

Annual Report 2009



Bogala Graphite Lanka PLC

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BOGALA GRAPHITE LANKA PLC

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Chairman's Message

BOGALA GRAPHITE LANKA PLC

You may recall in my message to the Shareholders last year, we outlined the impact of the Global Economic recession and how it effected the performance of the company. Consequently in the financial year that ended on 31st December 2008, the company recorded a loss of approximately Rupees 100 millions after having absorbed the Voluntary Retirement Scheme payments, financial costs and exchange losses and the write offs.

An Extraordinary General Meeting of the Company was summoned on 12th December 2009 having obtained the concurrence of the major shareholder, Graphit Kropfmuhl AG to convert a sum of Rupees One Hundred and Forty Nine Million Eight Hundred and Fifty Two Thousand One Hundred and Eighty Nine (Rs 149,852,189) owed to them by way of Loans and Technical fees into the stated capital of the Company. This conversion was approved by Shareholders at the EGM.

We continued to suffer during the year under review as amply demonstrated in the declining of revenue from Rupees 383 million to 241 million. However, the orders we received in the last quarter showed a marginal increase and it appears to be a positive trend for the future. Nevertheless company's losses increased from Rupees 100 million to 124 million. This is as a result of having to meet the fixed costs and financial costs in a scenario where revenue declined due to lack of orders.

Given these circumstances, your Directors have recommended to the Shareholders to reduce the Company's stated capital to Rupees Eighty Million Seventy Four Thousand Two Hundred and One (Rs 80,074,201) representing Rupees Forty Seven Million Three Hundred and Sixteen Thousand and Four Hundred and Fifty Two (Rs 47,316,452) fully paid ordinary shares in accordance with provisions of Section 59 of Company's Act No 07/2007. This would represent the actual shareholder funds within the Company. For this purpose an Extraordinary General Meeting is being convened on the same day prior to the Annual General Meeting. This will help us to present a more current Balance Sheet of the Company, and prevent an unrealistic presentation of the Stated Capital, provided approval is given by the Shareholders.

It must be stressed that company's productivity improving measures are being put in place whilst a VRS scheme was also offered to future reduces costs. These measures, we are confident will make your Company more viable to meet future challenges.

Looking at the future, your Directors are optimistic as the International Economy appears to be recovering. We too, have seen a marginal recovery in the last quarter. This coupled with the productivity improvement measures put in place to reduce costs should help the Company to recover, albeit in a slow manner. Our view is further strengthened by the fact that Major Shareholder agreed to convert part of the Loan and Technical Fees into the Stated Capital of the Company. This indicates that they have enough confidence of the future viability of the Company and the effective manner the Management Team has conducted the affairs of the Company.

In conclusion, I would like to thank all my colleagues on the Board for their unstinted support and also our Employees, Bankers, Shareholders and our Valued Business Partners for the confidence they continue to place in the management of the Company.

Vijaya Malalasekera

Chairman

19th March 2010

Chief Executive Officer's Review

B O G A L A G R A P H I T E L A N K A P L C

The Continued recession in the world caused another financially Challenging year for Bogala Graphite Lanka PLC. But I would like to call 2009 a year of opportunities despite failure.

To make the best of the situation we took the following actions.

Continued the restructuring process started in 2008.

Pursued new markets with new products with the help of the Main Shareholder.

Prepared the Company to face the new challenges which will come in 2010 when the world recovers from the recession.

We further reduced the work force from 295 in 2008, to 183 at the end of 2009

In addition to the conversion of the Loan to the main shareholder Graphit Kropfmuhl AG and Technical Fees payments for the years 2007 and 2008 to capital, the Main Shareholder gave a soft loan enabling us to finance the restructuring process which included a Voluntary Retirement Scheme and paying up of most LKR based Bank loans for which we were paying very high interest. This gesture has shown the faith of the Main Shareholder placed on BGL's future.

2009 marked the year, when BGL broke away from the traditional grades, of Graphite.

