

MINISTRY OF INDUSTRY AND COMMERCE

KAHATAGAHA GRAPHITE LANKA LIMITED

Fully Government owned Company



ANNUAL REPORT

2013 / 2014

HEAD OFFICE

100 - 1/3,
Sir Chittampalam A. Gardiner Mawatha,
Colombo 02.
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MINES

Kahatagaha Mine
Maduragogoda
Dodangaslanda
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INTRODUCTION

Kahatagaha Mines are located in North Western Province of Sri Lanka at Maduragoda, Dodangaslanda in the Kurunegala District, approximately 90 km. from the capital city of Colombo, and managed by **Kahatagaha Graphite Lanka Limited**. (KGLL) It is a fully government owned public limited liability Company, purviewed by the **Ministry of Industry and Commerce** and the share holder being **Secretary to the General Treasury**. KGLL main policy making body is its Board of Directors headed by Executive Chairman and KGLL derives the essence of its corporate policy from its line Ministry and the General Treasury.

Kahatagaha Mines are situated at an elevation of 25 meters in Hilly terrain and approximately 102 acres with free hold title, while Kahatagaha Graphite Lanka Ltd. only occupying a few acres of the surface land. The mine extends as far as 500 meters at its widest point. In addition to that out of 102 acres, 75 acres of coconut cultivation is also managed by **‘Kahatagaha Graphite Lanka Limited’**.

Kahatagaha Mine is 2000 feet (610 meters) deep which makes it is the deepest mine in Sri Lanka and accessed by 2 shafts. The one at Kahatagaha is 1132 feet (345 meters) and Kolongaha goes up to 330 feet (101 meters). The below shaft bottom access is by a series of winches up to 2000 feet (610 meters). Main winch is operated to send underground workers up to 1132 feet level to reach up to 2000 feet level.

There are two major mines in Sri Lanka namely - Bogala mines and Kahatagaha mines. Earlier Kahatagaha and Kolongaha mines were working as two mines and operated since 1872. Presently these two mines are amalgamated and work as a single mine.

Kahatagaha Unique Product

While having a world recognition, 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 a unique product.

CHAIRMAN'S REVIEW

The year under review was substantially positive looking at the performance of the Company. Mainly concentrated on value addition programme make use of Kahatagaha graphite raw form other than the export of raw graphite as per last couple of decades.

Production

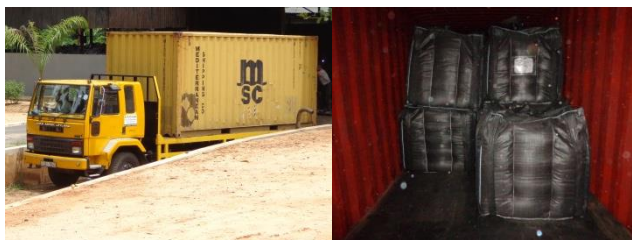


During the financial year 2013/2014 extracted graphite Run of Mine (ROM) is 848M/T which was 85% of the budgeted production of 1000M/T and current year production has been decreased by 170M/T as against the previous year production of 1018M/T due to the deep mining, lack of veins of the upper level since full length of extractions and dewatering capacity has highly effected increasing from 0.5% to 84.5% due to heavy rains.



Sales

The processed graphite raw form quantity of sales increased 537.8M/T to 793.5M/T and turnover recording increased from Rs.91.6 Mn. to Rs.144.11 Mn. and increased by 57.2% over the previous year. Reason of the increase of the revenue was high grade processed graphite sales quantity such as 97/99%C and 99+%C for the USA and UK markets. We continuously sell our graphite to traditional buyers as usually the case in graphite is niche market. Considering the market stability, efforts have been made to penetrate new buyers in order to develop the market obtaining assistance of Sri Lanka Embassies through the Department of Commerce, but there was no considerable response and still we are depending on the traditional buyers' market.



Financial Position

The Company made a net profit of Rs.16.6 Mn. after taxation in 2013/2014 as against the net profit of Rs.15.6 Mn. in 2012/2013. The turnover and the profit of the Company which was highly effected volatile and buyers' and sellers' market. From last year price increase mechanism was once in six month period seriously effected to the revenue. When determination of the price increase mechanism, it should be carefully handled in terms of the nature of the graphite niche market.

Rs.31.3mn. investment made to the overall mine upgrading, infrastructure and the machinery and equipment.

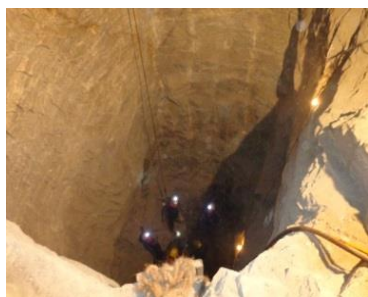
Company Gross Profit margin is 63.39% and Net Profit margin is 14.69% and the average productivity of 2013/2014 is 51 Kg. per man shift, and also the Company has agreed to pay income tax dues of Rs.10.0mn to the Department of Inland Revenue. Rs.1.06mn. is to be paid as Dividend.

Underground Development (Mines)



Consequent to the diamond drilling operation at the 1132 ft. underground level, 06 economically rich veins have been exposed and downward and upward work stations were started. Underground maintenance has been enhanced and ventilation system was improved. We have mainly concentrated on 2nd shaft sinking from 1132 ft. level to 2000 ft. level which has been commenced in the

year under review, after the year 1990.



Initial work of the 2nd shaft sinking has been started during this year from 1132 ft. level up to 1280 ft. level. Main shaft was extended up



to 1132 ft. level and from 2000 ft. level hoisting is very costly and is a difficult task. When the 2nd shaft is installed hoisting cost also will be reduced.

Processing and Packing System



Processing system was upgraded providing processing equipment such as trommel, conveyers, installation of chute, constructing new set of buildings, including new drying yard and bin yards as a one shop floor, removing 50 - 60 years old deteriorated building for manual sorting out for physically grading of Run of Mine (ROM) particle size and carbon grades. The said new set up of building arrangement which is helpful to the on line process of the daily ROM when hoisting the same. Primary separation system has been partly mechanized avoiding wastage of time of sorting out manually, in order to increase the labour productivity.



When putting up the set of new buildings and renovation of the existing buildings, simultaneously interior roads were reconstructed and the premises were also well maintained.

Packing system and the quality of packing were improved.

Value Addition - End Product Development

- (i) Kahatagaha Graphite Lanka Limited (KGLL) itself has been carried out the basic research for Crucible end product development make use of Kahatagaha raw graphite associating with other relevant organizations. After successful outcome of the



research work industrial scale Crucible end product has been developed mostly as same as imported Crucible items from India & Germany.



As per our primary observation of the Crucible market, it is depending on the local metal casting industry and the jewelry industry. As far as Crucible end product is concerned now we are in the process of manufacturing and a commercial scale product.

- (ii) Other than the Crucible end product, Value Addition by KGLL research and development work was successfully carried out by University of Colombo Science and Technology Cell after signing the Memorandum of Understanding (MOU) with KGLL. In terms of the said MOU University of Colombo has carried out the following products development and methodology has been forwarded for the production.

- * Conductive Carbon brushes used for Motors
- * Graphite Grease
- * Graphite Gaskets
- * Graphite Conducting Glue



Conductive Carbon brushes



Basic research work laboratory scale production was successfully done by the University of Colombo Science and Technology Cell and as per our primary market survey there are 335 types of Carbon Brushes available in the market for electric motors, floor polishers and carpenter sanders. Conductive Brushers manufacturing and commercial scale product is in the process by KGLL it self.

Production of Graphite Grease



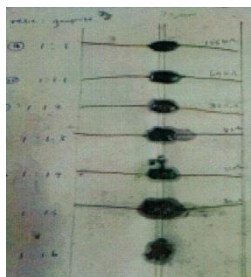
Graphite Grease concerned basic results were submitted by the University of Colombo during the year and the primary samples were prepared by KGLL and sent to the University of Colombo for testing and around 250-500 kgs. are expected to be produced and test the performance with end users.

Production of Graphite Gasket



Laboratory research work was successfully done by the University of Colombo to develop the graphite gasket and result was submitted to consider as the end product. The process use non water absorption paper with different thickness applying binder and then spread fine grade graphite on paper surface after rolling with uniform pressure over the surface is the basic mechanism of production process. Production and commercial scale of such gasket material should be developed providing capital equipment.

