

MINISTRY OF INDUSTRIES

KAHATAGAHA GRAPHITE LANKA LIMITED

Fully Government owned Company



ANNUAL REPORT

2019 / 2020

HEAD OFFICE

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MINES

Kahatagaha Mine
Maduragoda,
Dodangaslanda.

Telephone : 037-2252015
Fax : 037-4931711

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	10
Annual Accounts	11
Notice of Meeting	12
Form of Proxy	13

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 Industries**. 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

It is my pleasure to issue this message for the preparation of Annual Report 2019 - 2020 of Kahatagaha Graphite Lanka Limited (KGLL) after the revival and turn around process of KGLL, providing +99 %C of high purity Natural Crystalline Vein Graphite to the world.

I am submitting this report as Chairman's review for the period 2019/2020, having assumed duties on 28.09.2022 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 2019/20, 573 M/T of graphite Run of Mine were extracted. This was a 21.7% decrease as against the previous year output of 732 M.T. The management now considering to amend the collective agreement to bring it more company effective level because employees always try to produce around the target and monthly production not increased in line with labor expenses.

SALES & MARKETING

The processed graphite 413 M.T were exported for Rs.126.62Mn. during the year and revenue decreased nearly by Rs.1 Mn. When compared with the previous year revenue of Rs.127.5 Mn. Reasons for the reduced income was slow moving of 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 profit of Rs.9.78 Mn. for the year before tax. This was an increase of Rs. 12.62 Mn. profit when compared with the previous year loss of Rs.2.84Mn..

UNDERGROUND DEVELOPMENTS

However even we operated under the low finance. Necessary plants and equipment were provided. For underground development works. Nearly Rs.9.41 Mn. invested in for underground development.

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.

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.



Thusira Malawwe Thantri (L.L.B.)
Attorney - at - Law
Chairman

KAHATAGAHA GRAPHITE LANKA LIMITED

12th October 2022

AUDIT COMMITTEE REPORT

Role of the Audit Committee

The role and terms of reference of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of Board's Financial statements, risk management and internal control, compliance with legal and regulatory requirements and provide suitable advice to the management.

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.

Mr. R.L.Weerasekara	- Chairman Treasury Rep./Director
Mr.Upul Abeysiriwardena	- Director / Member
Mr. S.S.Katawalagedara	- Director /Member
Mrs. Nilani Jayasiri	- Rep. Auditor General's Dept- Observer
Mrs. B K M J Rodrigo	- Chief Internal Auditor, Ministry of Industries Observer

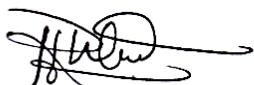
Meetings and Attendance

Meetings of the committee are convened quarterly and meetings have been held during the year ended 31st March 2020. 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 qualified opinion with regard to the final accounts of the year 2019/ 2020



On Behalf of the Committee
Chairman of the Audit Committee
23.08.2022

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 2020

The Directors present herewith the audited Financial Statements for the year ended 31st March 2020. 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 19/10/2022.

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 2020 are set out on pages 9 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.

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 14 to 22 of the Annual Report.

Property, Plant and Equipment

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

Investments

Company has invested Rs.12.28 Mn. in fixed deposits to discharge employees' gratuity obligation.

Donation

Company has made no donations during the accounting period.



Retirement of Directors

In terms of Article 97 of the Articles of Association, Messrs. Neel Waththuhewa, Ruchira L. Weerasekara, Janith Dinuk Schokman, W N P Damith Mewan, Sampath S Ketawalagedara, Kapila B Ekanayake were appointed to the Board over the year and since then, this being the 1st AGM, for these appointees, they now offer themselves for election as Board Members/Directors.

Directors as at 31st March 2020

The names of the Directors who held office as at 31st March 2020 are as follows:

Full Name

Mr. Mohamed Rafeek Mohamed Hamjad	-	(13/03/2019 to 09/12/2019)
Mr. K.D.Chithrapala, Additional Secretary, PE (Cover-Up Duties)	-	(17.12.2019 to 12.02.2020)
Mr. Neel Waththuhewa	-	(Commencing from 13/02/2020)
Ms.N.P.A.R.Jayawardena	-	(13.03.2019 to 15/04/2019)
Mr.J.Rasnayake	-	(Commencing from 15/04/2019)
Mr. A.D.L.G.Kalansooriya	-	(Commencing from 16/01/2020)
Mr. Ismail Mohamed Junais	-	(13.03.2019)
Mr. Uthumankandu Muhamed Nizar	-	(13.03.2019)
Mr. Balasooriya Mudiyanse Nanda Wipula Bandara Balasooriya	-	(13.03.2019)
Mr. Chanaka Arampatta	-	(13.03.2019 to 09/12/2019)
Mr. A H M Alawi	-	(13.03.2019 to 12/2019)
Mr.L.K.Jagath Priyankara	-	(28/02/2020 to 18/06/2020)
Mr.Mohamed Fuvard Muzammil	-	(Commencing from 28/02/2020)
Mr. W.N.R.P.Damith Mewan	-	(Commencing from 28/02/2020)
Mr. Janith Dinuk Schokman	-	(Commencing from 28/02/2020)
Mr.S.S.Katawalagedara	-	Commencing from 28/02/2020)

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 Note 6 of the financial statements.

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 2020 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.

Auditor's Report

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

Auditors

The Auditor General served as the Auditor during the year under review as the Auditor of the Company. 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.

The Auditor General as per PED Circular 04 of the Finance Ministry is proposed for appointment 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

**ACCOUNTING SYSTEMS SECRETARIAL SERVICES
(PRIVATE) LIMITED - PV 4190**



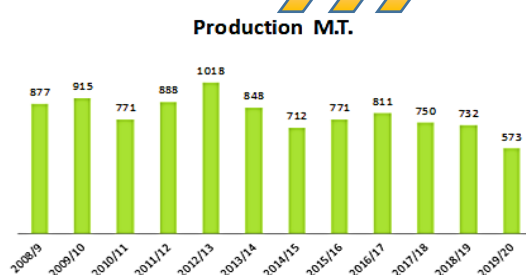
.....
.....DIRECTOR./SECRETARY.....