With the guidance and help from the Graphit Kropfmuhl AG, BGL started a successful campaign in India to market Graphite based lubricants. (The product will be initially produced in Germany from BGL material)As a result of this campaign we managed to convince one of the largest Metal forging Companies in the world to accept our products. The full benefit of these exercises are expected to bear fruit in the first quarter of 2011 when the manufacture of the lubricants is moved to BGL from GK.

2009 also marked as a year of thinking differently, having the extra time in hand due to the low order situation, we launched a campaign to strengthen the company internally.

We have started to introduce 5S, and trained the top and the Middle Management on lean manufacturing; also we have started to train our work force to be multi skilled.

With all the changes we have implemented in 2009, I'm confident of facing the new challenges and exploiting the opportunities in 2010.

I would like to take this opportunity to thank our Bankers, Lawyers, Chairman and the Board.

A very special thank goes to the main shareholder Graphit Kropfmuhl AG with out whose help BGL would not have survived the financial storm of 2008 and 2009, and to our employees & and our Trade Union who patiently supported the management during lean times

Amila Jayasinghe

Chief Executive Officer

19th March 2010

Year ended 31 December 2009

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting to the members their report together with the audited financial statements of the Company for the year ended 31st December 2009.

Accounts

The financial position of the Company is shown in the financial statements annexed hereto.

State of the Company's Affairs

The state of the Company's affairs is described in the Chairman's Review and the Report of the Chief Executive Officer.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31st December 2009 due to the financial position of the Company.

Directors

The Directors of the Company as at 31st December 2009 were:

Mr.V.P.Malalasekera
Mr.M.Ebeling
Mr.J.C.P.Jayasinghe
Mr.C.Cooper
Mr.N.A.De Mel
Mr.A.P.Jayasinghe
Mr.G.M.Popescu
Mr.A.Carstanjen
Mr.J.J.Ambani

Resignations/New Appointments during the year

Mr.A.Carstanjen resigned from the Board with effect from 18th March 2010. and Mr.Christop Frey was appointed a Director with effect from the said date.

Principal Activity

The principal activity of the Company is the extraction, processing and sale of graphite.

Significant Accounting Policies

Details of significant accounting policies adopted in the preparation of financial statements is given on pages 17 to 24 of the Annual Report.

Corporate Governance

The Directors place great emphasis on instituting and maintaining effective corporate governance practices and principles in respect of management and operations of the Company. Accordingly, systems and structures have been introduced and improved from time to time to enhance risk management measures and to improve accountability and transparency.

The Corporate Governance Report is given on pages 8 and 9 of the Annual Report.

Directors Interest in Contracts

The Directors of the Company were not directly or indirectly interested in any contracts/proposed contracts with the Company during the year ended 31st December 2009 except as stated in note 21.1 to the financial statements.

Directors Remuneration

The Directors emoluments and fees for the financial year ended 31st December 2009 are stated below and also given on Note 21.2 to the Financial Statements on page 41 of the Annual Report.

- a) Directors Emoluments Rs 2,202,062
- b) Directors Fees Rs 350,000

Entries in the Interest Register

The following entries have been made in the Interest Register maintained by the Company.

Mr.Martin Ebeling is also a Director of Graphit Kropfmuhl AG, who owns 89.7% of the share holding of Bogala Graphite Lanka PLC. Related party disclosures in terms of the section 192 is given below.

Transactions with the parent and related entities:

Name of Company	Name of Director	Nature of Transaction	Value
Graphit Kropfmuhl (Parent entity)	AG Martin Ebeling	Sale of Graphite Management Fee	3,224,449 11,960,087
Branwell Graphite Ltd (Affiliate)	C.L.Cooper	Sale of Graphite	73,855,166
Qingdao Kropfmuehl Graphite Co.Ltd (Affiliate)	Martin Ebeling	Sale of Graphite	1,739,249

Directors' Responsibilities for Financial Statements

The Statement of Directors' Responsibilities for the Financial Statements is given on page 11 of the Annual Report

Directors' Shareholding

Shareholding of the Directors and the Managing Director as at 01st January 2009 and 31st December 2009 is as follows.