Graphite Conducting Glue



Joints made using graphite conducting glue

Graphite Conducting Glue has been experimented by the University of Colombo which is a simple process of industrial scale and the manufacturing scale is being studied.

Glue is used to bind two surfaces together. The material used as glue must wet the surfaces, adhere to the surfaces, develop strength after it has been applied, and remain stable. Conductive adhesives are widely used in electronic packaging applications such as die attachment and solder less interconnections, component repair, display interconnections and heat dissipation.

The raw materials for making conducting adhesives are polymeric materials (epoxy resins and phenol formaldehyde) and graphite.

Coconut Cultivation

We have already re-planted 52 acres of coconut plantation, previously which has been abandoned. This coconut estate is well managed and we have provided infrastructure facilities and fertilizer etc. As a result the yield of the coconut cultivation has substantially increased.



Workers Relationship

Workers relationship conducted by way of participative management style in order to enhance the productivity uplifting of living stands of employees'. Mainly underground workers culture is vastly different with the other surface workers due to risky and hardship work environment in par with the psychological effect of the Act of God.

As far as safety and welfare of the workers is concerned arrangements have been made to obtain the chest X-Ray reports of all the Mining and Processing workers to monitor the Graphite Pneumoconiosis industrial disease in order to take the measures to prevent such disease. In consultation with the District Medical Officer (DMO) Ridigama and a Doctor from Ridigama District Hospital has been arranged to visit the mines premises once a week to provide necessary treatment and to get consultation to all the workers and their families too at our own medical center with all the primary equipment and medicine.

Mining safety equipment and safety uniforms are provided timely in accordance with the view of the employees.

The Company has 120 employees and out of that 57 employees are working underground, remaining employees are in the maintenance, processing and administration divisions.



The total wages, salaries, Bonus, EPF and ETF contributions amounting Rs.54.5 Mn. when comparing with Rs.43.8 Mn. incurred in the previous year.

From 2006 up to now employees' salaries have been increased about 362% in terms of the wages board and other statutory provisions.

Conclusion

In keeping with the “**MAHINDA CHINTHANA**” policy disregarding the privatization process ensuring and enabling KGLL to manage as a viable public enterprise which was a non performing Organization and had to be privatized.

Now of course we have made a significant impact in the mining industry after turnaround operation from 2006. Within a few years’ time frame our achievement has well focused to future value addition development programme as per “**MAHINDA CHINTHANA**” policy (page no. 48) and also development of the graphite business in order to contribute to the national economic development.

My co-directors have given me a great source of strength and I am grateful to their unstrained support and co-operation devoted for the achieved betterment and the profit of the company during the year under review.

The successful and profitable performance of KGLL during the year could not have been achieved without the dedication and commitment of all the employees of our company specially the underground workers and I wish to place on record my sincere appreciation for their enormous efforts throughout the year.

I take this opportunity to thank to the Hon. Minister of Industry and Commerce, Hon. Deputy Minister of Industry and Commerce, Secretary and the staff of the Ministry of Industry and Commerce, Secretary to the General Treasury and the staff, who extended their assistance to KGLL, and specially the Board of Directors and all employees of KGLL. Finally I would fail in my duty if I do not thank to M/s. Ranaweera, Nagasinghe & Company Chartered Accountants and the staff who contributed their services satisfactory in this year also to us without any hesitation as the Auditors of our Company.

D. Kalansooriya
Chairman

KAHATAGAHA GRAPHITE LANKA LIMITED

03rd September 2014

AUDIT COMMITTEE REPORT

Role of the Audit Committee

The primary role of the Audit Committee, which reports its findings to the Board of Directors, is to ensure the integrity of the financial reporting and audit processes and the maintenance of sound internal controls and risk management system. The Committee's responsibilities include monitoring and reviewing the following:

- Reliability and integrity of financial statements.
- Adequacy and effectiveness of internal controls.
- Effectiveness and performance of external and internal audit function.
- Compliance with statutory and regulatory requirement.

Composition of the Audit Committee

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

Ms. A. R. Wickramasinghe	- Chairperson
Mr. A. U. M. Yasir	- Director
Mr. T. M. A. Bangsajayah	- Director

Meetings and Attendance

The Committee met on 04 occasions during the year 2013 and discussed the matters referred by the Board of Directors their meeting. The Managerial officers of the company, the Internal Auditors appointed from the Ministry of Industries and the Accountant are invited to attend meetings whenever required.

Activities

The Audit Committee discharged its duties by reviewing and discussing the Draft Accounts and External Audit Reports, the Internal Audit Reports submitted by outsourced internal auditor, Progress Reports, Sales Reports, Financial Management , Risk of Fraud and Errors and System Security. The Audit Committee has reviewed these reports , recommended additional controls and risk mitigation strategies that could be implemented to strengthen the existing internal control system thus minimizing the possibility of occurrence and impact of fraud , errors, operational and financial risks faced by the Company.

Internal Control System

In 2013, the Committee reviewed the results of the audit undertaken by Internal Auditors, COPE reports, Final Accounts, Management letter by the External Auditor and Budgets. The internal Auditor considered the adequacy of management's response to the matters raised, including the implementation of any recommendations made.

Compliance

The Audit Committee assisted the Board in ensuring compliance with the statutory provisions prior to publication of timely and reliable financial reports, which were in line with the requirements of Sri Lanka Accounting Standards , Companies Act No 7 of 2007, Guidelines of Department of Public Enterprises, Department of Inland Revenue, Employment Provident Fund, Employee Trust Fund, NPA Guidelines and Government Circulars issued from time to time.

On behalf of the Committee,



Chairperson of the Audit Committee

CORPORATE VISION

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

CORPORATE MISSION

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

CORPORATE OBJECTIVES

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

ORGANIZATIONAL STRUCTURE

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

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

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

KAHATAGAHA GRAPHITE LANKA LIMITED

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2014

The Directors present herewith the audited Financial Statements for the year ended 31st March 2014. The Board of Directors is responsible for preparing and presenting the Financial Statements set out therein in accordance with the Sri Lanka Accounting Standards.

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.

Financial Results

Financial Results are given on page 4 to the Financial Statement.

Property, Plant and Equipment

The movements in property, plant and equipment during each year are set out in Note 18 to the Financial Statement.

Investments

Company has invested Rs. 5,675,000.00 in fixed deposits to discharge employees' gratuity obligation.

Donation

Company has made no donations during the accounting period.

Auditor's Report

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

Retirement of Directors

In terms of the Articles of Association **Mr T M A Bangsajayah** retires by rotation and is eligible for re-election of himself with the unanimous support of the continuing Directors.

In terms of the Articles of Association **Mr. A U M Yasir** retires by rotation and is eligible for re-election of himself with the unanimous support of the continuing Directors.

In terms of the Articles of Association **Mr. M S L Ali Khan** retires by rotation and is eligible for re-election of himself with the unanimous support of the continuing Directors.

Directors as at 31 March 2014

The names of the Directors who held office during the year under review are as follows:

Mr. D Kalansooriya
Mr. A U M Yasir
Ms. A R Wickramasinghe
Mr. T M A Bangsajayah
Mr. I M Junais
Mr. W M C P V Wasala

Mr. M S L Ali Khan was appointed to the Board on 14th March 2014 and offers himself for re-election as a Director of the company.

Remuneration of Directors

The total remuneration of the Board of Directors during the year under review is given in Note 10 (Rs.1,293,998.00) 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 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.

Events after balance sheet date

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

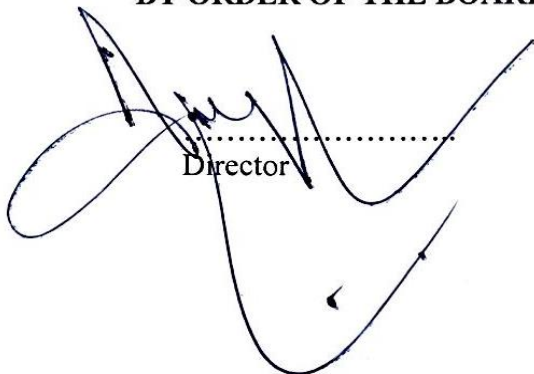
Auditors

Messrs Ranaweera Nagasinghe & Company, Chartered Accountants, served as the Auditors during the year under review. The Auditors have confirmed that they have 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.