.....
Director

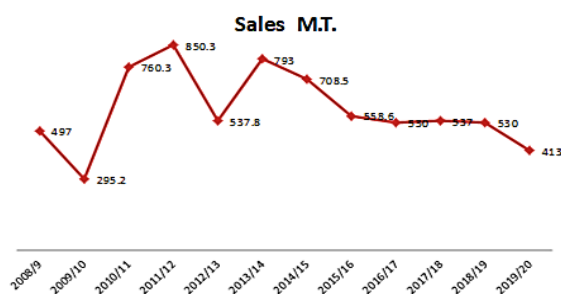
Accounting Systems Secretarial Services (Pvt) Ltd

Financial Highlights

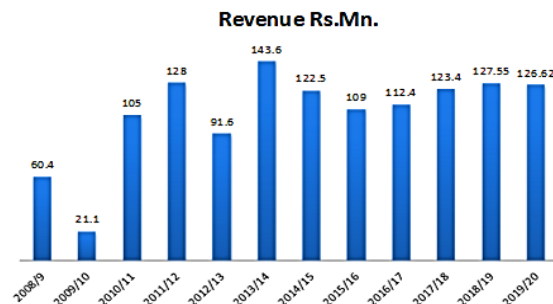
Production	
Year	M.T.
2008/9	877
2009/10	915
2010/11	771
2011/12	888
2012/13	1018
2013/14	848
2014/15	712
2015/16	771
2016/17	811
2017/18	750
2018/19	732
2019/20	573



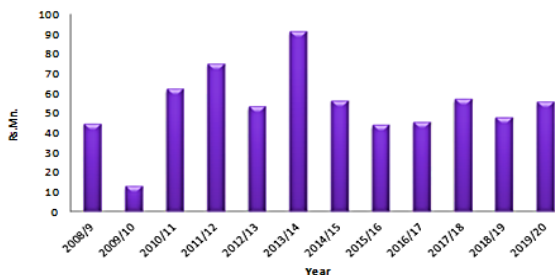
Sales	
Year	M.T.
2008/9	497
2009/10	295.2
2010/11	760.3
2011/12	850.3
2012/13	537.8
2013/14	793
2014/15	708.5
2015/16	558.6
2016/17	530
2017/18	537
2018/19	530
2019/20	413



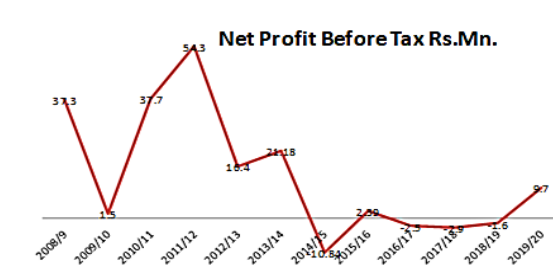
Revenue	
Year	Rs.Mn.
2008/9	60.4
2009/10	21.1
2010/11	105
2011/12	128
2012/13	91.6
2013/14	143.6
2014/15	122.5
2015/16	109
2016/17	112.4
2017/18	123.4
2018/19	127.55
2019/20	126.62



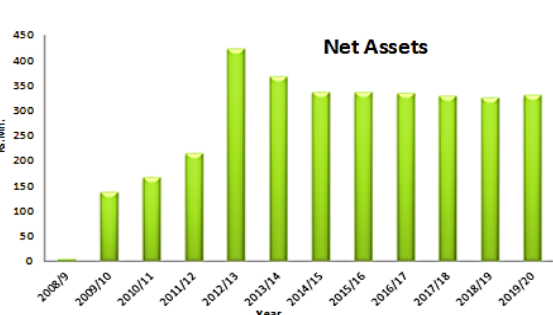
Gross Profit	
Year	Rs.Mn.
2008/9	44.8
2009/10	13.1
2010/11	62.4
2011/12	74.9
2012/13	53.5
2013/14	91.36
2014/15	56.35
2015/16	44.08
2016/17	45.47
2017/18	57.19
2018/19	47.89
2019/20	55.76



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	-2.5
2017/18	-2.9
2018/19	-1.6
2019/20	9.7



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	330.59



KAHATAGAHA GRAPHITE LANKA LIMITED

ANNUAL ACCOUNTS 2019/20

FROM 01 APRIL 2019 TO 31 MARCH 2020

<p style="text-align: center;">KAHATAGAHA GRAPHITE LANKA LIMITED ACCOUNTS 2019/20</p>

CONTENTS	PAGE
Corporate Information	01
Auditors' Report	02-09
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flow	13
Significant Accounting Policies	14 -21
Financial Statement Disclosures	22
Notes to the Accounts	23 - 30
Tax Computation	31-33



KAHATAGAHA GRAPHITE LANKA LIMITED

CORPORATE INFORMATION AS AT 31ST MARCH 2020

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 : 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 31ST MARCH 2020

MR. MOHAMED RAFEEL MOHAMED HAMJAD - (13/03/2019 to 09/12/2019)
MR.K.D.CHITHRAPALA, ADDITIONAL SECRETARY, PE (COVER-UP DUTIES) - (17.12.2019 TO 12.02.2020)
MR. NEEL WATHTHUHEWA - (COMMENCING FROM 13/02/2020)
MS.N.P.A.R.JAYAWARDENA (13.03.2019 TO 15/04/2019)
MR.J.RASNAYAKE - (COMMENCING FROM 15/04/2019)
MR. A.D.L.G.KALANSOORIYA - (COMMENCING FROM 16/01/2020)
MR. ISMAIL MOHAMED JUNAIS (13.03.2019 TO 12.2019)
MR. UTHUMANKANDU MUHAMED NIZAR (13.03.2019 TO 12.2019)
MR. BALASOORIYA MUDIYANSELAGE NANDA WIPULA BANDARA BALASOORIYA (13.03.2019)
MR. CHANAKA ARAMPATTA (13.03.2019 TO 09/12/2019)
MR. A H M ALAWI (13.03.2019 TO 12/2019)
MR.L.K.JAGATH PRIYANKARA (28/02/2020 TO 18/06/2020)
MR.MOHAMED FUVARD MUZAMMIL - (COMMENCING FROM 28/02/2020)
MR. W.N.R.P.DAMITH MEWAN - (COMMENCING FROM /02/2020)
MR. JANITH DINUK SCHOKMAN - (COMMENCING FROM 28/02/2020)
MR.S.S.KATAWALAGEDARA - (COMMENCING FROM 28/02/2020)

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

AUDITORS
AUDITOR GENERAL OF SRI LANKA

BANKERS
BANK OF CEYLON
KOLLUPITIYA AND REDIGAMA.
NATIONAL SAVINGS BANK RIDIGAMA



Chairman,

Kahatagah Graphite Lanka Ltd

Auditor General's report in terms of Section 12 of the National Audit Act No. 19 of 2018 regarding the financial statements and other legal and regulatory requirements of Kahatagaha Graphite Lanka Company for the year ended 31 March 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kahatagaha Graphite Lanka Limited “Company” for the year ended 31 March 2020 comprising the statement of financial position as at 31 March 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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, read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider, should be report to The Parliament, appear in this report.

