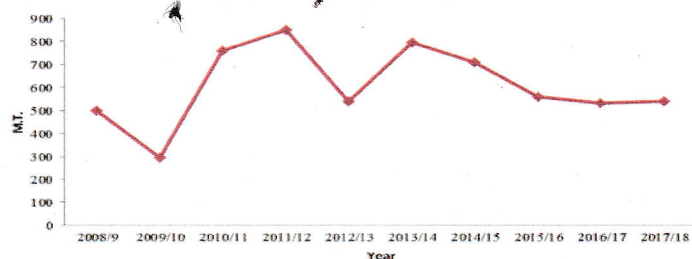
## Production

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
2017/18	750
2018/19	732
2019/20	573
2020/21	657



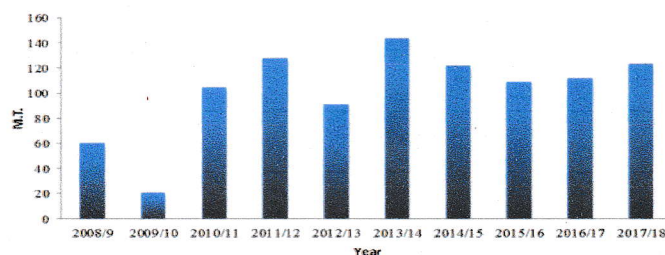
## Sales

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	559
2016/17	530
2017/18	537
2018/19	530
2019/20	413
2020/21	421



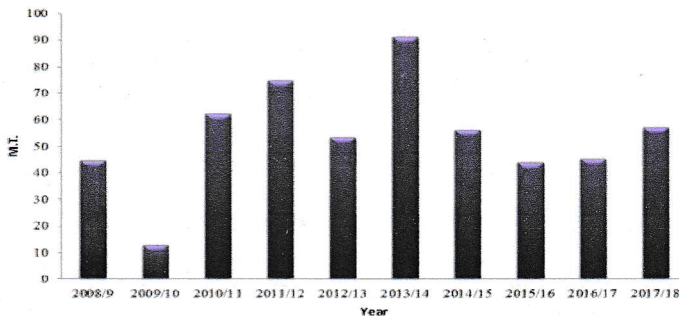
## Revenue

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
2017/18	123.4
2018/19	127.55
2019/20	126.62
2020/21	126.14



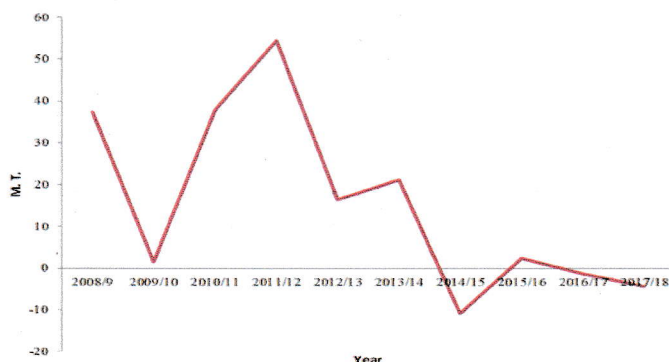
## Gross Profit

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
2017/18	57.19
2018/19	47.89
2019/20	55.4
2020/21	49.22



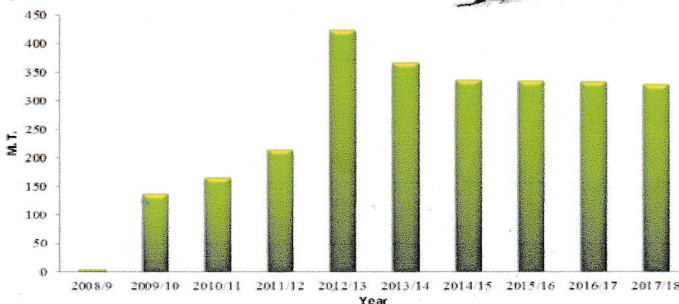
## Net Profit Before Tax

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	-1.41
2017/18	-4.39
2018/19	-3.88
2019/20	5.6
2020/21	10.67



## 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
2017/18	329.7
2018/19	325.82
2019/20	331.42
2020/21	342.03





# **KAHATAGAHA GRAPHITE LANKA LIMITED**

## **ANNUAL ACCOUNTS 2017/18**

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**FROM 01 APRIL 2017 TO 31 MARCH 2018**

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# KAHATAGAHA GRAPHITE LANKA LIMITED

## ACCOUNTS 2017/18

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Statement of Financial Position	05
Statement of Changes in Equity	06
Statement of Cash Flow	07
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# **KAHATAGAHA GRAPHITE LANKA LIMITED**

**CORPORATE INFORMATION AS AT 31<sup>ST</sup> MARCH 2018**

**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.

<b><u>HEAD OFFICE</u></b>		<b><u>COMMUNICATION</u></b>	<b><u>MINES</u></b>
TELE	: 011 - 2368738	TELE	: 037 - 2252015
FAX	: 011 - 2058062	FAX	: 037 - 4931711
E MAIL	: kgl@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

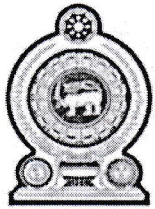
**DIRECTORS AS AT 31<sup>ST</sup> MARCH 2018**  
AL HAJ MEERASAHIBU ABDHUL MAJEED  
ISMAIL MOHAMED JUNAIS  
MOHAMED SHARIFF LIAQUATH ALIKHAN  
NAINANAYAKE PATHIRANNEHELAGE ANUJA ROSHANI JAYAWARDANE  
BANDULA SENADHI WIMALASUNDERA  
UTHUMANKANDU MUHAMED NIZAR  
BALASOORIYA MUDIYANSELAGE NANDA WIPULA BANDARA 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.





# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

TCM/B/KGLL/17/18

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

13 May 2021

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 2018

The audit of the financial statements of the Kahatagaha Graphited Lanka Limited ('the Company') for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 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.

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

අංක 306/72, පොල්දූව පාර, පිටුපොළ, පළාත.

இல. 306/72, பாலிதுவ வீதி, பித்தரமுல்லை, இலங்கை.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



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+94 11 2 88 72 23



ag@auditorgeneral.gov.lk



www.naosl.gov.lk



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 2018, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

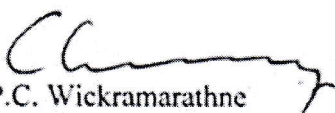
### Report on Other Legal and Regulatory Requirement

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.

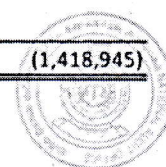
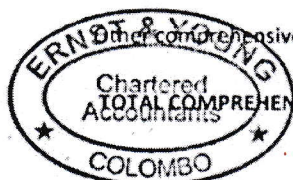
  
W.P.C. Wickramaratne  
Auditor General

## KAHATAGAHA GRAPHITE LANKA LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31<sup>st</sup> MARCH

	NOTES	2018 LKR	2017 LKR
<b>REVENUE</b>			
Sale of Graphite	10	123,407,840	112,413,523
Direct Cost, Mining Cost	11	(66,216,854)	(66,934,529)
<b>GROSS PROFIT/(LOSS)</b>		<b>57,190,986</b>	<b>45,478,994</b>
Sundry Income	12	6,160,677	2,459,435
<b>LESS: OPERATING COST</b>			
Personnel Cost	13	(21,502,843)	(24,895,765)
Establishment & Administration Cost	14	(6,468,012)	(6,766,436)
Maintenance Cost	15	(981,095)	(440,846)
Utility Cost	16	(631,841)	(544,114)
Depreciation Cost	17	(6,496,680)	(6,482,397)
Gain on Foreign Exchange Gain/Loss		(2,043,058)	(2,396,026)
Defined Contribution Plan - Gratuity		(4,388,750)	(2,597,235)
Administration Cost		(42,512,279)	(44,122,819)
Selling and Distribution Cost	18	(2,063,007)	(1,557,958)
Other Cost	19	(21,622,315)	(376,454)
<b>OPERATING PROFIT/(LOSS)</b>		<b>(2,845,938)</b>	<b>1,881,198</b>
Impairment		(85,885)	(4,403,239)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(2,931,823)</b>	<b>(2,522,041)</b>
Taxation		(1,935,552)	(2,116,283)
Deferred Tax Expenses/(Reversals)		467,653	3,219,378
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(4,399,723)</b>	<b>(1,418,945)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income / (loss) for the year			
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b>(4,399,723)</b>	<b>(1,418,945)</b>





## KAHATAGAHA GRAPHITE LANKA LIMITED

## STATEMENT OF FINANCIAL POSITION


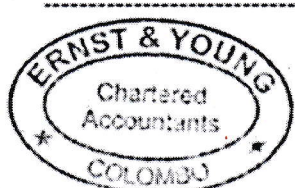
AS AT 31 MARCH

	NOTES	2018 LKR	2017 LKR
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment	20	191,247,967	212,504,875
Non Operating Assets	21	3,541,760	3,796,760
Coconut Plantation Development		1,694,235	1,694,235
Gratuity Investment Fund		6,587,639	2,932,674
Deferred Tax Assets		156,380	-
		<u>203,227,982</u>	<u>220,928,545</u>
<b>Current Assets</b>			
Stock	22	137,035,357	125,652,066
Debtors, Deposit & Receivable	23	12,502,892	15,871,697
Cash & Cash Equivalent	24	8,408,191	7,733,161
		<u>157,946,440</u>	<u>149,256,924</u>
<b>TOTAL ASSETS</b>		<u><b>361,174,422</b></u>	<u><b>370,185,469</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital And Reserves</b>			
Stated Capital	25	13,000,000	13,000,000
Retained Earnings		316,703,580	321,103,303
		<u>329,703,580</u>	<u>334,103,303</u>
<b>Long Term Liabilities</b>			
Deferred Tax Liability	26	-	311,273
Gratuity Provision	27	14,899,666	10,510,916
		<u>14,899,666</u>	<u>10,822,189</u>
<b>Current Liabilities</b>			
Trade and Other Creditors	28	1,596,933	2,622,730
Provision For Taxation	29	4,451,052	7,029,236
Accrued Charges	30	10,523,191	15,608,011
		<u>16,571,176</u>	<u>25,259,977</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>361,174,422</b></u>	<u><b>370,185,469</b></u>


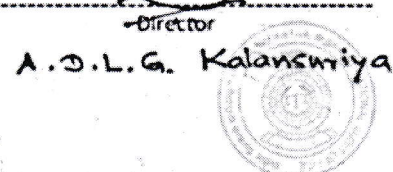
I certify that the Financial Statements have been prepared in compliance with requirements of the Companies Act No 7 of 2007.