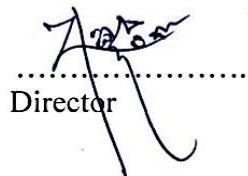
Fees payable to the Auditors for the financial year is given in Note 11 to the Financial Statements.

Messrs Ranaweera Nagasinghe & Company have expressed their willingness to continue in office. A resolution to re-appoint them and to authorize the Directors to fix their remuneration will be proposed at the Annual General Meeting.

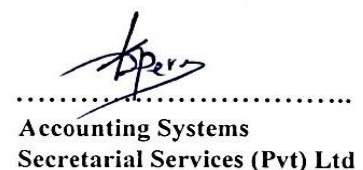
BY ORDER OF THE BOARD OF KAHATAGAHA GRAPHITE LANKA LIMITED



.....
Director



.....
Director



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

Financial Highlights

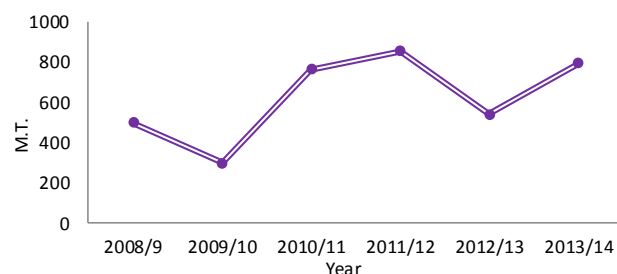
Production

Year	M.T.
2008/9	877
2009/10	915
2010/11	771
2011/12	888.33
2012/13	1018
2013/14	848



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



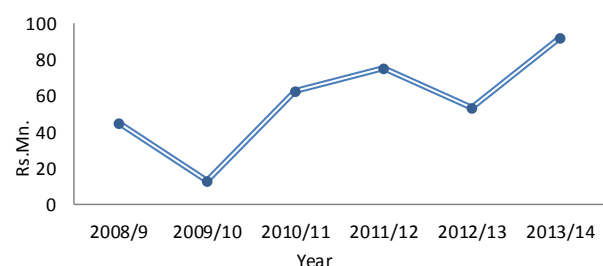
Revenue

Year	Rs.Mn.
2008/9	60.4
2009/10	21.1
2010/11	105.1
2011/12	128.2
2012/13	91.6
2013/14	144.11



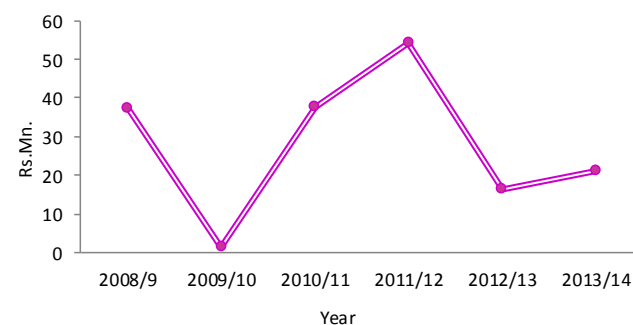
Gross Profit

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



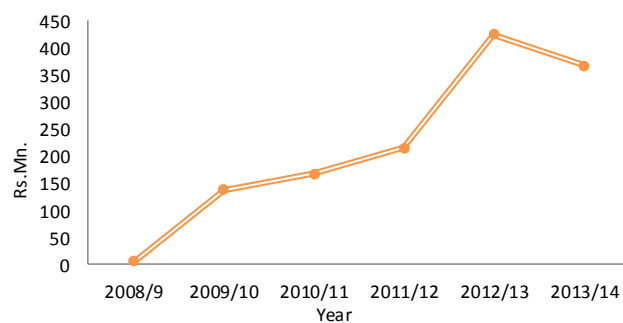
Net Profit Before Tax

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



Net Assets

Year	Rs.Mn.
2008/9	4.4
2009/10	137.1
2010/11	166.2
2011/12	214.5
2012/13	423.4
2013/14	366.33



**KAHATAGAHA GRAPHITE LANKA
LIMITED**

**ANNUAL ACCOUNTS
2013/14**

FROM 01 APRIL 2013 TO 31 MARCH 2014

**RANAWEERA NAGASINGHE & COMPANY
CHARTERED ACCOUNTANTS**

<p style="text-align: center;">KAHATAGAHA GRAPHITE LANKA LIMITED 2013/14</p>
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KAHATAGAHA GRAPHITE LANKA LIMITED

1 CORPORATE INFORMATION

DETAILS OF INCORPORATION

A Public Limited Liability Company incorporated in Sri Lanka under the Companies Act No. 17 of 1987. Re- registered under the Companies Act No. 07 of 2007.

LINE MINISTRY

Ministry of Industry & Commerce

PRINCIPAL ACTIVITY

Mining, processing and Export of Natural Vain Graphite.

REGISTERED OFFICE

No.100 1/3, Sir Chittampalam A Gardiner Mw, Colombo 02.

BOARD OF DIRECTORS

Mr. D.Kalansooriya. (Chairman)

Mrs. A.R. Wickramasinghe

Mr. I.M. Junaise

Mr. T.M.A. Bangsajayah

Mr. A.U.M. Yasir

Mr. S. Nijamudeen (Resigned w.e.f. 01-07-2013)

Mr. W.M.C.P. Wasala (Appointed w.e.f. 27-02-2013)

Mr. M.S.L. Alikhan (Appointed w.e.f. 14-03-2014)

COMPANY SECRETARY

Accounting Systems Secretarial Services (Pvt) Ltd

No.02, Castle Lane, Colombo 04.

Tel: 0112505152 Fax: 5364295

AUDITORS OF THE COMPANY

Ranaweera, Nagasinghe & Co.

Chartered Accountants

No.277, New Hunupitiya Road, Dalugama, Kelaniya.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE KAHATAGAHA GRAPHITE LANKA LIMITED

Report on the Financial Statement

We have audited the accompanying financial statements of **KAHATAGAHA GRAPHITE LANKA LIMITED**, which comprise the Statement Of Financial Position as at March 31, 2014 and the Comprehensive Income Statement, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and summary of significant Accounting Policies and other Explanatory Notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances

Scope of Audit and basis of opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit we therefore believe that our audit provides a reasonable basis of our opinion.

Opinion


In our opinion the Statement Of Financial Position and related Statements of Comprehensive Income Statement, Changes in Equity, Cash Flow Statement and the Accounting Policies and Notes thereto of the Company, give a true and fair view of the financial position and comply with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No.07 of 2007 for the year ended 31st March 2014 and of the results of its operations for the year then ended.

Directors' Interest in Contracts with the Company

According to the information made available to us present Directors of the Company were not directly or indirectly interest in any contracts with the Company during the year ending on 31 March 2014 as disclosed in the note 07 to the account.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 151(2) of the Companies Act No. 07 of 2007.


CHARTERED ACCOUNTANTS
COLOMBO.
19 AUGUST 2014.



KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH

2014

2013

Figures in Rupees

NOTES

REVENUE

Sale of Graphite	08	144,111,798.15	91,685,689.71
Direct Cost, Mining Cost	09	(52,750,707.80)	(36,423,588.62)

GROSS PROFIT/(LOSS)

91,361,090.35

55,262,101.09

LESS: OPERATING COST

Personnel Cost	10	(15,394,843.66)	(12,067,725.74)
Establishment & Administration Cost	11	(19,537,971.83)	(13,298,040.74)
Maintenance Cost	12	(1,339,248.06)	(1,130,017.81)
Utility Cost	13	(599,029.49)	(685,730.62)
Depreciation Cost	14	(20,167,747.60)	(6,148,360.68)
Selling and Distribution Cost	15	(3,877,278.11)	(3,574,954.66)
Gratuity		(2,229,903.20)	(928,316.76)

TOTAL OPERATING COST

(63,146,021.95)

(37,833,147.01)

OPERATING PROFIT/(LOSS)

28,215,068.40

17,428,954.08

Finance & Other Cost	16	(8,473,835.17)	(2,869,703.49)
Sundry Income	17	1,446,547.45	1,929,793.13

PROFIT/(LOSS) BEFORE TAXATION

21,187,780.68

16,489,043.72

Taxation		(4,581,762.69)	(852,851.15)
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PROFIT/(LOSS) FOR THE YEAR