In my opinion, except for the effects of the matters described in the Basis for Opinion section , the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020 and of its financial performance and its cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards for Small & Medium Sized Entities.

1.2 Basis for Qualified Opinion

- (a) 55 Nos. Fixed Assets Items, amounting to Rs. 5,407,392, which have been depreciated in full, are still in use, as a result of not reviewing the useful life of such assets according to the paragraph 17.19 of Sri Lanka Accounting Standard for Small and Medium-sized Entities, which resulted in an error in accounting estimate, that needs to be reviewed and the correct carrying value be disclosed in Financial Statements as per paragraphs 10.15-10.18 of the Standard
- (b) The graphite stock as at 31 March 2020 had been derived at by applying cut-off procedure to the stock counted in the month of January 2020. When making the adjustment, sale quantity of 432.32 Metric Tons was taken as 413 Metric Tons and as a result, the Closing Graphite Stock was overstated by 19.32 Metric Tons which resulted in increase in Closing Stock valuation by Rs. 3,348,926 and the Production Cost (Extraction Cost) has been understated by the same amount.
- (c) merchandise of Graphite exported in 2017, was found inferior in quality standards for Carbon percentage, which was expected to be between 97 per cent to 99 per cent. The test results were brought to notice after the sales was settled in full and order had been rejected on quality grounds. During the negotiations took place between both parties, a discount of 28,000 USD, was demanded for that sale and the said amount had been deducted from the value of exports made in 2019/20 and the balance had been paid. The 28,000 USD (Rs. 5,003,751) so deducted, had been adjusted to Sales for the year under review, instead of being accounted for as a cash loss.
- (d) An Interest of Rs.208,926 charged on unpaid Electricity Charges for the year under review, had been included in the Production Cost (Graphite Extraction Cost) and it had been overstated by the Interest Amount.
- (e) Provision for Gratuity amounting to Rs. 1,331,000 had not been provided for 08 employees, who joined employment from year 2003 to year 2014 and therefore, the ledger balance of Provision for Gratuity had been understated and that of Accumulated Profit had been overstated by that amount.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). . My responsibility under these auditing standards is described further in the Auditor's Responsibility for the Audit of Financial Statements section of this report . I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Audit Scope (Auditor's Responsibility on Audit of Financial Statement)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

Controlled parties were informed of significant audit findings, key internal control weaknesses and other matters identified during my audit.

2. Report on other legal and regulatory requirements

The National Audit Act No. 19 of 2018 and the Companies Act No. 07 of 2007 include special provisions regarding the following requirements.

- Companies Act No. 07 of 2007 In accordance with the requirements of section 163 (1) (d) and section 12 (a) of the National Audit Act No. 19 of 2018 , except for the effect of the matters described in the Basis for Qualified Opinion section of my report , I obtained all the information and explanations required for the audit and the company had maintained proper financial records as shown by my examination .
- The Company's financial statements comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.
- 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 According to the requirement mentioned in the section, the financial statements presented by the company are consistent with the previous year .
- According to the requirement mentioned in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, the recommendations made by me last year are included in the financial statements presented .

Limiting the proceedings followed and the evidence taken to factual and material facts , nothing has come to my notice to the extent of making the following statements.

- According to the requirement mentioned in section 12 (d) of the National Audit Act No. 19 of 2018, any member of the company's governing body has a relationship, directly or otherwise, out of the ordinary course of business in relation to any contract with which the company is involved .
- Except for the following observations as required by Section 12 (e) of the National Audit Act No. 19 of 2018 to any applicable written law or of the Company Acting in non-compliance with other general or special directives issued by the Governing Body .

**Reference to Laws,
Rules & Regulations
etc.**

Non-compliance

- | Reference to Laws,
Rules & Regulations
etc. | Non-compliance |
|---|--|
| ----- | ----- |
| a) Section 1 Sub Section 4 of Public Enterprise Circular No. 03/2018 dated 07 December 2018 | As the Company had a deficit of Rs. 1,418,945 and Rs. 4,399,723 in 2016/17 & 2017/18 respectively, the eligible bonus amount would have been Rs. 3,000 for one employee. However, the Board of Directors had made a decision to pay Rs. 13,500 per employee, aggregated to a total Bonus value of Rs. 1,413,250, which had been paid in the year under review. Therefore, an excess sum of Rs. 996,250 had been paid as Bonus, contrary to the instructions of the Circular. |
| b) Public Enterprise Circular No. 02/2013 Dated 11 September 2013 | The Provision for Gratuity for the year under review, had been Rs. 3,796,539 and a net amount of Rs. 3,111,871 had been invested in line with the provision made. But, on the contrary to the provisions mentioned in the Circular, a sum of Rs.3,287,797 had been withdrawn from it for payment of salaries. |
| c) Section 7.4.5 of Public Enterprise Circular No. PED/12 Dated 02 June 2003 | Annual Physical Verification of Assets, Inventory Items & Stocks had not been conducted. |
| d) Section 40 of the National Audit Act NO. 19 of 2018. | The Management of the Company should have appointed an Internal Auditor within a period not exceeding Two (02) years from the effective date of the Act. |
| e) Paragraph 1(ii) of Management Circular No. 03/2018 Dated 18 July 2018 | When the minimum production reaches 65 Metric Tons, a daily incentive of Rs.300 for mine staff and Maintenance workers, and 50 per cent and 40 per cent of the incentive for staff of the Processing Unit and Office had been paid without obtaining the approval from the Department of Management Services. |