  
 Chief Financial Officer
 

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

  
 Director
 

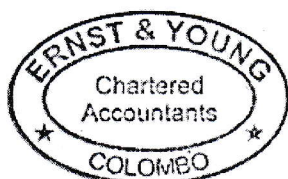
Eng. Neel Waththuhewa  
 B.Sc.(Mechanical Engineer)  
 Chairman  
 KAHATAGAHA GRAPHITE LANKA LIMITED

  
 Director
 

## STATEMENT OF CASH FLOW

YEAR ENDED 31<sup>ST</sup> MARCH

	2018 LKR	2017 LKR
<b>Cash Flows From/(Used in) Operating Activities</b>		
Net Profit/(Loss) before Income Tax Expenses	(2,931,823)	(2,522,041)
Adjustments for :		
Gratuity Provision	4,388,750	2,597,235
Prior Year Adjustment	(5,927,275)	(4,500)
Depreciation on Tangible Fixed Assets	21,547,947	21,504,785
Impairment on Non Operating Assets	85,885	4,403,239
Exchange Loss	(2,043,058)	(2,396,026)
<b>Operating Profit before Working Capital changes</b>	<b>15,120,426</b>	<b>23,582,692</b>
 (Increase)/Decrease in Inventories	 (11,128,291)	 (25,039,215)
(Increase)/Decrease in Receivable	3,368,805	2,723,694
(Decrease)/Increase in Creditors	(1,025,797)	643,926
(Decrease)/Increase in Accruals	842,455	3,976,247
<b>Net Cash Flow From/(Used in) Operating Activities</b>	<b>7,177,597</b>	<b>5,887,344</b>
 <b>Cash Flow From/(Used in) Investing Activities</b>		
Purchase of Tangible Fixed Assets	(376,924)	(4,673,399)
Gratuity Investment Fund	(3,654,965)	(932,674)
<b>Net Cash Flows From/(Used in) Investing Activities</b>	<b>(4,031,889)</b>	<b>(5,606,073)</b>
 <b>Cash Flow From/(Used in) Financing Activities</b>		
Income Tax Paid	(4,513,736)	(1,500,000)
Gratuity Paid	-	(849,083)
<b>Net Cash Flows From/(Used in) Financing Activities</b>	<b>(4,513,736)</b>	<b>(2,349,083)</b>
 Effect of Foreign currency exchange of Cash & Cash Equivalent	 2,043,058	 2,396,026
 <b>Net Increase/(Decrease) Cash &amp; Cash Equivalents</b>	 <b>675,029</b>	 <b>328,214</b>
Cash and Cash Equivalents at beginning of the year	7,733,161	7,404,947
<b>Cash and Cash Equivalents at end of the year</b>	<b>8,408,190</b>	<b>7,733,161</b>
 <b>Cash &amp; Cash Equivalents</b>		
Bank Of Ceylon - Redigama	2,134,688	767,813
Bank Of Ceylon - Kollupitiya	560,113	25,358
DFC \$ A/C - BOC Kollupitiya	5,691,738	6,890,560
Petty Cash - Head Office	5,886	27,716
Petty Cash - Mine Office	15,765	21,714
	<b>8,408,191</b>	<b>7,733,161</b>





## STATEMENT OF CHANGES IN EQUITY

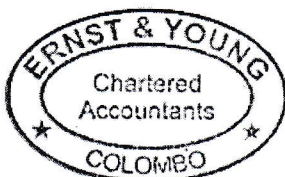
	Share Capital LKR	Revaluation Reserve LKR	Accumulated Profit/(Loss) LKR	Total LKR
Balance on 01st April 2016	13,000,000	-	322,522,247	335,522,247
Transfer to Retained Earnings	-	-	-	-
Prior year adjustment	-	-	-	-
Profit/(Loss) for the Year	-	-	(1,418,945)	(1,418,945)
Balance on 31 <sup>st</sup> March 2017	<u>13,000,000</u>	<u>-</u>	<u>321,103,303</u>	<u>334,103,303</u>
Balance on 01st April 2017	13,000,000	-	321,103,303	334,103,303
Profit/(Loss) for the Year	-	-	(4,399,723)	(4,399,723)
Balance on 31 <sup>st</sup> March 2018	<u>13,000,000</u>	<u>-</u>	<u>316,703,580</u>	<u>329,703,580</u>



## STATEMENT OF CASH FLOW

YEAR ENDED 31<sup>ST</sup> MARCH

	2018 LKR	2017 LKR
<b>Cash Flows From/(Used in) Operating Activities</b>		
Net Profit/(Loss) before Income Tax Expenses	(2,931,823)	(2,522,041)
Adjustments for :		
Gratuity Provision	4,388,750	2,597,235
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Petty Cash - Head Office	5,886	27,716
Petty Cash - Mine Office	15,765	21,714
	<b>8,408,191</b>	<b>7,733,161</b>





**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**

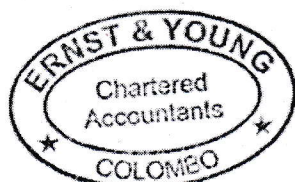
During the period, principal activities of the Company were Manufacturing and Export of Graphite.