	Shares as at 01st January 2009	Shares as at 31st December 2009
Mr.V.P.Malalasekera	Nil	Nil
Mr.M.Ebeling	Nil	Nil
Mr.J.C.P.Jayasinghe	Nil	Nil
Mr.C.Cooper	Nil	Nil
Mr.N.A.De Mel	Nil	Nil
Mr.A.P.Jayasinghe – Managing Director	Nil	Nil
Mr.G.M.Popescu	Nil	Nil
Mr.A.Carstanjen	Nil	Nil
Mr.J.J.Ambani	Nil	Nil

Donations

During the year the Company made donations to charities amounting to Rs. 33,704/-.

Appointment of Auditors

Messrs. Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office until the next Annual General Meeting at a remuneration to be agreed with them.

Auditors Remuneration

The Auditors of the Company during the period under review were Messrs. Ernst & Young, Chartered Accountants. The Auditors were paid Rs. 505,850/- for the year ended 31st December 2009 as audit fees by the Company. In addition they were paid Rs. 171,058/- as fees and expenses for other services. Other services consisted of tax related work.

Based on the declaration made by Messrs. Ernst & Young, Chartered Accountants and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company other than those disclosed above.

Board Committees

The Board of Directors of the Company has formed the following committees and the Reports of such committees are given on pages 9 and 10 of the Annual Report.

- **Audit Committee**
N.A.De Mel - Chairman
V.P.Malalasekera
M.Ebeling
- **Remuneration Committee**
V.P.Malalasekera - Chairman
N.A.De Mel
M.Ebeling

Stated Capital

The Stated Capital of the Company as at 31st December 2009 was Rs. 547,142,189 consisting of 47,316,452 Ordinary Shares.

Private Placement of Shares

Consequent to obtaining the approval of the Colombo Stock Exchange and the shareholders of the Company at an Extraordinary General Meeting held on the 12th December 2009, the Board of Directors of the Company allotted 7,587,452 fully paid ordinary shares at a consideration of Rs.19.75 each to the principal shareholder of the Company Graphit Kropfmuhl AG of LangheinrichstraBe 1, 94051, Hauzenberg, Germany in consideration of the debt owed to the said principal shareholder.

Share Information

Information relating to shareholding, earnings, and net assets per share, market value of shares, and share trading are available on page 43 of the Annual Report.

There were 10,704 registered shareholders as at 31st December 2009. The Twenty major shareholders as at 31st December 2009 and the number of shares held and the percentage shareholding are given on page 42 and 43.

Public Shareholding

Number of shares held by Public	-	4,573,628
Percentage	-	9.67

By Order of the Board



CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries

BOGALA GRAPHITE LANKA PLC



Vijaya Malalasekera
Chairman



Amila Jayasinghe
Managing Director

Colombo, on this 19th day of March 2010.

Vijaya Malalasekera

MA(Cantab), Barrister-at-Law (Inner Temple)

Attorney-at-Law

(Non Executive /Independent Director)

He was appointed Chairman of Bogala Graphite Lanka PLC in April 2000. He is currently the Chairman of ASCOT Holdings PLC, Boston Capital (Pvt) Limited, Axis Financial Services (Pvt) Limited, CKR Tea (Pvt) Limited, Fairway Condominiums (Pvt) Limited, Ascot Developers (Pvt) Limited and Boston Asset Management (Pvt) Limited. He also serves on the Boards of Ceylon Tobacco Company PLC, Carson Cumberbatch PLC, Brown and Company PLC, Taprobane Investments (Pvt) Limited, Galoya Holdings (Pvt) Limited, Taprobane Holdings Limited, Taprobane Plantations Limited, Taprobane Mutual Fund Limited, Taprobane Fund Management Limited and Lexinton Holdings (Pvt) Limited.