16,606,017.99

15,636,192.57



KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH

Figures in Rupees

NOTES

2014

2013

OTHER COMPREHENSIVE INCOME

Gain on Foreign Exchange Gain/Loss	(1,942,245.39)	(3,109,074.14)
Revaluation of Property, Plant And Equipment	-	197,329,460.70
Other comprehensive income for the year	(1,942,245.39)	194,220,386.56

TOTAL COMPREHENSIVE INCOME FOR THE YEAR

14,663,772.60

209,856,579.13



RANAWEERA, NAGASINGHE & CO.
CHARTERED ACCOUNTANTS

S. RANAWEERA, A.C.A
N. NAGASINGHE, B.SC., F.C.A
Y. RANAWEERA, B.SC., A.C.A.

COLOMBO OFFICE
No 277
New Hunupitiya Road,
Daligama
Kelaniya
Tel; /Fax 0112910571, 2905196

HEAD OFFICE
NO .41/5B,
Old Market Road,
Kotuwegoda,
Matara.
Tel: 0412222365

KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

2014

2013

Figures in Rupees

NOTES

ASSETS

Non Current Assets

Property, Plant & Equipment	18	267,234,317.20	256,076,582.10
Fixed Deposit - in USD		-	27,723,833.78
Gratuity Investment Fund		5,675,000.00	5,000,000.00
		272,909,317.20	288,800,415.88

Current Assets

Stock	19	105,267,315.56	135,514,956.19
Debtors, Deposit & Receivable	20	9,889,269.61	28,056,138.55
Cash & Cash Equivalent	21	13,800,259.29	11,709,454.63
		128,956,844.46	175,280,549.37

TOTAL ASSETS

401,866,161.66 **464,080,965.25**

EQUITY AND LIABILITIES

Capital And Reserves

Stated Capital	22	13,000,000.00	13,000,000.00
Retained Earnings		103,442,157.99	160,276,371.37
Reserves	23	250,220,462.70	250,220,462.70
		366,662,620.69	423,496,834.07

Long Term Liabilities

Term Loans	24	-	2,500,000.00
Lease Creditors	25	3,662,917.77	6,016,747.41
Gratuity Provision		6,003,227.56	4,688,320.36
		9,666,145.33	13,205,067.77

Current Liabilities

Lease Creditors	25	2,353,829.64	3,298,799.34
Trade and Other Creditors	26	919,065.85	1,337,448.25
Dividend Payable	27	954,196.07	3,702,986.65
Provision For Taxation	28	14,609,921.88	12,376,561.15
Accrued Charges	29	6,700,382.20	6,663,268.02
		25,537,395.64	27,379,063.41

TOTAL EQUITY AND LIABILITIES

401,866,161.66 **464,080,965.25**

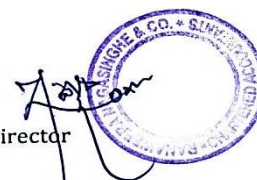
I certify that the Financial Statements have been prepared in compliance with requirements of the Companies Act No7 of 2007 Chief Financial Officer

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

Director



KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH

Figures in Rupees

	Share Capital	Revaluation Reserve	Accumulated Profit/(Loss)	Total
Balance on 01 April 2012	13,000,000.00	39,784,286.00	147,749,389.44	200,533,675.44
Profit/(Loss) for the Year	-	-	15,636,192.57	15,636,192.57
Prior year adjustment			(136.50)	(136.50)
Other comprehensive income for the year		197,329,460.70	(3,109,074.14)	194,220,386.56
Balance on 31 March 2013	13,000,000.00	237,113,746.70	160,276,371.37	410,390,118.07
Balance on 01 April 2013	13,000,000.00	237,113,746.70	160,276,371.37	410,390,118.07
Prior year adjustment			(70,437,768.12)	(70,437,768.12)
Profit/(Loss) for the Year	-	-	16,606,017.99	16,606,017.99
Dividend Declaration 2013	-	-	(1,060,217.86)	(1,060,217.86)
Other comprehensive income for the year		-	(1,942,245.39)	(1,942,245.39)
Balance on 31 March 2014	13,000,000.00	237,113,746.70	103,442,157.99	353,555,904.69
Prior Year Adjustment			(66,396,403.67)	
Arising from stock adjustment			(4,041,364.45)	
Income tax under provision			(70,437,768.12)	



KAHATAGAHA GRAPHITE LANKA LIMITED

STATEMENT OF CASH FLOW

YEAR ENDED 31 MARCH

2014

2013

Figures in Rupees

Cash Flows from / (Used in) Operating Activities

Net Profit/(Loss) before Income Tax Expenses	21,187,781	16,489,044
Adjustments for :		
Gratuity Provision	2,229,903	928,317
Lease Interest	-	853,495
Prior Year Adjustment	(66,396,404)	-
Depreciation on Tangible Fixed Assets	20,167,748	7,785,785
Exchange Loss	(1,942,245)	(3,109,074)
Operating Profit before Working Capital changes	<u>(24,753,218)</u>	<u>22,947,566</u>

(Increase)/Decrease in Inventories	30,247,641	(28,535,571)
(Increase)/Decrease in Receivable	18,166,869	(2,061,377)
(Decrease)/Increase in Creditors	(418,382)	836,487
(Decrease)/Increase in Accruals	37,114	1,446,001

Net Cash Flow from/(used/ in) Operating Activities

48,033,241 **(28,314,460)**

Cash Flow From/(Used in) Investing Activities

Purchase of Tangible Fixed Assets	(31,325,483)	(14,084,009)
Fixed Deposit	27,723,834	30,035,142
Gratuity Investment Fund	(675,000)	(5,000,000)

Net Cash Flows from (used/ in) Investing Activities

(4,276,649) **10,951,133**

Cash Flow From/(Used in) Financing Activities

Bank Loan Payment	(2,500,000)	(6,000,000)
Income Tax Paid	(6,495,788)	-
Dividend tax Paid	(3,702,987)	-
Gratuity Paid	(914,996)	(92,432)
Leasing payment	(3,298,799)	(3,970,176)

Net Cash Flows from (used/ in) Financing Activities

(16,912,570) **(10,062,608)**

Net Increase/(Decrease) Cash & Cash Equivalents

2,090,805 (4,478,368)

Cash and Cash Equivalents at beginning of the year

11,709,455 16,187,823

Cash and Cash Equivalents at end of the year

13,800,259 **11,709,455**

Cash & Cash Equivalents

Bank Of Ceylon - Redigama	188,365	1,318,828
Bank Of Ceylon - Kollupitiya	36,788	958,589
DFC \$ A/C - BOC Kollupitiya	13,541,287	9,416,114
Petty Cash - Head Office	23,399	3,792
Petty Cash - Mine Office	10,420	12,132
	<u>13,800,259</u>	<u>11,709,455</u>

KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014.

1. GENERAL INFORMATION

Kahatagaha Graphite Lanka Ltd 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.

During the years under review, the principle activity of the Company was mining of graphite and selling in the export and local markets.

The Financial Statements Kahatagaha Graphite Lanka Ltd for the year from 1 April 2013 to 31 March 2014 are due to be authorized for issue in accordance with a resolution of the Board of Directors on 19th August 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of Preparation

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

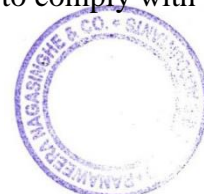
For all periods up to and including the year ended 31 March 2014, the Company prepared its Financial Statements in accordance with previous SLASs.

These Financial Statements for the year ended 31 March 2014 are the first of the statements, the Company has prepared in accordance with SLFRS effective for the periods beginning on or after 01 April 2011.

The Company has consistently applied the accounting policies used in preparation of its opening SLFRS Statement of Financial Position as at 01 April 2011 through all periods presented, as if these policies had always been in effect.

The Financial Statements presented in Sri Lanka Rupees have been prepared on a historical cost basis. Accrual basis has been followed in charging the expenditure items to the revenue.

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



2.2 Statement of Compliance

The Statement of Financial Position, Statement of total Comprehensive Income, Statement of Changes In Equity and Statement of Cash Flows together with the Accounting Policies and notes of the Company as at 31 March 2014 and the year then ended are prepared in accordance with generally accepted accounting principles and the accounting standards laid down by the Institute of Chartered Accountants of Sri Lanka. No adjustment is made for inflationary factors.