**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.



## KAHATAGAHA GRAPHITE LANKA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2018

#### 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 (2017). 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 01<sup>st</sup> April 2017 through all periods presented, as if these policies had always been in effect.

##### 2.3 Significant Accounting Judgments Estimates and Assumptions

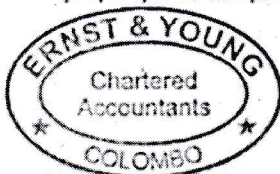
The preparation of the Company financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these 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**

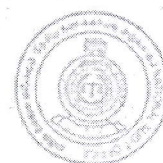
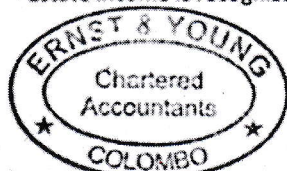
Export revenue is recognized based on actual exports effected on an accrual basis.

**b) Interest Revenue**

Interest revenue is accounted at the time of the received

**c) Estate Crop Revenue**

Estate income is recognized on cash basis.



## KAHATAGAHA GRAPHITE LANKA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2018

#### 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.

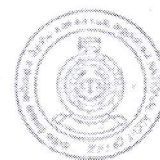
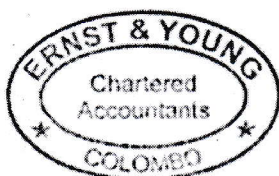
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Unrecognised deferred tax assets are 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.

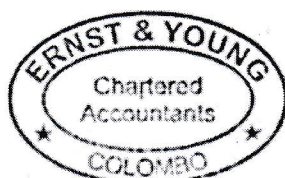
**Fair value of Property, Plant and Equipment**

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.

**3.5 Financial Instruments - Initial Recognition and Subsequent measurement  
Financial Assets**

**Initial Recognition and Measurement**

The Company has chosen to apply the recognition, measurement and disclosure provisions of Section 11 of SLFRS for SME to account for all its financial instruments.



**Initial Recognition**

The Company recognize a financial assets or financial liability only when the entity becomes the party to the contractual provisions of the entity

**Initial Measurement**

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 and other financial assets.

**Subsequent Measurement**

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

- Financial Instruments at amortised cost

**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**

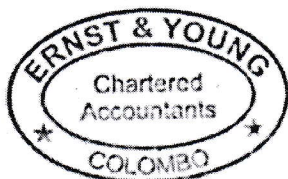
A financial asset is primarily derecognised when:

- (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.

**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 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 realizable 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.

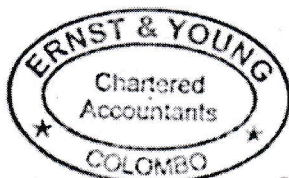
Engineering supplies – At weighted average cost.

**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.





# KAHATAGAHA GRAPHITE LANKA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2018

### 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.

## FINANCIAL STATEMENT DISCLOSURES

### 4. STATED CAPITAL

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

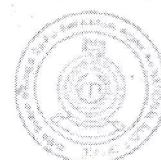
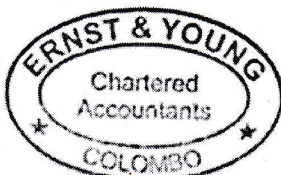
Name	No. Of Shares	Value of Shares	Ownership Percentage
Treasury Secretary	1,300,000	13,000,000/-	100%
	<u>1,300,000</u>	<u>13,000,000/-</u>	<u>100%</u>

### 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**

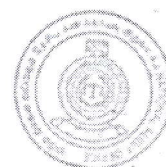
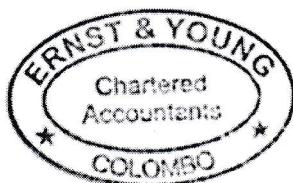
**Legal Case – Land Ownership**

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

However, no provision has been made in these financial statements as the directors of the Company are confident of defending the case made against the Company.

**9. EVENT AFTER THE REPORTING PERIOD**

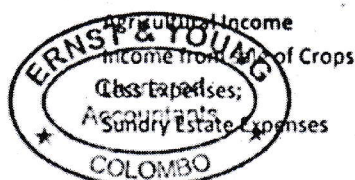
There have been no material events occurring after the date of Statement of Financial Position that require adjustment to or disclosure in the Financial Statements.



## NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH

	NOTES	2018 LKR	2017 LKR
<b>10 SALE OF GRAPHITE</b>			
Sales Income		123,407,840	112,413,523
<b>11 DIRECT COST, MINING COST</b>			
Stock Balance at beginning		111,443,401	84,241,789
Wages Cost	11-01	55,999,323	52,097,803
Support Service Cost	11-02	26,392,758	26,191,020
Depreciation	11-03	15,051,266	15,022,388
Royalty Payments		648,990	824,930
		209,535,739	178,377,930
Less Stock at closing		(143,318,885)	(111,443,401)
Add Cost of Mining During the Period		66,216,854	66,934,529
<b>Wages Cost</b>	<b>11-01</b>		
Salaries & Wages		33,653,095	33,931,062
Production Incentives		6,831,038	6,027,000
Overtime		5,562,490	2,476,886
Allowance		640,000	670,000
Defined Contribution Plan (EPF)		4,038,371	4,071,593
Defined Contribution Plan (ETF)		1,009,593	1,017,898
Staff Welfare		3,569,036	3,171,864
Bonus		695,700	731,500
		55,999,323	52,097,803
<b>Support Service Cost</b>	<b>11-02</b>		
Mining Expenses		10,244,914	8,636,086
Power and Electricity		11,149,763	12,204,706
Security Charges		4,998,080	5,350,228
		26,392,758	26,191,020
<b>Depreciation</b>	<b>11-03</b>		
Plant & Machinery		12,930,379	12,901,501
Generator		1,234,127	1,234,127
Under Ground Development		886,760	886,760
		15,051,266	15,022,388
<b>12 SUNDRY INCOME</b>			
Agricultural Income	12-01	(747,000)	355,689
Interest Income		201,522	114,614
Other Income		778,880	1,989,132
Reversal of Over Provision		5,927,275	-
		6,160,677	2,459,435
<b>Agricultural Income</b>	<b>12-01</b>		
Income from Sale of Crops		1,477,382	361,969
Less Expenses;			
Accountants		(2,224,382)	(6,280)
Sundry Estate Expenses		(747,000)	355,689

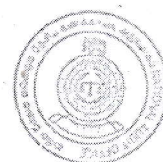
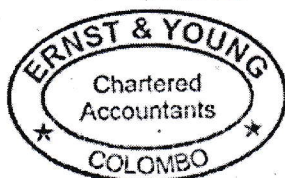




## NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH

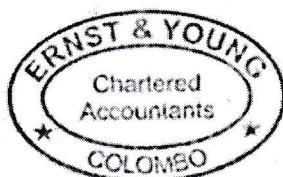
	NOTES	2018 LKR	2017 LKR
<b>13 PERSONNEL COST</b>			
Directors Remuneration			
Alikhan M S L		592,350	990,600
Junais I M		174,000	188,500
Majeed A M		1,198,680	1,191,200
Jayawardane		138,000	138,000
Wimalasundara B S		138,000	149,500
Dr Balasooriya N W B		130,500	87,000
Nizar U M		130,500	72,500
		<u>2,502,030</u>	<u>2,817,300</u>
Staff Salary and Wages			
Administration Salary & wages		14,028,409	16,644,821
Overtime		1,105,737	890,573
Allowances		1,453,204	1,743,848
Defined Contribution Plan (EPF)		1,683,409	1,997,378
Defined Contribution Plan (ETF)		425,454	499,345
Bonus		304,600	302,500
		<u>19,000,813</u>	<u>22,078,465</u>
<b>Total Personnel Cost</b>		<u>21,502,843</u>	<u>24,895,765</u>
<b>14 ESTABLISHMENT AND ADMINISTRATION COST</b>			
Rent		-	86,202
Rates & Taxes		18,081	21,044
Medical Aid		46,906	90,121
Insurance		815,923	474,097
Printing & Stationery		230,947	121,563
Postage		61,630	26,836
Legal & Professional Fees	14-1	60,750	75,970
Security Charge		1,666,027	1,783,409
Book & Periodicals		25,720	27,055
Secretarial Charges		158,640	159,278
Audit Fees		241,500	241,500
Audit Fees - Auditor General's Department Service Charges		41,659	41,659
Travelling & Transport		2,613,786	3,459,184
License & Permits		62,579	15,567
Subscription		-	100,000
Sundry Expences		9,116	3,450
Training Expenses		414,750	39,500
		<u>6,468,012</u>	<u>6,766,436</u>



## NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH

	NOTES	2018 LKR	2017 LKR
<b>Legal &amp; Professional Fees</b>	<b>14-1</b>		
Labour Tribunal Case		-	3,000
Land Dispute Case		25,750	28,000
Professional Charges - Taxation		35,000	44,970
		<u>60,750</u>	<u>75,970</u>
<b>15 MAINTENANCE COST</b>			
Office & Office Equipment Maintenance		220,831	119,782
Building Maintenance		43,227	114,680
Internal Roads		442,750	-
Machinery Maintenance		274,287	206,384
		<u>981,095</u>	<u>440,846</u>
<b>16 UTILITY COST</b>			
Water Charges		3,910	14,504
Telephone		627,931	529,609
		<u>631,841</u>	<u>544,114</u>
<b>17 DEPRECIATION COST</b>			
Building		2,513,571	2,516,425
Electrical Equipments		360,623	357,336
Motor Vehicle		1,921,201	1,921,201
Office Equipments		724,660	710,810
Other Assets		600,187	600,187
Furniture & Fittings		376,438	376,438
		<u>6,496,680</u>	<u>6,482,397</u>
<b>18 SELLING AND DISTRIBUTION COST</b>			
Transport to Wharf - Export		985,000	864,000
Sales Promotion		63,850	37,000
Advertising Expenses		11,270	30,040
Freight Expenses		1,002,887	626,918
		<u>2,063,007</u>	<u>1,557,958</u>
<b>19 FINANCE AND OTHER COST</b>			
Bank Charges		280,228	256,966
CSR - Community Support Expenses		-	85,000
Stocks Shortage		21,342,087	-
Nation Building Tax		-	34,488
		<u>21,622,315</u>	<u>376,454</u>



