

Kahatagaha Graphite Lanka Limited -2016 / 2017

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

This Report is issued in terms of provisions in Article 154(6) of the Democratic socialist Republic of Sri Lanka.

1.2 Board’s Responsibility for the Financial Statements

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

1.3 Auditor’s Responsibility

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

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

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

2. Financial Statements

2.1 Opinion

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

2.2 Report on the Legal and Regulatory Requirements

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

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

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the net loss of the company for the year under review amounted to Rs.2,522,041 as compared with the corresponding pre- tax net profit of Rs.644,534 for the preceding year, thus indicating a deterioration of Rs.3,166,575 in the financial result in the year under review. The adjustments for the impairment loss amounting to Rs.4,403,239 had been the main reason for the deterioration of the above financial result.

3.2 Analytical Financial Review

Significant Accounting Ratios.

Some important accounting ratios the company for the period ending 31 March 2017 as Compared with the previous year as follows.

Details	Year 2016/2017	Year 2015/2016
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Current Ratio	5.90 : 1	6.30 : 1
Quick Assets Ratio	0.93 : 1	1.29 : 1
Gross Profit Ratio	40%	39%
Net Profit Ratio (After Tax)	(-0.012%)	(-0.012%)

The gross profit ratio and the net profit ratio of the company for the year under review with compared to the preceding year. Gross profit ratio had been increased by 0.36 percent and the net profit ratio remained unchanged.