Martin Ebeling MBA (Hamburg- Germany)

(Non Executive Director)

He was appointed Vice Chairman of Bogala Graphite Lanka PLC in April 2000. He is CEO of Graphit Kropfmuhl AG Germany and represents the major Share holder as a non Executive Director in the company

J.C.P.Jayasinghe B.Com (Ceylon)

(Non Executive Director)

He was appointed Vice Chairman/CEO of Bogala Graphite Lanka PLC in April 2000. Upon his retirement from the position of CEO he was invited to the BGLL Board as a Consultant/ Director in January 2008 and holds the position to date.

N.A. De Mel

(Non Executive /Independent Director)

Mr De Mel is an Associated member of the Institute Of Chartered Accountants of England & Wales. He also holds a B.Sc (Hons) degree in Mechanical Engineering from Imperial College of Science & Technology UK. Mr De Mel currently services on the Board of Bogala Graphite Lanka. PLC, Siyaka (Pvt) Ltd and of its subsidiaries . He possess over 25 years of professional working experience in the Public and Private sector.

Achim Carstanjen

(Non Executive Director)

(Resigned with effect from 18th March 2010)

Mr Carstanjen is a civil Engineer and Economist with University Degree.

and was appointed to the Board of Bogala Graphite Lanka PLC from April 2008 representing the Parent Company.

A.P Jayasinghe B.Bus, CPA

(Executive Director)

Mr Jayasinghe was appointed to Board of Bogala Graphite Lanka PLC in April 2004. He has worked in the capacity of Executive Director of the company from April 2000 to August 2005. Mr Jayasinghe was appointed Chief Executive Officer in January 2008.

Colin Cooper

(Non Executive Director)

He was appointed as a Director of Bogala Graphite Lanka PLC in April 2000. He has served as Managing Director Of Branwell Graphite Ltd based in the UK since October 1999. Responsible for new business Development in Graphit KropfmuhlAG, the parent company of both Bogala Graphite Lanka PLC and Branwell Graphite Ltd.

G.M.Popescu

(Executive Director)

Mr Popescu was appointed in the capacity of Director Operations in April 2000. He is a Mining Engineer He has obtained Degree in Bachelor of Mining Engineering (Hons) from Institute of Mines Petrosani Romania. He was appointed to the Board of Bogala Graphite Lanka PLC in April 2004

J.JAmbani

(Non Executive /Independent Director)

He is a member of the Institute of Chartered Accountants of Sri Lanka. He was appointed to the Board Of Bogala Graphite Lanka PLC in June 2008. Mr Ambani is the Chairman of Metropolitan Group of Companies and of its subsidiaries .

Corporate Governance is the responsibility of the Board Directors. The Board of Directors establishes strategic aims and formulates policy guidelines in order to direct business activities for enhancing share holder value and for this purpose they are guided by the code of best practice on Corporate Governance of issued by the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors, currently comprise of two Executive Directors, three Independent Non Executive Directors and Four Non Executive Directors.

Board of Directors

V.P. Malalasekera	(Non Executive Independent Director)
M. Ebeling	(Non Executive Director)
J.C.P.Jayasinghe	(Non Executive Director)
A. Carstanjen	(Non Executive Director)
C. Cooper	(Non Executive Director)
N.A.De Mel	(Non Executive Independent Director)
J.J.Ambani	(Non Executive Independent Director)
A.P. Jayasinghe	(Executive Director)
G.M. Popescu	(Executive Director)

- * The Board has determined that Mr Vijaya Malalasekera is an independent Director in spite of being on the Board for more than 9 years, since he is not directly involved in the Management of the Company.
- ** The Board has determined that Mr Nissanka De Mel is an Independent Director in spite of being on the Board for more than 9 years, since he is not directly involved in the Management of the Company.