2.3 Financial Year

The Company has common financial year which ends on 31 March.

2.4 Going Concern

The policy of the Government is for the Company to continue as a going concern under the Board of Directors appointed and does not intend either to liquidate or to cease activities of the operations since its takeover.

2.5 Taxation

Current Taxes

The provision for Income Tax is based on the elements of income and expenditure as reported in the financial statements and compute in accordance with the provision of the Inland Revenue Act 10 of 2006 and subsequent amendments to the Act.

No Withholding Tax deducted on Royalty Payments to Geological Survey and Mines bureau.

Deferred Taxation

Deferred tax is not provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The devaluation of main material stock on 1 April 2013 has not been considered for on arriving of current Income Tax payable.

2.6 Stocks (Note 19 in the accounts)

Graphite

The stock valuation is based on the total mining cost incurred shown under notes 09 to the Income Statement. Stock valuation records comprising quantity, rate and valuation.



According to the information made available to us the stock valuation is as given below:-

	Quantity (MT)	Value (LKR)
Stock on 1 April 2013	1,843.68	121,764,354.37
Devaluation Stock	(1,005.33)	(66,396,403.67)
Balance as per accounts	838.35	55,367,950.70
Year Produced (Mined)	848.14	80,473,100.42
Year Exported Quantity	(793.50)	(52,406,065.69)
Stock on 31 March 2014	892.99	83,435,985.43
Average cost Per Ton	(83,435,985.43/892.99)	93,433.28

Consumables

This comprises items other than Graphite which are consumed in the mining process and other maintenance work. According to the information available the total number of items exceeds 1,500, and software system is implemented for stock recording during the year under review.

The cost incurred in bringing inventories to its present location and conditions are accounted for using the following cost formula:-

Graphite - At actual total mining cost incurred

Consumables - At actual cost on Weight Average basis

2.7 Property, Plant and Equipment (Note 18 in the accounts)

2.7.1 Cost /Valuation

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 entity recognize such parts as individual assets with specific useful lives and depreciation them accordingly. Likewise, when a major inspection is performed, its cost is recognized 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 recognized in the Comprehensive income statement as incurred.



An item of Property, Plant and Equipment is derecognized 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.

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost. On completion, the related assets are transferred to Property, Plant and Equipment. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Fair value of Property, Plant and Equipment

The entity carries its Property, at fair value, with changes in fair value being recognized in the Income Statement. In addition, it measures Plant and Equipment at revalued amounts with changes in fair value being recognized in Other Comprehensive Income. The entity engaged an independent valuation specialist to assess fair value of such assets as at 31 March 2014. The Property, Plant and Equipment were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Impairment of Non-Financial Assets

The Company assesses at 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 or groups of 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.

During the year under review steps were taken for giving effect to the Lanka Accounting Standard 36 (LKAS 36) which refers to the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount.



2.7.2 Depreciation /Amortization

The provision for depreciation 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 installments.

The Company has revalued all their assets at the beginning of the year and introduced new rates as indicated below in accordance with remaining useful life of the assets.

Building	3%
Plant & Machinery	10%
Electrical Equipment	20%
Motor Vehicle	10%
Other Assets	10%
Office Equipment	20%
Generator	08%
Under Ground Equipment	10%
Furniture & Fittings	20%
Head Office Partisition Works	20%

2.8 Lease Assets

Finance leases that transfer to the entity substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the Income Statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the Income Statement on a straight-line basis over the lease term.



2.9 Financial Assets

2.9.1 Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables which maturity greater than 12 months classified as noncurrent assets. The company's loan and receivables comprise "Trade & other receivables and cash and cash equivalents" in the statement of financial position.

2.9.2 Financial liabilities

The Company's financial liabilities include trade and other payable, bank loans and other borrowings. All financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2.10 Debtors, Deposits and Receivables (Note 20 in the accounts)

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.11 Foreign Currency Translation

The Financial Statements are presented in Sri Lankan Rupees, which is the entity functional and presentation currency.

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rate ruling at the date of the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary measured



at fair value is treated in line with the recognition of gain or loss on change in fair value in the item. (i.e., the translation differences on items whose fair value gain or loss is recognized in Other Comprehensive Income (OCI) or profit or loss are also recognized in OCI or profit or loss, respectively). However no any exchange gain and loss arising from non monetary item during the year except monetary item.

2.12 Employees Benefits

(A) Defined Benefits

During the year under review provision has been made in the accounts to comply with LKAS 19 which stipulates the methodology for the valuation of Gratuity.

(B) Defined Contribution Plans

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 Employees' Provident Fund and Employee' Trust Fund.

(C) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the company.

3 TURNOVER, REVENUE AND EXPENSES

3.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity 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 as per the LKAS 18.

The entity Revenue has recognized in the financial period on recorded invoice values on FOB value 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.



4. SHARE/STATED CAPITAL (Note 22 in the accounts)

Issued shares of Rs. 13,000,000/-

The share ledger with the Secretaries of the Company carried the above amount as the share holding by the Secretary to the Treasury and the present Secretaries has information relating to the Company's share holding status only from the year 2002.

5. CAPITAL COMMITMENTS

There are no capital commitments as at the Balance Sheet dates.

6. CONTINGENT LIABILITIES

It has been brought to notice of a case pending in respect of part of the mine land at Kahatagaha.

7. DIRECTORS INTEREST

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



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

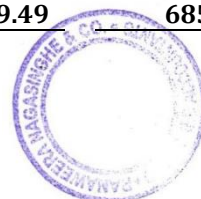
YEAR ENDED 31 MARCH		2014	2013
<i>Figures in Rupees</i>			
	NOTES		
08 REVENUE AND GRANTS			
Sales Income		144,111,798.15	91,685,689.71
09 GRAPHITE MINING COST			
Stock Balance at beginning	09-01	55,367,950.33	91,963,177.22
Personnel Cost	09-02	46,429,875.16	37,293,153.32
Support Service Cost	09-03	27,347,420.98	24,585,550.00
Royalty Payments		7,041,446.76	4,346,062.45
		136,186,693.23	158,187,942.99
Less Stock at closing		(83,435,985.43)	(121,764,354.37)
Add Cost of Mining During the Period		52,750,707.80	36,423,588.62
Year Beginning Stock			
The Company had carried out post Physical Stock verification and valuation before mixture of current year productions to identify actual disposable Graphite available on stock on 1 April 2013. The verification revealed that substantial quantity valued for Rs. 66,396,403/67 were unsalable condition. Therefore The Management decide to write off the stock at year beginning to give effect to the correct position of the salable production.			
Stock balance at beginning	09-01		
Opening Stock		121,764,354.00	-
Stock Write Off		(66,396,403.67)	-
Balance taken to accounts		55,367,950.33	-
WAGES COST	09-02		
Salaries & Wages		32,545,283.42	25,219,965.94
Overtime		2,774,981.56	4,129,251.37
Allowance		1,998,416.40	1,823,055.85
Provident Fund Contributions		3,905,434.01	3,026,395.91
Trust Fund Contributions		976,358.48	756,598.98
Staff Welfare		3,419,160.91	1,959,769.89
Bonus		810,240.38	378,115.38
		46,429,875.16	37,293,153.32
SUPPORT SERVICE COST	09-03		
Mining Expenses		13,248,802.75	12,627,678.33
Power and Electricity		14,098,618.23	11,957,871.67
		27,347,420.98	24,585,550.00