## NOTES TO THE ACCOUNTS

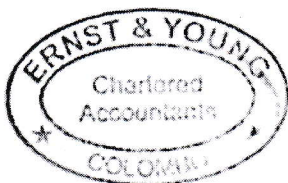
AS AT 31<sup>ST</sup> MARCH2017  
LKR2018  
LKR

## 20 Property Plant and Equipment

Cost	Balance On 1st April 2017	Additions	Transfer to Consumable Stock	Non Operating Asset	Balance On 31st March 2018
Gross Carrying Amounts					
Free Hold Land	25,500,000	-	-	-	25,500,000
Building	83,880,818	-	-	(95,121)	83,785,697
Plant & Machinery	129,015,010	291,239	-	-	129,306,249
Electrical Equipment	1,786,680	16,435	-	-	1,803,115
Motor Vehicle	19,212,005	-	-	-	19,212,005
Other Assets	6,001,871	-	-	-	6,001,871
Office Equipment	3,559,052	69,250	-	-	3,628,302
Generator	15,426,590	-	-	-	15,426,590
U.G.Development	8,867,602	-	-	-	8,867,602
Furniture & Fitting	1,882,192	-	-	-	1,882,192
<b>Total Assets</b>	<b>295,131,819</b>	<b>376,924</b>	<b>-</b>	<b>(95,121)</b>	<b>295,413,622</b>

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

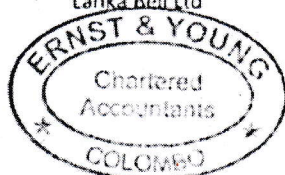
Depreciation	Rate	Balance on 1st April 2017	Depreciation	Transfer to Consumable Stock	Non Operating Asset	Balance On 31st March 2018
Building	3%	9,178,424	2,513,571	-	(9,236)	11,682,759
Plant & Machinery	10%	49,882,865	12,930,379	-	-	62,813,244
Electrical Equipment	20%	1,417,104	360,623	-	-	1,777,727
Motor Vehicle	10%	7,684,802	1,921,201	-	-	9,606,003
Other Assets	10%	2,170,671	600,187	-	-	2,770,858
Office Equipment	20%	2,654,045	724,660	-	-	3,378,705
Generator	8%	4,936,509	1,234,127	-	-	6,170,636
U.G.Development	10%	3,290,451	886,760	-	-	4,177,211
Furniture & Fitting	20%	1,412,075	376,438	-	-	1,788,514
<b>Total Depreciation</b>		<b>82,626,945</b>	<b>21,547,947</b>	<b>-</b>	<b>(9,236)</b>	<b>104,165,655</b>
<b>Total Written Down Value</b>		<b>212,504,875</b>	<b>21,547,947</b>	<b>-</b>	<b>(85,885)</b>	<b>191,247,967</b>





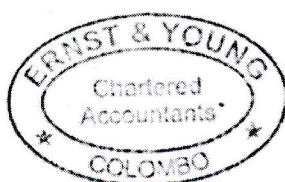
## NOTES TO THE ACCOUNTS

AS AT 31 MARCH	NOTES	2018 LKR	2017 LKR
<b>21 NON OPERATING ASSETS</b>			
Cost ( as at 1st April 2016)		3,796,760	3,009,330
Accumulated Depreciation (as at 31st March 2017)		-	(1,835,319)
Cost (as at 31st March 2017)		-	7,191,318
Transfer to Disposal of Fixed Assets		(255,000)	(165,330)
Impairment		-	(4,403,239)
Balance (as at 31st March 2017)		<u>3,541,760</u>	<u>3,796,760</u>
<b>22 STOCK</b>			
Stock Consumables		15,058,559	14,208,665
Stock-Graphite		<u>121,976,798</u>	<u>111,443,401</u>
		<u>137,035,357</u>	<u>125,652,066</u>
<b>23 DEBTORS, DEPOSITS &amp; RECEIVABLES</b>			
Accounts Receivable	23-01	8,374,467	12,575,194
Purchase Advance	23-02	231,410	208,897
Deposits	23-03	20,000	20,000
Sri Lanka Telecom Deposit		5,000	5,000
Value Added Tax Receivables		3,863,265	3,060,106
Festival Advance		<u>8,750</u>	<u>2,500</u>
		<u>12,502,892</u>	<u>15,871,697</u>
Accounts Receivable	23-01		
Asbery Graphite Mills Inc		4,979,074	-
ECO Pencils Private Ltd		-	122,500
Coconut Sales		-	760
Sample Sales		-	5,573
First Graphite Ltd		-	5,357,151
Lanka Graphite Ltd		-	322,139
S Kato & Co.,		3,403,860	6,767,072
Other		<u>(8,466)</u>	<u>-</u>
		<u>8,374,467</u>	<u>12,575,194</u>
Purchase Advance	23-02		
Rathnayake R M A		52,600	85,000
Jayathilake K P E B		70,900	60,000
Dissanayaka D M S		-	40,000
Abans Ltd		-	16,435
State Timber Corporation		-	7,462
Sujatha Kumari		<u>49,910</u>	<u>-</u>
		<u>58,000</u>	<u>-</u>
		<u>231,410</u>	<u>208,897</u>
Deposits	23-03		
Lanka Bell Ltd		<u>20,000</u>	<u>20,000</u>
		<u>20,000</u>	<u>20,000</u>