- f) The Letter No DMS/11P/C9 Dated 04 October 2007 from The Department of Management Services.
- i) It was pointed out that 79 employees, who had been approved for the Company, were initially to be recruited for a contractual period of six (06) months and extending such contracts should be considered, based on the profitability of the Company. However, 59 such employees had been confirmed in employment contrary to the above instructions by the Circular No. 25/2014 Dated 12 November 2014, issued by The Ministry of Public Administration & Home Affairs, which was not applicable for the operation of the Company.
- ii) The Recruitment Procedure applicable for Contract Employees, has not yet been approved. There had not been an approved permanent cadre even by the end of the year under review nevertheless the number of available staff, had become 195.
- No. 19 of 2018 National audit In section 12 (g) of the Act mentioned in the need according to the Acting inconsistently with the Company's powers , duties and functions.
 - According to the requirement mentioned in Section 12 (h) of the National Audit Act No. 19 of 2018, the resources of the company have not been procured and used in accordance with the relevant rules in a frugal, efficient and effective manner .
- (a) There had no mechanism been established even at the end of the year under review, for achieving higher profits by increasing the value of the final product as well as by attracting a competitive market Production of unsalable Graphite with low carbon percentage had increased from 834 Metric Tons to 925 Metric Tons in 2018 and 2019 respectively.
- (b) Coconut harvest had been 10,360 and 6,276 nuts in the previous year and in the year under review respectively and there had been a reduction in the harvest by 39 per cent compared to the previous year. However, in the year under review, a sum of Rs. 2,422,950 had been spent for workers in the coconut cultivation and the income received from it, had been around Rs. 241,955 and the revenue earned from the coconut harvest is not adequate in relation to the expenses spent on the coconut cultivation.

3. Other audit observations

- (a) No. of Foreign buyers had reduced from 04 to 02 when compared to previous year. One company out of those two buyers had been the sole buyer which contributed to 57 per cent in the previous year and 46 per cent on the year under review, of the total sales volume. On the other hand, a decline was observed in the No. of orders received from buyers, and as the company's export merchandise had not been properly certified by a third party for their quality, the Company had not paid attention to increase foreign exchange income by widening the foreign supply market
- (b) The Price Committee had made a decision in 2019 to increase the price of Graphite by 10 per cent. Even though the remaining quantity is to be supplied in the order made in 2018 by a foreign company, for which, an increase of 5 per cent had been allowed, as price had not been properly negotiated when receiving the order and the said company had not agreed to a 10 per cent increase in the price.
- (c) As per the Action plan for the financial year 2019/20, the production had been estimated to achieve 609 to 622 Metric Tons whereas, the actual production had been 572.87 Metric Tons, resulting a decline of 159 Metric Tons in the production for the year under review, compared with the production of 732 Metric Tons in the previous year.

W.G.C.Wickramarathna
Auditor General

KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31st MARCH

	NOTES	2019/2020 LKR	2018/2019 LKR
REVENUE			
Sale of Graphite	10	126,622,732	127,558,406
Direct Cost, Mining Cost	11	(70,855,853)	(78,948,116)
GROSS PROFIT/(LOSS)		55,766,879	48,610,290
Sundry Income	12	(2,006,480)	(1,608,215)
LESS: OPERATING COST			
Personnel Cost	13	(21,913,227)	(23,372,200)
Establishment & Administration Cost	14	(8,260,398)	(8,244,612)
Maintenance Cost	15	(968,821)	(580,188)
Utility Cost	16	(491,469)	(593,039)
Depreciation Cost	17	(5,823,917)	(5,950,869)
Foreign Exchange Gain/(Loss)		(269,964)	1,364,503
Defined Contribution Plan - Gratuity		(3,796,539)	(2,510,595)
Administration Cost		(41,524,336)	(39,887,001)
Selling and Distribution Cost	18	(1,381,626)	(1,433,812)
Finance Cost	19	(1,064,606)	(8,530,617)
OPERATING PROFIT/(LOSS)		9,789,832	(2,849,355)
Impairment		-	-
PROFIT/(LOSS) BEFORE TAXATION		9,789,832	(2,849,355)
Taxation		(3,927,737)	(2,154,393)
Deferred Tax Expenses		(10,155)	48,124
PROFIT/(LOSS) AFTER TAXATION		5,851,941	(4,955,624)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income / (loss) for the year			
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		5,851,941	(4,955,624)



KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF FINANCIAL POSITION

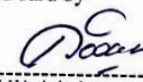
AS AT 31 MARCH

	NOTES	2019/2020 LKR	2018/2019 LKR
ASSETS			
Non Current Assets			
Property, Plant & Equipment	20	165,613,149	178,112,451
Non Operating Assets	21	3,541,760	3,541,760
Coconut Plantation Development		1,694,235	1,694,235
Gratuity Investment Fund		12,288,004	12,822,661
Deferred Tax Assets		194,349	204,504
		183,331,498	196,375,611
Current Assets			
Stock	22	185,345,590	162,939,431
Debtors, Deposit & Receivable	23	14,147,604	13,010,803
Cash & Cash Equivalent	24	4,768,494	841,754
		204,261,688	176,791,988
TOTAL ASSETS		387,593,187	373,167,599
EQUITY AND LIABILITIES			
Capital And Reserves			
Stated Capital	25	13,000,000	13,000,000
Retained Earnings		317,599,855	311,747,914
		330,599,855	324,747,914
Long Term Liabilities			
Gratuity Provision	27	20,440,407	17,297,407
NSB Loan Account - Long Term		3,010,566	5,655,979
		23,450,973	22,953,386
Current Liabilities			
NSB Loan Account - Short Term		2,645,414	2,324,550
Trade and Other Creditors	28	4,864,574	4,044,385
Provision For Taxation	29	7,525,638	3,605,439
Accrued Charges	30	18,506,734	15,491,925
		33,542,359	25,466,299
TOTAL EQUITY AND LIABILITIES		387,593,187	373,167,599

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


R.M.C.P.R. Jayapakshi
Mines Manager
Kahatagaha Graphite Lanka Ltd
Maduragoda

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


Neel Waththuhewa
Chairman

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


ACCOUNTANT
Kahatagaha Graphite Lanka Limited
Maduragoda


A.D.L.G. Kandasuriya
Director



KAHATAGAHA GRAPHITE LANKA LIMITED
STATEMENT OF CHANGES IN EQUITY

	Share Capital LKR	Accumulated Profit/(Loss) LKR	Total LKR
Balance on 01st April 2018	13,000,000	316,703,538	329,703,538
Profit/(Loss) for the Year		(3,881,427)	(3,881,427)
Balance on 31st March 2019	<u>13,000,000</u>	<u>312,822,111</u>	<u>325,822,111</u>
Balance on 01st April 2019	13,000,000	312,822,111	325,822,111
Prior Year Adjustment Note 01		(1,074,197)	(1,074,197)
Profit/(Loss) for the Year	-	5,851,941	5,851,941
Balance on 31st March 2020	<u>13,000,000</u>	<u>317,599,855</u>	<u>330,599,855</u>