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH		2014	2013
<i>Figures in Rupees</i>			
	NOTES		
10	PERSONNEL COST		
	Directors Allowances	1,293,998.00	1,695,710.07
	Admin Salary & wages	10,189,796.04	8,316,155.78
	Overtime	1,718,575.97	699,936.52
	Allowances	550,254.25	-
	Provident Fund Contributions	1,222,775.51	997,938.69
	Trust Fund Contributions	305,693.89	249,484.67
	Bonus	113,750.00	108,500.00
		<u>15,394,843.66</u>	<u>12,067,725.74</u>
11	ESTABLISHMENT AND ADMINISTRATION COST		
	Rent	1,911,800.00	2,287,000.00
	Rates & Taxes	9,397.16	15,409.31
	General Expenses	6,292.07	44,416.61
	Medical Aid	42,508.48	37,473.67
	Insurance	586,654.25	541,840.10
	Printing & Stationery	509,252.28	522,159.13
	Postage	76,856.10	82,848.53
	Legal & Professional Fees	246,197.65	389,892.00
	Security Charge	5,342,133.88	4,321,749.39
	Book & periodicals	47,990.00	64,329.00
	Secretarial Charges	200,773.00	223,993.00
	Audit Fees	165,304.00	165,000.00
	Travelling & Transport	3,597,210.99	3,717,814.56
	Refreshment	472,753.57	335,678.99
	Electricity	325,606.35	237,891.94
	License & Permits	200,682.00	74,144.51
	Subscription	46,598.76	-
	Research & Development Expenses	1,559,691.07	-
	Fuel	1,513,888.64	-
	Annual Accounts Preparation Expenses	329,293.00	-
	Estate Expenses	1,759,488.58	-
	Training Expenses	587,600.00	235,300.00
	Sundry Expenses	-	1,100.00
		<u>19,537,971.83</u>	<u>13,298,040.74</u>
12	MAINTENANCE COST		
	Office & Office Equipment Maintenance	563,541.95	107,100.20
	Building Maintenance	335,077.12	212,036.07
	Machinery Maintenance	440,628.99	485,881.54
	Internal Roads	-	325,000.00
		<u>1,339,248.06</u>	<u>1,130,017.81</u>
13	UTILITY COST		
	Water Charges	48,044.40	92,559.78
	Telephone	550,985.09	593,170.84
		<u>599,029.49</u>	<u>685,730.62</u>



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH		2014	2013
	<i>Figures in Rupees</i>		
14	DEPRECIATION COST		
	Building	1,629,149.99	753,502.76
	Electrical Equipments	345,096.00	1,053,232.89
	Generator	1,234,127.23	162,887.76
	Motor Vehicle	1,876,300.50	1,695,000.00
	Office Equipments	598,352.04	75,903.00
	Other Assets	693,999.00	278,181.06
	Plant & Machinery	12,343,888.93	1,321,386.32
	Under Ground Development Expenses	788,354.51	530,855.83
	Furniture & Fittings	329,754.03	113,585.70
	Head Office Partition Works	163,825.36	163,825.36
	Motor Vehicle	164,900.00	-
		20,167,747.60	6,148,360.68
15	SELLING AND DISTRIBUTION COST		
	Transport to Wharf	1,376,000.00	864,000.00
	Sales Promotion	897,096.70	889,193.91
	Advertising Expenses	854,180.00	1,062,295.28
	Freight Expenses	750,001.41	759,465.47
		3,877,278.11	3,574,954.66
16	FINANCE AND OTHER COST		
	Bank Charges	234,311.95	74,482.42
	Unclimbed VAT on Lease	331,560.00	331,560.00
	Lease Interest Charges	671,376.66	853,495.08
	Stocks: Stock Adjustment	13,752.06	1,500.00
	Disallowed input VAT	5,970,583.50	-
	CRS - Community Support Expenses	1,252,251.00	-
	Nation Building Tax	-	87,250.99
	Coconut Estate Expenses	-	1,521,415.00
		8,473,835.17	2,869,703.49
17	SUNDRY INCOME		
	Estate Income	193,033.00	50,936.00
	Interest Income	1,253,514.45	1,878,857.13
		1,446,547.45	1,929,793.13



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

18

Property Plant and Equipment

	Balances 2013/3/31	Additions/ Transfers	Disposal/ Transfers	Revaluation Adjustment	Balance As At 2014/03/31
Gross Carrying Amounts					
Free Hold Land	25,500,000.00	-	-	-	25,500,000.00
Building	54,304,999.82	-	-	-	54,304,999.82
Plant & Machinery	122,817,135.61	621,753.73	-	-	123,438,889.34
Electrical Equipment	1,719,980.00	5,500.00	-	-	1,725,480.00
Motor Vehicle	-	1,649,000.00	-	-	1,649,000.00
Other Assets	3,021,375.00	3,918,615.00	-	-	6,939,990.00
Office Equipment	2,656,363.97	335,396.25	-	-	2,991,760.22
Generator	15,426,590.40	-	-	-	15,426,590.40
U.G.Developmet	7,705,000.00	178,545.08	-	-	7,883,545.08
Coconut Plantation Developme	1,694,235.36	-	-	-	1,694,235.36
Furniture & Fitting	1,648,770.14	-	-	-	1,648,770.14
Head Office Partition Works	819,126.80	-	-	-	819,126.80
	237,313,577.10	6,708,810.06	-	-	244,022,387.16
Assets On Finance Leases					
Motor Vehicle	18,763,005.00	-	-	-	18,763,005.00
	18,763,005.00	-	-	-	18,763,005.00
Progeass					
Plant & Machinery					
Building	-	4,834,049.52	-	-	4,834,049.52
	-	19,782,623.12	-	-	19,782,623.12
	-	24,616,672.64	-	-	24,616,672.64
Total Assets	256,076,582.10	31,325,482.70	-	-	287,402,064.80



KAHATAGAHA GRAPHITE LANKA LIMITED

Ranaweera, Nagasinghe & Co
(CHARTERED ACCOUNTANTS)

NOTES TO THE ACCOUNTS

Property Plant and Equipment

Depreciation

At Cost or Valuation

	Balances 2013/3/31	Additions/ Transfers	Disposal/ Transfers	Revaluation Adjustment	Balance As At 2014/03/31
Free Hold Land	-	-	-	-	-
Building	-	1,629,149.99	-	-	1,629,149.99
Plant & Machinery	-	12,343,888.94	-	-	12,343,888.94
Electrical Equipment	-	345,096.00	-	-	345,096.00
Motor Vehicle	-	164,900.00	-	-	164,900.00
Other Assets	-	693,999.00	-	-	693,999.00
Office Equipment	-	598,352.04	-	-	598,352.04
Generator	-	1,234,127.23	-	-	1,234,127.23
U.G.Developmet	-	788,354.51	-	-	788,354.51
Furniture & Fitting	-	329,754.03	-	-	329,754.03
Head Office Partition Works	-	163,825.37	-	-	163,825.37
	-	18,291,447.10	-	-	18,291,447.10

Assets On Finance Leases

	Balances 2013/3/31	Additions/ Transfers	Disposal/ Transfers	Revaluation Adjustment	Balance As At 2014/03/31
Motor Vehicle	-	1,876,300.50	-	-	1,876,300.50
	-	1,876,300.50	-	-	1,876,300.50
Total Depreciation	-	20,167,747.60	-	-	20,167,747.60
Total Written Down Value	256,076,582.10	-	-	-	267,234,317.20



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH		2014	2013
<i>Figures in Rupees</i>			
	NOTES		
19	STOCK		
	Stock Consumables	21,831,330.13	13,750,601.82
	Stock-Graphite	83,435,985.43	121,764,354.37
		105,267,315.56	135,514,956.19
20	DEBTORS, DEPOSITS & RECEIVABLES		
	Accounts Receivable	7,867,148.55	14,254,647.59
	Advance	18,501.93	2,716.00
	Deposits	313,908.16	102,433.16
	Festival Advance	-	1,250.00
	SLT Deposit	5,000.00	5,000.00
	VAT Receivables	642,910.97	11,817,972.50
	Purchase Advances	15,000.00	737,727.30
	Rent Advanced	1,026,800.00	976,800.00
	PAYE Recoverable	-	157,592.00
		9,889,269.61	28,056,138.55
21	CASH & CASH EQUIVALENT		
	Bank Of Ceylon - Redigama	188,364.93	1,318,827.68
	Bank Of Ceylon -Kollupitiya	36,788.44	958,588.52
	DFC \$ A/C - BOC Kollupitiya	13,541,287.38	9,416,114.23
	Petty Cash - Head Office	23,398.76	3,791.82
	Petty Cash - Mine Office	10,419.78	12,132.38
		13,800,259.29	11,709,454.63
22	STATED CAPITAL		
	Called Up Share Capital	13,000,000.00	13,000,000.00
		13,000,000.00	13,000,000.00
23	RESERVES		
	Revaluation Reserve	237,113,746.70	237,113,746.70
	Capital Reserve	10,381,587.00	10,381,587.00
	Pneumoconiosis Company Reserve	2,725,129.00	2,725,129.00
		250,220,462.70	250,220,462.70
24	TERM LOANS & BANK OVERDRAFT		
	Term Loans 24-01	-	2,500,000.00
		-	2,500,000.00
	BANK LOAN 24-01		
	People's Bank Loan		
	Balance on 1/4/2012	2,500,000.00	8,500,000.00
	Repayments	(2,500,000.00)	(6,000,000.00)
	Balance on 31/3/2013	-	2,500,000.00
	Treasury Dep Loan		
	Balance on 1/4/2012	-	-
	Repayments	-	-
	Balance on 31/3/2013	-	-
		-	2,500,000.00