## NOTES TO THE ACCOUNTS

AS AT 31 MARCH		2018	2017
	NOTES	LKR	LKR
<b>24 CASH &amp; CASH EQUIVALENT</b>			
Bank Of Ceylon - Redigama		2,134,688	767,813
Bank Of Ceylon - Kollupitiya		560,113	25,358
DFC \$ A/C - BOC Kollupitiya		5,691,738	6,890,560
Petty Cash - Head Office		5,886	27,716
Petty Cash - Mine Office		15,765	21,714
		<u>8,408,191</u>	<u>7,733,161</u>
<b>25 STATED CAPITAL</b>			
Called Up Share Capital		13,000,000	13,000,000
		<u>13,000,000</u>	<u>13,000,000</u>
<b>26 DEFERRED TAX LIABILITY</b>			
Balance B/F		311,273	3,530,651
Charged/(Reversal) For The Year		(467,653)	(3,219,378)
Deferred tax Liability/(Assets)		<u>(156,380)</u>	<u>311,273</u>
<b>27 GRATUITY PROVISION</b>			
Balance B/F		10,510,916	8,762,764
Provision For The Year		4,388,750	2,597,235
Paid During The Year		-	(849,083)
Closing Balance		<u>14,899,666</u>	<u>10,510,916</u>





## KAHATAGAHA GRAPHITE LANKA LIMITED

## NOTES TO THE ACCOUNTS

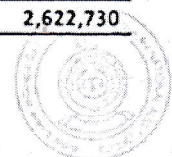
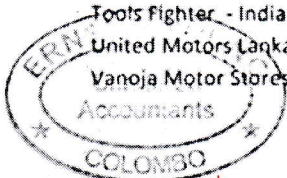
AS AT 31 MARCH

NOTES

2018  
LKR2017  
LKR

## 28 TRADE AND OTHER CREDITORS

4M International (Pvt) Ltd	45,000	-
A C Paul & Co.	12,917	12,917
Adham Sheed	-	52,685
Airline Traders	-	6,920
American Premium Water System (Pvt) Ltd	293	1,020
Asiri Lubricant	-	117,845
B I Commodities & Logistics (Pvt) Ltd	158,622	-
Cambridge Traders	-	338,995
Ceylon Paper Sacks Ltd	653	74,093
Chandana K A	-	10,000
D R Industries (Pvt) Ltd	57,727	-
Dammika Lanka Enterprises Pvt Ltd	-	36,630
Disanayaka Hardware	268,424	401,711
Eastern Trading Company	36,850	32,500
Finlay rentokill Ceylone (Pvt) Ltd	(0)	150,255
Gobinath Theenathayalan	-	4,060
H M M P Senanayaka Distributors	64,627	-
Hewage Distributors (Pvt) Ltd	1,964	40,457
Hitech Hardware (Pvt) Ltd	1	31,651
Industrial Safety Equipment Company Ltd	30,000	5,000
J D B Enterprises	64,149	-
Lalan Plastics (Pvt) Ltd	1	69,900
Lanka I B C Company (Pvt) Ltd	115,591	94,860
Lanka Tiles PLC	(57)	-
Lanka Walltiles PLC	(114)	-
M I M Mully	38,750	-
M P C S - Ridigama	349,840	371,995
Manju Electricals	(0)	-
Megapack Trading Company (Pvt) Ltd	13,901	10,631
Nanayakkara L D B S	-	12,500
National Trading Stores	-	27,648
New National hardware	143,666	6,510
P. H. P Lanka	-	-
Paper Corner	995	995
Rotax 9Pvt) Ltd	-	23,220
Salim Textiles	23,475	231,379
Samota Trade Center	49,430	92,310
Sewmini Lee Mola	157,425	10
Solex Engineering	-	5
Spectra Industries Lanka (Pvt) Ltd	-	21,250
Speedway Forward	47,741	-
Sri Lanka Insurance	-	55,932
Sri Lanka State Trading (General) Cop	143,344	65,692
Stafford Motor Co.	-	147,028
Tools Fighter - India	(294,703)	-
United Motors Lanka PLC	53,472	30,227
Vanoja Motor Stores	12,950	43,900
	<b>1,596,933</b>	<b>2,622,730</b>