Note 01 Prior Year Adjustment

Reverse of security fee contained in other income



KAHATAGAHA GRAPHITE LANKA LIMITED
STATEMENT OF CASH FLOW
YEAR ENDED 31ST MARCH

	2019/2020 LKR	2018/2019 LKR
Cash Flows From/(Used in) Operating Activities		
Net Profit/(Loss) before Income Tax Expenses	9,789,832	(2,849,355)
Adjustments for :		
Gratuity Provision	3,796,539	2,510,595
Prior Year Adjustment		
Depreciation on Tangible Fixed Assets	21,915,171	21,113,966
Impairment on Non Operating Assets	-	-
Exchange Gain / (Loss)	(269,964)	1,364,503
Operating Profit before Working Capital changes	35,231,578	22,139,709
(Increase)/Decrease in Inventories	(22,406,159)	(25,904,008)
(Increase)/Decrease in Receivable	(1,136,801)	(507,911)
(Decrease)/Increase in Creditors	820,189	2,447,338
(Decrease)/Increase in Accruals	3,014,809	4,968,733
Net Cash Flow From/(Used in) Operating Activities	15,523,615	3,143,862
Cash Flow From/(Used in) Investing Activities		
Purchase of Tangible Fixed Assets	(9,415,869)	(7,978,450)
Gratuity Investment Fund	534,656	(6,235,022)
Net Cash Flows From/(Used in) Investing Activities	(8,881,212)	(14,213,472)
Cash Flow From/(Used in) Financing Activities		
Income Tax Paid	(7,538)	(3,000,000)
NSB Loan Account - Purchase Air Compresor	(2,324,549)	7,980,529
Gratuity Paid	(653,540)	(112,854)
Net Cash Flows From/(Used in) Financing Activities	(2,985,627)	4,867,675
Effect of Forigne currency exchange of Cash & Cash Equivalent	269,964	(1,364,503)
Net Increase/(Decrease) Cash & Cash Equivalents	3,926,740	(7,566,437)
Cash and Cash Equivalents at beginning of the year	841,754	8,408,191
Cash and Cash Equivalents at end of the year	4,768,494	841,754
Cash & Cash Equivalents		
Bank Of Ceylon - Redigama	3,421,459	236,598
Bank Of Ceylon - Kollupitiya	33,477	502,096
DFC \$ A/C - BOC Kollupitiya	1,303,017	72,182
Petty Cash - Head Office	3,032	9,074
Petty Cash - Mine Office	7,509	21,804
	4,768,494	841,754



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31st MARCH 2020

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 (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 01st 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.

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.

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 2020

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

Rs. 10 Mn. from Gratuity investment fund have been pledged as securities as against the Rs.7,895,000.00 loan obtained from NSB – Ridigama branch to finance the purchase of Air Compressor 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.

A case hearing by the Industrial court, Department of Labour which filled by 8 underground employees claiming Rs.7,800.00 special allowance which paying to employees who was in our employment when introducing wageous board for plumbago industry in 2013.

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	2019/2020 LKR	2018/2019 LKR
10 SALE OF GRAPHITE			
Graphite Sales Income		131,626,483	127,558,406
Less: Sales Discount Given		(5,003,751)	-
Sales Income		<u>126,622,732</u>	<u>127,558,406</u>
11 DIRECT COST, MINING COST			
Stock Balance at beginning		137,379,618	121,976,864
Wages Cost	11-01	59,209,296	59,280,961
Support Service Cost	11-02	28,759,252	27,081,048
Depreciation	11-03	16,091,254	15,163,097
Royalty Payments		-	998,168
		<u>241,439,420</u>	<u>224,500,139</u>
Less Stock at closing	11-04	(170,583,568)	(145,552,023)
Add Cost of Mining During the Period		<u>70,855,853</u>	<u>78,948,116</u>
Wages Cost	11-01		
Salaries & Wages		36,249,406	35,031,574
Production Incentives		7,544,280	7,440,705
Overtime		4,983,692	6,356,282
Defined Contribution Plan (EPF)		4,440,471	4,203,789
Defined Contribution Plan (ETF)		996,940	1,054,535
Staff Welfare		4,033,532	4,196,652
Bonus		960,975	997,425
		<u>59,209,296</u>	<u>59,280,961</u>
Support Service Cost	11-02		
Mining Expenses		8,970,760	11,228,123
Power and Electricity		14,415,047	12,523,331
Security Charges		5,373,444	3,329,594
		<u>28,759,252</u>	<u>27,081,048</u>
Depreciation	11-03		
Plant & Machinery		13,770,037	12,949,627
Generator		1,234,127	1,234,127
Under Ground Development		1,087,090	979,343
		<u>16,091,254</u>	<u>15,163,097</u>



KAHATAGAHA GRAPHITE LANKA LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH
NOTES
**2019/2020
LKR**
**2018/2019
LKR**
Analysis of Cost of sales and closing Graphite stocks
11-04
M.T.
Rs.

O/Stocks	834.42	164,642	137,379,618
Production	572.87	181,646	104,059,802
	1,407.29	171,564	241,439,420
Sales	(413.00)	171,564	(70,855,853)
	994.29	171,564	170,583,568
N/Wast	(68.75)	-	-
Wast	-	-	-
C/Stocks	925.54	184,308	170,583,568

12 SUNDRY INCOME
Agricultural Income

Income from sale of Crops / Coconut wood

249,348

387,606

Less : Expenses

Labour

(1,836,577)

(1,728,660)

Overtime

(297,863)

(233,090)

Defined Contribution Plan (EPF)

(205,608)

(215,359)

Defined Contribution Plan (ETF)

(51,402)

(50,252)

Bonus

(31,500)

(66,000)

Tools & Equipments

(6,810)

(1,831)

Nursery expenses

(39,500)

(48,000)

(2,219,913)

(1,955,586)

Interest Income

210,433

306,054

Other Income

3,000

41,318

(2,006,480)

(1,608,214)

13 PERSONNEL COST
Directors Remuneration

1,947,392

1,743,155

Staff Salary and Wages

Administration Salary & wages

13,971,572

14,468,253

Overtime

1,410,147

1,915,077

Allowances

2,268,930

2,723,352

Defined Contribution Plan (EPF)

1,676,589

1,736,190

Defined Contribution Plan (ETF)

419,147

434,048

Bonus

219,450

352,125

19,965,835

21,629,045

Total Personnel Cost

21,913,227

23,372,200



KAHATAGAHA GRAPHITE LANKA LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH

	NOTES	2019/2020 LKR	2018/2019 LKR
14 ESTABLISHMENT AND ADMINISTRATION COST			
Rent		38,334	-
Rates & Taxes		17,448	16,900
Medical Aid		49,285	49,328
Insurance	14-1	2,267,778	1,868,349
Printing & Stationery		246,456	393,529
Postage		103,783	70,929
Legal & Professional Fees	14-2	206,051	263,471
Security Charge		1,791,148	1,109,865
Book & Periodicals		-	22,520
Secretarial Charges		280,084	145,100
Audit Fees		283,159	283,159
Travelling & Transport		2,340,687	3,042,141
License & Permits		109,830	172,973
Sundry Expences		31,430	39,794
Training Expenses		494,925	766,556
		8,260,398	8,244,613
Insurance	14-1		
Fire Insurance - Generator		54,913	111,864
Group Medicle Insurance		-	872,891
Sharma Surekuma Insurance		341,481	341,481
Agrahara Insurance Scheeme		1,318,000	-
Cash in Transist Insurance		56,998	58,060
Air Compressor Insurance		74,580	74,682
Vehicle Insurance		421,805	409,371
		2,267,778	1,868,349
Legal & Professional Fees	14-2		
Labour Tribunal Case		52,500	9,000
Land Dispute Case		65,760	25,000
Professional Charges		87,791	229,471
		206,051	263,471

KAHATAGAHA GRAPHITE LANKA LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH

	NOTES	2019/2020 LKR	2018/2019 LKR
15 MAINTENANCE COST			
Office & Office Equipment Maintenance		234,523	331,850
Building Maintenance		93,170	200,769
Machinery Maintenance		641,127	47,569
		968,821	580,188
16 UTILITY COST			
Water Charges		5,365	6,458
Electricity		21,000	-
Telephone		465,104	586,581
		491,469	593,039
17 DEPRECIATION COST			
Building		2,522,117	2,513,571
Electrical Equipments		3,287	15,527
Motor Vehicle		2,531,201	2,531,201
Office Equipments		152,227	181,807
Other Assets		600,187	600,187
Furniture & Fittings		14,898	108,576
		5,823,917	5,950,869
18 SELLING AND DISTRIBUTION COST			
Transport to Wharf - Export		782,000	870,761
Sales Promotion		85,659	-
Advertising Expenses		105,800	88,500
Freight Expenses		408,167	474,551
		1,381,626	1,433,812
19 FINANCE COST			
Bank Charges		196,990	272,683
Interest Expences		867,615	85,529
Stocks Shortage due to lesser quality than expected		-	8,172,405
		1,064,606	8,530,617



KAHATAGAHA GRAPHITE LANKA LIMITED
NOTES TO THE ACCOUNTS
AS AT 31ST MARCH
**2019
LKR**
**2020
LKR**
20 Property Plant and Equipment

Cost	Balance On 1st April 2019	Additions	Transfer to Consumable Stock	Non Operating Asset	Balance On 31st March 2020
Gross Carrying Amounts					
Free Hold Land	25,500,000	-	-	-	25,500,000
Building	83,785,697	-	-	-	83,785,697
Plant & Machinery	129,960,879	8,204,100	-	-	138,164,979
Electrical Equipment	1,803,115	-	-	-	1,803,115
Motor Vehicle	25,312,005	-	-	-	25,312,005
Other Assets	6,001,871	-	-	-	6,001,871
Office Equipment	3,851,802	134,300	-	-	3,986,102
Generator	15,426,590	-	-	-	15,426,590
U.G.Development	9,793,433	1,077,469	-	-	10,870,902
Furniture & Fitting	1,956,681	-	-	-	1,956,681
Total Assets	303,392,073	9,415,869	-	-	312,807,941

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 2019	Depreciation	Transfer to Consumable Stock	Non Operating Asset	Balance On 31st March 2020
Building	3%	14,196,330	2,522,117	-	-	16,718,447
Plant & Machinery	10%	75,762,870	13,770,037	-	-	89,532,907
Electrical Equipment	20%	1,793,254	3,287	-	-	1,796,541
Motor Vehicle	10%	12,137,203	2,531,201	-	-	14,668,404
Other Assets	10%	3,371,045	600,187	-	-	3,971,232
Office Equipment	20%	3,560,512	152,227	-	-	3,712,739
Generator	8%	7,404,763	1,234,127	-	-	8,638,891
U.G.Development	10%	5,156,554	1,087,090	-	-	6,243,645
Furniture & Fitting	20%	1,897,090	14,898	-	-	1,911,987
Total Depreciation		125,279,621	21,915,171	-	-	147,194,792
Total Written Down Value		178,112,451	21,915,171	-	-	165,613,149



KAHATAGAHA GRAPHITE LANKA LIMITED
NOTES TO THE ACCOUNTS
AS AT 31 MARCH

	NOTES	2019/2020 LKR	2018/2019 LKR
21 NON OPERATING ASSETS			
Cost as at 1st April		3,541,760	3,541,760
Transfer from Fixed Assets		-	-
Balance as at 31st March		<u>3,541,760</u>	<u>3,541,760</u>
22 STOCK			
Stock Consumables		14,762,023	25,559,812
Stock-Graphite		<u>170,583,568</u>	<u>137,379,618</u>
		<u>185,345,590</u>	<u>162,939,430</u>
23 DEBTORS, DEPOSITS & RECEIVABLES			
Accounts Receivable	23-01	7,575,153	7,335,585
Purchase Advance	23-02	203,778	50,637
Deposits	23-03	20,000	20,000
Sri Lanka Telecom Deposit		5,000	5,000
Value Added Tax Receivables		6,343,673	5,559,581
Festival Advance		-	40,000
		<u>14,147,604</u>	<u>13,010,803</u>
Accounts Receivable	23-01		
Grapixcel Ltd			7,333,904
First Graphite Ltd		7,578,715	-
Other		<u>(3,562)</u>	<u>1,681</u>
		<u>7,575,153</u>	<u>7,335,585</u>
Purchase Advance	23-02		
Rathnayake R M A		55,000	25,000
Jayathilake K P E B		43,000	22,628
Nawarathne N M D C B		-	614
Dep of Valuation - Kurunegala		10,000	2,395
Sujatha Kumari		30,000	-
Xiamen Zhaoxing Machinery & Electric Equip. Co.Ltd		<u>65,778</u>	<u>-</u>
		<u>203,778</u>	<u>50,637</u>
Deposits	23-03*		
Lanka Bell Ltd		<u>20,000</u>	<u>20,000</u>
		<u>20,000</u>	<u>20,000</u>