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

25 LEASE PAYABLE

Agreement No

Item	BOC-KM3311	PB9721	KM-3641	TOTAL
Rental Amount	124,847.00	100,598.00	105,403.00	
Rental Period	60	60	60	
Total	7,490,820.00	6,035,880.00	6,324,180.00	19,850,880.00
Cost	6,100,000.00	5,130,000.00	5,150,000.00	16,380,000.00
Interest	1,390,820.00	905,880.00	1,174,180.00	3,470,880.00
Total				
Opening Balance	3,870,257.00	3,118,538.00	3,267,493.00	10,256,288.00
Paid 2014	(1,498,164.00)	(1,207,176.00)	(1,264,836.00)	(3,970,176.00)
Balance	2,372,093.00	1,911,362.00	2,002,657.00	6,286,112.00
Long term	873,929.00	704,186.00	737,821.00	2,315,936.00
Current	1,498,164.00	1,207,176.00	1,264,836.00	3,970,176.00
Balance	2,372,093.00	1,911,362.00	2,002,657.00	6,286,112.00
Interest in Suspense				
Opening Interest	376,965.42	245,528.13	318,247.69	940,741.25
Revenue Account	(323,563.34)	(151,475.02)	(196,338.30)	(671,376.65)
Balance	53,402.08	94,053.11	121,909.40	269,364.59
Balance				
Long term	7,869.78	13,860.46	17,965.60	39,695.83
Current	45,532.30	80,192.66	103,943.80	229,668.76
Total	53,402.08	94,053.11	121,909.40	269,364.59
Balance				
Long term	943,648.69	690,325.54	719,855.40	2,353,829.64
Current	1,375,042.23	1,126,983.34	1,160,892.20	3,662,917.77
Total	2,318,690.92	1,817,308.89	1,880,747.60	6,016,747.41



KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH		2014	2013
<i>Figures in Rupees</i>	NOTES		
26	TRADE AND OTHER CREDITORS		
	Disanayaka Hardware	9,880.50	585,346.50
	Jayamini Constructions	278,805.00	18,000.00
	M P C S - Ridigama	48,008.00	12,975.00
	Roch Engineering (pvt) Ltd	170,700.00	283,800.00
	Solex Engineering	24,480.00	189,964.80
	Speedway Forwards	57,805.77	12,780.77
	Stafford Motor Co.	24,572.00	9,991.60
	Airline Traders	(9,700.00)	-
	American premium water system (pvt) Ltd	2,065.50	-
	Fast printing (pvt) Ltd	3,831.12	-
	Helix Engineering (pvt) Ltd	42,771.46	-
	I D Gamini Jayasuriya	5,000.00	-
	Industrial Technology institute	5,000.00	-
	Lanka I B C Company (Pvt) Ltd	92,682.50	-
	Nanayakkara L D J M P	37,500.00	-
	New Shine Jaitorial & Maintenance Service	8,600.00	-
	W D S T Jayarathna	684.00	-
	Welcome Printers & Advertising Service	56,880.00	-
	Zenith Engineering	59,500.00	-
	Colonial Hardware Stores	-	45,000.00
	Electro Ref Engineering (Pvt) Ltd	-	19,916.95
	Ibbagamuwa Pharmacy	-	1,304.00
	Modern Hardware Centre	-	76,750.00
	NDO Lanka (Pvt) Ltd	-	3,847.20
	Roof mart (Pvt) Ltd	-	3,571.43
	Samota Trade Center	-	19,750.00
	Wayamba Co-op Rural Bank Union Ltd	-	5,950.00
	Accsoft Solutions (Pvt) Ltd	-	48,500.00
		919,065.85	1,337,448.25
27	DIVIDEND PAYABLE		
	Opening Balance	3,702,986.65	3,702,986.65
	Dividend Paid	(3,702,986.65)	-
	Dividends Declaration for the year 2013/14	954,196.07	-
		954,196.07	3,702,986.65

KAHATAGAHA GRAPHITE LANKA LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH **2014** **2013**

Figures in Rupees

NOTES

28 PROVISION FOR TAX

Opening Balance	12,376,561.15	11,523,573.50
Income Tax Set Off against Value Added Tax	(6,420,788.20)	-
Income Tax Under provision	4,041,364.45	-
Dividends Tax Payable	106,021.79	-
Income Tax Payable for the Year	4,581,762.69	852,987.65
With Holding Tax	(75,000.00)	-
	14,609,921.88	12,376,561.15

29 ACCRUED CHARGES

Ace International Express (Pvt) Ltd	10,268.20	2,539.16
Audit Fees - Ranaweera Nagasinghe & Co.	257,500.00	164,696.00
E T F Payables	101,282.13	95,200.88
E.P.F. Payables	742,662.98	698,067.79
Electricity Board	1,211,780.56	1,054,862.65
Lady Lachore Loan Fund	234,300.00	325,600.00
P.A.Y.E Tax Payable	30,000.00	69,600.00
Salaries & Wages Payable Account	3,189,507.82	3,260,758.77
Shehani Ent . - Kurunegala	7,975.00	7,975.00
Telephone Bills Payable	30,804.93	38,710.07
Vijilant Security Services	59,311.86	931,505.64
Alpex network security Ltd	823,901.92	-
National Water Supply	1,086.80	-
NBT/VAT Payable	-	13,752.06
	6,700,382.20	6,663,268.02



NOTES TO THE TAXATION

In complying with the respective provisions of the Inland Revenue Act, as consequential to the adoption of Sri Lanka Accounting Standards which consist of Sri Lanka Financial Reporting Standards (SLFRS)/Lanka Accounting Standards (LKAS) in the preparation of financial statements, in relation to year of assessment 2013/14. The following explanatory notes given in connection with the Extraordinary Gazette No. 1857/8

<i>No</i>	<i>Accounting Standard Adopted</i>	<i>Adjustments/information required to be Adopted made for tax purposes</i>
1.0	FIRST TIME ADOPTION OF SRI - LANKA FINANCIAL REPORTING STANDARDS (SLFRS 1)	<ul style="list-style-type: none"> The Entity had carried out revaluations on assets on 31 April 2012 and Inventory on 1 April 2013 and No any Adjustment made in connection with taxation.
2.0	INVENTORIES (LKAS 2)	<ul style="list-style-type: none"> No any inventory (e.g. returnable packaging materials) re-classified in line with Sri Lanka Accounting Standards (LKAS) as non-current asset shall continue to be treated as inventory in line with the existing tax practice.
3.0	CONSTRUCTION CONTRACTS (LKAS 11)	<ul style="list-style-type: none"> Not applicable to the Entity.
4.0	INCOME TAXES (LKAS 12)	<ul style="list-style-type: none"> Not applicable to the Entity.
5.0	PROPERTY, PLANT AND EQUIPMENT (PPE) (LKAS 16)	<ul style="list-style-type: none"> Not applicable to the Entity.
6.0	LEASES (LKAS 17)	<ul style="list-style-type: none"> As declared on Note No 25 to the accounts.
7.0	REVENUE (LKAS 18)	<ul style="list-style-type: none"> All income pertaining to Entity operations has been considered for taxation purposes.