The board having considered these factors is of the opinion that Mr.V.P. Malalasekera and Mr.N.A.De Mel should continue to serve on the board as independent directors not with standing the fact that they have served on the board for more than nine years and should continue in office as it is beneficial to the Company and its shareholders.

The main responsibilities of the Board of Directors are as follows,

- Setting the Company's strategic directions
- Ensuring that a sound and effective internal control system is in place and that all statutory obligations are met.
- Identifying and managing business risks.
- Succession planning including appointment and training of Senior Management.

The Board met on four occasions during the year. The Board reviews and approves Operational Capital Budgets and monitors the performance of the company against the budget, interalia amongst other business matter requiring Board approval.

The Board of Directors of the company has formed the following sub committees

Audit Committee

N.A. de Mel-Chairman
V.P.Malalasekera
M. Ebeling
J.J. Ambani

Remuneration Committee

V.P. Malalasekera Chairman
N.A. De Mel
M. Ebeling

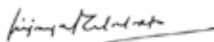
BOGALA GRAPHITE LANKA PLC

Enterprise Governance Report

Rule No	Subject	Compliance Status
7.10.5	Remuneration Committee	Compliant
7.10.5 (a)	Composition of Remuneration Committee	Compliant
7.10.5 (b)	Functions of Remuneration Committee	Compliant
7.10.5 (c)	Disclosure in Annual Report relating to Remuneration Committee	Compliant
7.10.6	Audit Committee	Compliant
7.10.6 (a)	Composition of Audit Committee	Compliant
7.10.6 (b)	Audit Committee Functions	Compliant
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	Compliant
7.10.1	Non-Executive Directors	Compliant
7.10.2 (a)	Independent Directors	Compliant
7.10.2 (b)	Independent Directors	Compliant
7.10.3 (a)	Disclosure relating to Directors	Compliant
7.10.3 (b)	Disclosure relating to Directors	Compliant
7.10.3 (c)	Disclosure relating to Directors	Compliant
7.10.3 (d)	Disclosure relating to Directors	Compliant

Remuneration Committee Report

In Keeping with the Code of Best Practice on Corporate Governance the Board has nominated two Independent Directors and One Executive Director to the Remuneration Committee. The Committee is responsible for determining the salaries of Chief Executive officer, Director Operation and also lay down guidelines and parameters for the Senior Management salary structure. The committee met once during the year.



Sgd Chairman Remuneration Committee

Audit Committee Report

BOGALA GRAPHITE LANKA PLC

The Audit Committee comprises three Independent non Executive Directors and one none Executed Director. The committee is chaired by Mr. N.A. De Mel a member of Institute of Chartered Accountants of England and Wales, The Chief Executive officer, Director Operations and Financial Controller attend the meetings by invitation. The Audit Committee met on three occasions during the financial year ending 31st December 2009. The proceedings of the Audit Committee meetings are reported to the Board.

- This Committee reviews the Quarterly accounts of the company and recommends same to the Board for approval and publication.
- The Committee held meetings with the external auditors to review the scope of the audit and the preparation of the Annual Report to ensure the reliability of the process, consistency of the Accounting policies and methods and compliance with Sri Lanka Accounting Standards.
- Recommendations made by the External Auditors were also discussed and implementation recommended to Management by the Committee.
- The Audit Committee also monitors the effectiveness of the Internal and Financial Control procedures by means of reports from sectional heads on instances of non compliances.
- Recommendations made by the Internal Auditors are also discussed and implementation recommended to Management by the Committee.
- The Audit Committee also monitors the timely payments of all statutory obligations.
- The Company's budget proposals are also reviewed by the Audit Committee.
- The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable, but not absolute assurance that the financial position of the group is satisfactory and that systems are in place to minimize the impact of identifiable risks.
- The Audit committee has reviewed the other services provided by the External auditors to the company to ensure their independence as auditors has not been compromised.
- The Audit Committee has recommended to the Board Of Directors that Messres Ernst & Young be re –appointed as Auditors for the financial year ending 31st December 2009 subject to the approval of the shareholders at the next Annual General Meeting.