KAHATAGAHA GRAPHITE LANKA LIMITED
NOTES TO THE ACCOUNTS
AS AT 31 MARCH

	NOTES	2019/2020 LKR	2018/2019 LKR
24 CASH & CASH EQUIVALENT			
Bank Of Ceylon - Redigama		3,421,459	236,598
Bank Of Ceylon -Kollupitiya		33,477	502,096
DFC \$ A/C - BOC Kollupitiya		1,303,017	72,182
Petty Cash - Head Office		3,032	9,074
Petty Cash - Mine Office		7,509	21,804
		4,768,494	841,754
25 STATED CAPITAL			
Called Up Share Capital		13,000,000	13,000,000
		13,000,000	13,000,000
26 DEFERRED TAX LIABILITY			
Balance B/F		(204,504)	(156,380)
Provision For The Year		10,155	(48,124)
Closing Balance		(194,349)	(204,504)
27 GRATUITY PROVISION			
Balance B/F		17,297,407	14,899,666
Provision For The Year		3,796,539	2,510,595
Paid During The Year		(653,540)	(112,854)
Closing Balance		20,440,407	17,297,407
28 NSB LOAN PAYABLE			
Rental Amount	266,013.75		
Rental Period	36		
Cost	7,895,000.00		
Interest	1,681,495.04		
Total	9,576,495.04		
Opening Balance		9,576,495	9,576,495
Paid During the year		(3,192,165)	-
Balance		6,384,330	9,576,495
Long Term		3,192,165	6,384,330
Current		3,192,165	3,192,165
Balance		6,384,330	9,576,495
Interest in Suspense			
Opening Interest		1,595,966	1,681,495
Revenue Account		(867,615)	(85,529)
Balance		728,351	1,595,966
Balance			
Long Term		181,599	728,351
Current		546,752	867,615
Total		728,351	1,595,966
Balance			
Long Term		3,010,566	5,655,979
Current		2,645,413	2,324,550
Total		5,655,979	7,980,529



28 TRADE AND OTHER CREDITORS

4M International (Pvt) Ltd	-	75,000
Accounting Secretarial Services(pvt)Ltd	61,744	33,170
Airline Traders	89,940	11,144
American Premium Water System (Pvt) Ltd	-	510
Anurasiri Industry	-	40,000
Asiri Lubricant	62,370	139,495
Athukorala Agencies	77,803	-
B I Commodities & Logistics (Pvt) ltd	155,450	158,622
Cambridge Traders	191,150	58,100
D N Dinesh Suranga	14,780	-
Dinapala Super Centre	166,083	34,450
Disanayaka Hardware	307,115	286,773
Eastern Trading Company	165,050	975,975
ET Lab Manufacturing (Pvt) Ltd	9,500	-
Global Parcel Delivery (Pvt)Ltd	6,967	3,001
Gunarathne D R	15,600	-
Hewage Distributors (Pvt) Ltd	1,964	1,964
Infortec Computer System	8,200	-
Internal Timber Productions	-	8,325
J D B Enterprises	-	50
Lanka I B C Company (Pvt) Ltd	1	1
Lanka Tiles PLC	26	26
M P C S - Ridigama	1,519,744	857,365
M P C S Hiriyala	6,000	2,700
Megapack Trading Company (Pvt) Ltd	16,461	14,290
Metropolitan Office (Pvt) Ltd	10,800	7,900
Nanayakkara L D J M P	82,480	-
New Jayasekara Automotors (pvt) Ltd	-	15,264
New National hardware	136,092	176,117
National Insurance Trust Fund	381,000	-
Ridigama Pradesiya Sabawa	13,248	-
Rotax pvt ltd	18,819	-
Salim Textiles	25,573	316,440
SAM Associates	18,000	-
Samota Trade Center	209,048	170,260
Sathosa Motors PLC	12,089	15,602
Sewmini Lee Mola	55,015	127,595
Speedway Forward	149,618	-
Sri Lanka Insurance	266,306	188,674
Sri Lanka State Trading (General) Cop	452,748	271,326
State Pharmaceuticals Corporation Of Sri	17	-
United Motors Lanka PLC	102,375	22,447
Vanoja Motor Stores	55,400	31,800
	<u>4,864,574</u>	<u>4,044,385</u>



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

AS AT 31 MARCH

	NOTES	2019/2020 LKR	2018/2019 LKR
29 PROVISION FOR TAXATION			
Opening Balance		3,605,440	4,451,047
Income Tax Paid		-	(3,000,000)
Income Tax Payable for the Year		3,927,737	2,154,393
With Holding Tax - Paid at source		(7,539)	
		7,525,638	3,605,440
30 ACCRUED CHARGES			
Audit Fees -Earnest & Young		241,500	241,500
Audit Fees - Auditor General		607,976	324,818
Defined Contribution Plan (EPF) Payable		2,857,329	2,602,340
Defined Contribution Plan (ETF) Payable		309,270	331,028
Electricity Board		4,846,364	3,225,628
P.A.Y.E Tax Payable		(3,751)	4,087
With Holding Tax - Collections		6,059	80,132
Salaries & Wages Payable Account		3,909,791	4,957,696
Telephone Bills Payable		91,709	107,335
Alpex network security Ltd		5,455,192	3,434,216
Nation Building Tax Payable		185,294	183,145
		18,506,734	15,491,925



KAHATAGAHA GRAPHITE LANKA LIMITED

INCOME TAX COMPUTATION

YEAR OF ASSESSMENT 2019/20

Profit/(loss) per Account

less: Interest Income

9,789,832.06

(210,432.66)

9,579,399.40

Add Back:

Gratuity Provision	3,796,539.40	100%	3,796,539.40
Legal Fees (LT case)	65,760.00	100%	65,760.00
Impairment	-	100%	-
Depreciation	21,915,170.89	100%	21,915,170.89
Advertisement	105,800.00	25%	26,450.00
Professional Charges	140,291.00	100%	140,291.00

25,944,211.29

35,523,610.69

Less:

Capital Allowances

(7,235,673.83)

Gratuity Paid of The Year

(653,539.60)

Gain on Foreign Exchange Gain/Loss

27,634,397.25

Business Profit/(Loss) for the Year

27,634,397.25

Interest Income

210,432.66

Total Statutory Income

27,844,829.91

Total Taxable Income

	Income	Rate	
Export Income	27,634,397.25	14%	3,868,815.62
Interest Income	210,432.66	28%	58,921.14
Total Tax payable	27,844,829.91		3,927,736.76