8.0	EMPLOYEE BENEFITS (LKAS 19)	<ul style="list-style-type: none"> • There are no any profit sharing plans. • No any interest charged on staff loan granted to the employees and therefore no any adjustment for taxation. • No any benefit granted on the basis of complimentary goods / services, reduced prices to the employees.
9.0	GOVERNMENT GRANTS AND ASSISTANCE (LKAS 20)	<ul style="list-style-type: none"> • Not applicable for the current Year.
10.0	THE EFFECT OF FOREIGN EXCHANGE RATES (LKAS 21)	<ul style="list-style-type: none"> • Shown under Other Comprehensive Income.
11.0	BORROWING COSTS (LKAS 23)	<ul style="list-style-type: none"> • Not applicable to the Entity.
12.0	RETIREMENT BENEFIT FUNDS OR PLANS (LKAS 26)	<ul style="list-style-type: none"> • There no any actuarial gain or loss charged to the Other Comprehensive Income (OCI)
13.0	IMPAIRMENT OF ASSETS (LKAS 36)	<ul style="list-style-type: none"> • There are no any impairment losses and gains on reversal charged to the Statement of Comprehensive Income (SOCI)
14.0	INVESTMENT PROPERTY (LKAS 40)	<ul style="list-style-type: none"> • Not applicable to the Entity.
15.0	SHARE BASE PAYMENT (SLFRS 2)	<ul style="list-style-type: none"> • Not applicable to the Entity.
16.0	BUSINESS COMBINATION (SLFRS 3)	<ul style="list-style-type: none"> • Not applicable to the Entity.
17.0	NON CURRENT ASSETS FOR SALE AND DISCONTINUED OPERATIONS (SLFRS 5)	<ul style="list-style-type: none"> • Not applicable to the Entity.
18.0	FINANCIAL INSTRUMENT (SLFRS 7 ., SLFRS 9 , LKAS 32, & LKAS 39)	<ul style="list-style-type: none"> • Not applicable to the Entity.



KAHATAGAHA GRAPHITE LANKA LIMITED

INCOME TAX COMPUTATION

YEAR OF ASSESSMENT 2013/14

Profit/(loss) per Account	21,187,780.68
Less: Governments Grant	-
	<u>21,187,780.68</u>

Add Back:

Gratuity Provision			2,229,903.20	
Legal Fees			103,697.65	
Refreshment			472,753.57	
Depreciation			20,167,747.60	
Sales Promotion	897,096.70	25%	224,274.18	
Advertisement	854,180.00	25%	213,545.00	
Unclimbed VAT on Lease			331,560.00	
Lease Interest Charges			671,376.66	
Disallowed input VAT			5,970,583.50	
CRS - Community Support Expenses			<u>1,252,251.00</u>	
				<u>31,637,692.35</u>
				52,825,473.04

Less:

Capital Allowances	NOTE 01	(7,460,317.75)
Lease Rental Allowance	NOTE 02	(1,207,176.00)
Gratuity Paid Of The Year		(914,996.00)
Capital Allowance For Research Development (Double the expenses)		(3,119,382.14)
Gain on Foreign Exchange Gain/Loss		(1,942,245.39)
		<u>(14,644,117.28)</u>

Profit for the Year	38,181,355.76
Taxable Profit	<u>38,181,355.76</u>
Tax Payable	@ 12% <u>4,581,762.69</u>

Dividends Tax Payable

Net Profit After Taxation	16,606,017.99
Less : Property, Plant & Equipments Acquired	(6,708,810.06)
Add: depreciation for Property, Plant & Equipments Acquired	704,970.63
Distributable Profit	<u>10,602,178.56</u>
Dividends Payable	1,060,217.86
Dividends Tax Payable	106,021.79
Net Payable	<u>954,196.07</u>



KAHATAGAHA GRAPHITE LANKA LIMITED

INCOME TAX COMPUTATION

YEAR OF ASSESSMENT 2013/14

Note 01 : Capital Allowance on Assets

Assets	Claim no	Rate	Value	Claim
Building				
2011/12	03	10%	1,422,820.50	142,282.05
2012/13	02	10%	4,554,425.27	455,442.53
2013/14	01	10%	178,545.08	17,854.51
Electrical Equipments				
2008/09	05	12.5%	10,780.00	1,347.50
2010/11	04	12.5%	446,810.00	55,851.25
2011/12	03	25.0%	43,350.00	10,837.50
2012/13	02	25.0%	868,548.00	217,137.00
2013/14	01	33.3%	5,500.00	1,833.15
Other Assets				
2008/09	05	20%	166,950.00	33,390.00
2010/11	04	20%	91,800.00	18,360.00
2011/12	03	20%	98,215.00	19,643.00
2012/13	02	20%	357,100.00	71,420.00
2013/14	01	6.66%	3,918,615.00	260,979.76
Office Equipments				
2008/09	05	12.5%	175,855.00	21,981.88
2009/10	05	12.5%	181,927.67	22,740.96
2010/11	04	12.5%	739,029.48	92,378.69
2011/12	03	20.0%	439,580.58	87,916.12
2012/13	02	20.0%	560,021.55	112,004.31
2013/14	01	20.0%	187,396.25	37,479.25
2013/14	01	25.0%	148,000.00	37,000.00
Generator				
2008/09	05	12.5%	12,528,342.00	1,566,042.75
2009/10	05	12.5%	794,707.00	99,338.38
Plant & Machinery				
2010/11	04	12.5%	3,476,500.00	434,562.50
2011/12	03	33.3%	2,602,731.41	867,490.38
2012/13	02	33.3%	6,403,622.68	2,134,327.44
2013/14	01	50.0%	621,753.73	310,876.87
Motor Vehicle				
2013/14	01	20%	1,649,000.00	329,800.00
				<u>7,460,317.75</u>

Note 02: Lease Rental Allowance

PB9721

Lease Allowance	03	6,035,880.00	20%	1,207,176.00	
Rental Paid				1,207,176.00	
					<u>1,207,176.00</u>



NOTICE

KAHATAGAHA GRAPHITE LANKA LIMITED

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF KAHATAGAHA GRAPHITE LANKA LIMITED WILL BE HELD ON 26TH SEPTEMBER 2014 AT 2.00 P M AT THE BOARD ROOM OF KGLL, 100-1/3, LADY LACHORE FUND BUILDING, 1ST FLOOR, SIR. CHITTAMPALAM A GARDINER MAWATHA, COLOMBO 02.

A G E N D A

1. NOTICE

To receive the notice convening the meeting.

2. REPORT OF THE DIRECTORS, AUDITED ACCOUNTS AND THE AUDITOR'S REPORT THEREON

To receive and consider the Report of the Directors and Audited Accounts for the year ended 31st March 2014 with the Report of the Auditors thereon.

3. RE-ELECTION OF DIRECTORS

a) **Mr. T M A Bangsajayah**

To re-elect Mr T M A Bangsajayah, who retires by rotation and offers himself for re-election, as per the Articles of Association of the Company.

b) **Mr. A U M Yasir**

To re-elect Mr A U M Yasir, who retires by rotation and offers himself for re-election, as per the Articles of Association of the Company.

c) **Mr. M S L Ali Khan**

To re-elect Mr M S L Ali Khan, as a Director who retires by rotation and offers himself for re-election, as per the Articles of Association of the Company.

4. DECLARATION OF DIVIDEND

To declare a final dividend of Rs.1,060,217.86 for the Year ended 31st March 2014.

5. RE-APPOINTMENT OF AUDITORS

To re-appoint M/s. Nagasinghe & Company, Chartered Accountants as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

6. To authorize Directors to determine contribution to charities

7. Any other business of which due notice has been given

BY ORDER OF THE BOARD
KAHATAGAHA GRAPHITE LANKA LIMITED



ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PRIVATE) LIMITED SECRETARIES
SECRETARIES

04.08.2014

KAHATAGAHA GRAPHITE LANKA LIMITED
No 100 – 1/3, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

PROXY FORM

I, the undersigned Secretary to the Treasury as being a member of Kahatagaha Graphite Lanka Limited, hereby appoint Mr/Ms.
(name) of No (address) as my proxy to represent me and to vote for me and on my behalf for/or against the resolution and/or to speak at the *Annual General Meeting* of the Company, to be held on 26th September 2014 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 2014	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Mr. A U M Yasir as a Director of the Company .	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect Mr. T M A Bangsajayah as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-elect Mr. M S L AliKhan as a Director of the Company .	<input type="checkbox"/>	<input type="checkbox"/>
5	To declare a final dividend of Rs. 1,060,217.86 for the Year ended 31 st March 2014	<input type="checkbox"/>	<input type="checkbox"/>
6	To re-appoint M/s Nagasinghe & Company Chartered Accountants as Auditors of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7	To authorize Directors to determine contributions to Charities	<input type="checkbox"/>	<input type="checkbox"/>
8.	To approve any other business of which due notice has been given	<input type="checkbox"/>	<input type="checkbox"/>

.....
Shareholder

Signed this..... day of 2014