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

AS AT 31 MARCH	NOTES	2018 LKR	2017 LKR
<b>29 PROVISION FOR TAXATION</b>			
Opening Balance		7,029,236	6,412,953
Dividends Tax Paid		-	-
Income Tax Paid		(4,509,763)	(1,500,000)
Income Tax Payable for the Year		1,935,552	2,116,283
With Holding Tax		(3,973)	-
		<u>4,451,052</u>	<u>7,029,236</u>
<b>30 ACCRUED CHARGES</b>			
Audit Fees - Ranaweera Nagasinghe & Co.		-	165,000
Audit Fees - Earnest & Young		483,000	241,500
Audit Fees - Auditor General		83,318	66,409
Defined Contribution Plan (EPF) Payable		672,435	979,363
Defined Contribution Plan (ETF) Payable		67,859	109,713
Electricity Board		1,045,052	1,884,126
P.A.Y.E Tax Payable		9,000	(1,200)
Salaries & Wages Payable Account		4,676,531	4,807,240
Telephone Bills Payable		57,999	41,771
Alpex network security Ltd		3,224,016	7,058,220
Nation Building Tax Payable		203,981	255,868
		<u>10,523,191</u>	<u>15,608,011</u>



# KAHATAGAHA GRAPHITE LANKA LIMITED

## INCOME TAX COMPUTATION

YEAR OF ASSESSMENT 2017/18

Profit/(loss) per Account	(2,931,823)
less: Interest Income	(201,522)
	(3,133,345)

### Add Back:

Gratuity Provision	4,388,750	100%	4,388,750
Legal Fees (LT case)	-	0%	-
Legal Fees	25,750	100%	25,750
Impairment	85,885	100%	85,885
Depreciation	21,547,947	100%	21,547,947
Sales Promotion	63,850	25%	15,963
Advertisement	11,270	25%	2,818
Professional Charges	-	100%	-
CRS - Community Supporting Expenses	-	100%	-
			26,067,111
			<u>22,933,766</u>

### Less:

Capital Allowances	(7,274,382)
Gratuity Paid of The Year	-
Gain on Foreign Exchange Gain/Loss	-
	<u>15,659,384</u>

Business Profit/(Loss) for the Year	15,659,384
Interest Income	201,522
Total Statutory Income	<u>15,860,906</u>

### Total Taxable Income

	Income	Rate	
Export Income	15,659,384	12%	1,879,126
Interest Income	201,522	28%	56,426
Total Tax payable	15,860,906		<u>1,935,552</u>

### DEFERRED TAX LIABILITY

Gratuity	Asset	14,899,666
Capital allowance to be claim (Note 1)	25,151,540	
Accounting depreciation to be claim	(37,239,971)	
Tax over claimed	<u>(12,088,431)</u>	
Capital expenses over deduct for taxable profit than accounting profit	Liability	(12,088,431)
Coconut Plantation Development	Liability	(1,694,235)
Deferred Tax (Liability)/Assets		<u>1,116,999</u>
Tax Rate	14%	<u>156,380</u>

Deferred tax assets as at 31/03/2018

Opening Liability 31/03/2017

Charged/(Reversal) for the period

Accountants

COLOMBO

156,380

(311,273)

(467,653)



## NOTICE

### KAHATAGAHA GRAPHITE LANKA LIMITED


NOTICE IS HEREBY GIVEN THAT THE EXTRAORDINARY GENERAL MEETING OF KAHATAGAHA GRAPHITE LANKA LIMITED WILL BE HELD ON 31<sup>ST</sup> JANUARY 2022 AT 1.00 PM AT THE BOARD ROOM OF KGLL, NO.561/3, ELVITIGALA MAWATHA, NARAHENPITA, COLOMBO 05.

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## AGENDA

1. NOTICE  
To receive the notice convening the meeting.
2. TO ADOPT THE AUDITED ACCOUNTS AND THE AUDITOR'S REPORTS THEREON
  - i. To receive and consider the Report of the Auditors and the Audited Accounts for the year ended 31<sup>st</sup> March 2018.
  - ii. To receive and consider the Report of the Auditors and Audited Accounts for the year ended 31<sup>st</sup> March 2019.
3. RE-APPOINTMENT OF AUDITORS
  - i. To re-appoint the Auditor General as the Auditor of the Company for the ensuing years (2019 & 2020) as per PED Circular 01 and to authorize the Directors to determine their remuneration.
4. Any other business of which due notice has been given

BY ORDER OF THE BOARD  
KAHATAGAHA GRAPHITE LANKA LIMITED

  
.....  
DIRECTOR / SECRETARY

ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PRIVATE) LIMITED  
SECRETARIES  
24<sup>TH</sup> DECEMBER 2021

# 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 *Extraordinary General Meeting* of the Company, to be held on 31<sup>st</sup> January 2022 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 <sup>st</sup> March 2018	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Audited Financial Statements for the year ended 31 <sup>st</sup> March 2019	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-appoint The Auditor General as the Auditor of the Company for the ensuing year 2019as per PED Circular 01 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint The Auditor General as the Auditor of the Company for the ensuing year 2020as per PED Circular 01 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5 To authorize Directors to determine Contributions to Charities	<input type="checkbox"/>	<input type="checkbox"/>
6 To approve any other business of which due Notice has been given	<input type="checkbox"/>	<input type="checkbox"/>

Shareholder

Signed this..... day of January 2022

### 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.