DEFERRED TAX LIABILITY

Gratuity

Asset 20,440,406.90

Capital allowance to be claim (Note 1)

27,955,386.11

Accounting depreciation to be claim

45,313,349.30

Tax over claimed

17,357,963.18

Capital expenses over deduct for taxable profit than accounting profit

Liability (17,357,963.18)

Coconut Plantation Development

Liability (1,694,235.36)

Deferred Tax Liability

1,388,208.36

Tax Rate

14% 194,349.17

Current Asset / (Liability) as at 31/03/2020

194,349.17

Opening Asset / (Liability) 31/03/2019

204,503.81

Over provision

(10,154.64)



KAHATAGAHA GRAPHITE LANKA LIMITED

INCOME TAX COMPUTATION

YEAR OF ASSESSMENT 2019/20

Dividends Tax Payable

Net Profit After Taxation

5,851,940.66

Less : Property, Plant & Equipments Acquired

(9,415,868.63)

Add : Depreciation for Property, Plant & Equipments Acquired

-

Distributable Profit

-

TAX WRITTEN DOWN VALUE

Note 01 : Capital Allowance on Assets

Assets	Claim no	Rate	Value	Claim
Building				
2011/12	9	10%	1,422,820.50	142,282.05
2012/13	8	10%	4,554,425.27	455,442.53
2013/14	7	10%	178,545.08	17,854.51
2014/15	6	10%	29,575,817.88	2,957,581.79
2015/16	4	10%	52,780.20	5,278.02
Electrical Equipments				
2008/09	8	12.50%	10,780.00	-
2010/11	8	12.50%	446,810.00	-
2014/15	3	33.33%	61,200.00	-
2017/18	2	33.33%	-	-
Other Assets				
2012/13	5	20%	357,100.00	-
2013/14	7	6.67%	3,918,615.00	261,238.39
2014/15	6	6.67%	1,970,772.78	131,383.54
2016/17	4	6.67%	110,000.00	7,337.00
2016/17	4	6.67%	621,989.00	41,486.67
2018/19	2	20.00%	925,831.09	185,166.22
Office Equipments				
2009/10	8	12.50%	181,927.67	-
2010/11	8	12.50%	739,029.48	-
2012/13	5	20%	560,021.55	-
2013/14	5	20%	187,396.25	-
2013/14	4	25%	148,000.00	-
2014/15	3	33.33%	59,999.00	-
2014/15	4	25%	206,000.00	-
2014/15	4	25%	4,500.00	-
2014/15	5	20%	11,700.00	-
2014/15	3	33.33%	169,285.72	-
2015/16	3	33.33%	118,250.00	-
2016/17	4	25.00%	91,000.00	22,750.00
2017/18	3	33.33%	24,800.00	8,266.67
2017/18	3	33.33%	44,450.00	14,816.67
2018/19	2	20.00%	223,500.00	44,700.00
2019/20	1	20.00%	134,300.00	26,860.00
Generator				
2009/10	8	12.50%	794,707.00	-



Plant & Machinery

2010/11	8	12.50%	3,476,500.00	-
2015/16	2	50.00%	494,750.00	-
2016/17	2	50.00%	3,707,868.80	-
2016/17	2	50.00%	142,541.78	-
2017/18	2	50.00%	291,239.14	-
2018/19	2	20.00%	187,560.00	37,512.00
2019/20	1	20.00%	8,204,100.00	1,640,820.00

Motor Vehicle

2013/14	5	20.00%	1,649,000.00	-
2018/19	2	20.00%	6,100,000.00	1,220,000.00

Furniture & Fittings

2014/15	5	20.00%	468,391.73	
2018/19	2	20.00%	74,488.98	14,897.80
			72,702,793.90	7,235,673.83



NOTICE KAHATAGAHA GRAPHITE LANKA LIMITED

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF KAHATAGAHA GRAPHITE LANKA LIMITED WILL BE HELD ON MONDAY 14TH NOVEMBER 2022 AT 2.00 PM 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. **AUDITED ACCOUNTS AND THE AUDITOR'S REPORT THEREON FOR THE FINANCIAL YEAR ENDING 31ST MARCH 2020**

To receive and consider the Audited Accounts for the year ended 31st March 2020 with the Report of the Auditors thereon.
3. **RE-ELECTION OF DIRECTORS**
 - a) **Mr Ruchira L. Weerasekara**
To elect Mr. **Ruchira L. Weerasekara** as a Director, who retires and offers himself for election as per the Article 97 of Articles of Association of the Company.
 - b) **Mr Janith Dinuk Schokman**
To elect Mr **Janith Dinuk Schokman** as a Director, who retires and offers himself for election as per Article 97 of the Articles of Association of the Company.
 - c) **Mr W N R Damith Mewan**
To elect Mr **W N R Damith Mewan** as a Director, who retires and offer himself for election, as per the Article 97 of Article of Association of the Company.
 - d) **Mr Sampath S. Ketawalagedara**
To elect Mr **Sampath S. Ketawagedara** as a Director, who retires and offer himself for election, as per the Article 97 of Article of Association of the Company.
 - e) **Mr Kapila B. Ekanayake**
To elect Mr **Kapila B. Ekanayake** as a Director, who retires and offer himself for election, as per the Article 97 of Article of Association of the Company.
4. **RE-APPOINTMENT OF AUDITORS**

To re-appoint the Auditor General as the Auditor of the Company for the ensuing year 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

ACCOUNTING SYSTEMS SECRETARIAL SERVICES
BY ORDER (PRIVATE) UNITARY PV 4190
KAHATAGAHA GRAPHITE LANKA LIMITED

.....
DIRECTOR / SECRETARY

20th October 2022

KAHATAGAHA GRAPHITE LANKA LIMITED
NO.561/3, ELVITIGALA MAWATHA, NARAHENPITA, COLOMBO 05.

PROXY FORM

I, the undersigned Secretary to the Treasury as being a shareholder 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 14-11-2022 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 st March 2020 | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-appoint The Auditor General as the Auditor of the Company for the ensuing year 2020/2021 as per PED Circular 01 and to authorize the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To authorize Directors to determine Contributions to Charities | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 To approve any other business of which due Notice has been given | <input type="checkbox"/> | <input type="checkbox"/> |

.....
Shareholder

Signed this..... day of 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.