N.A. DE MEL
Chairman of the Audit Committee
19th March 2010

Directors responsibility for Financial Reporting

BOGALA GRAPHITE LANKA PLC

The Directors of the Company are responsible for the preparation and presentation of the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act No. 07 of 2007 and other statutes which are applicable in preparation of financial statements.

The financial statements comprise of a balance sheet, which presents true and fair view of the state of affairs of the company as at the end of the financial year and an Income statement which presents true and fair view of the Profit & loss of the company. Accordingly, the Directors confirm that the financial statements of the Company for the year ended 31st December 2009 incorporated in this report have been prepared in accordance with the Companies Act No. 7 of 2007, Sri Lanka Accounting standards, the Listing Rules of the Colombo Stock Exchange and generally accepted accounting policies .

The Directors have also taken reasonable steps to safeguard the assets of the company and to prevent and detect frauds and other irregularities. In this regard Directors have instituted an effective and comprehensive system of controls required to carry on the company's business in an orderly manner and to safe guard its assets and secure as far as practicable the accuracy and reliability of the records.

The Directors have provided the auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their responsibilities.

By Order of the Board



Director

CORPORATE SERVICES LIMITED

Secretaries

BOGALA GRAPHITE LANKA PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOGALA GRAPHITE LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Bogala Graphite Lanka PLC ("Company"), the consolidated financial statements of the Company and its subsidiary which comprise the balance sheets as at 31 December 2009, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2009 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2009 and its loss and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31 December 2009 and the loss and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.



19 January 2010
Colombo

partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA ACMA
P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) A S M Ismail FCA FCMA
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

Income Statement

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

	Note	Group 2009 Rs.	Company 2009 Rs.	2008 Rs.
Revenue	3	242,762,810	241,381,550	383,976,085
Cost of Sales		(223,734,996)	(222,062,363)	(275,370,572)
Gross Profit		19,027,814	19,319,187	108,605,513
Other Income and Gains	4	6,925,839	6,925,839	2,194,669
Selling and Distribution Costs	5	(41,282,944)	(41,282,944)	(75,726,135)
Administrative Expenses	5	(62,494,531)	(61,349,350)	(88,676,843)
Finance Cost	6	(49,912,713)	(47,629,707)	(48,270,374)
Profit/(loss) Before Tax		(127,736,535)	(124,016,975)	(101,873,170)
Income Tax Expenses	7	-	-	1,844,911
Earnings for the Year		<u>(127,736,535)</u>	<u>(124,016,975)</u>	<u>(100,028,259)</u>
Earnings Per Share	8	(2.70)		

The accounting policies and notes on pages 17 through 42 form an integral part of the Financial Statements.

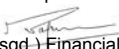
Balance Sheet

BOGALA GRAPHITE LANKA PLC

As at 31 December 2009

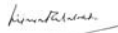
	Note	Group 2009 Rs.	Company 2009 Rs.	2008 Rs.
ASSETS				
Non-current Assets				
Property, Plant and Equipment	9	266,278,455	262,042,658	303,916,012
Exploration Rights	11	-	-	6,182,500
Investment in Subsidiary	10	-	25,000	-
Trade and Other Receivables	13	3,355,115	3,355,115	6,329,594
		<u>269,633,570</u>	<u>265,422,773</u>	<u>316,428,106</u>
Current Assets				
Inventories	12	115,561,303	115,561,303	142,547,820
Trade and Other Receivables	13	31,539,965	36,077,508	43,028,039
Cash and Cash Equivalents	14	50,526,027	50,402,882	17,849,817
		<u>197,627,295</u>	<u>202,041,693</u>	<u>203,425,676</u>
Total Assets		<u>467,260,865</u>	<u>467,464,466</u>	<u>519,853,782</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Stated Capital	15	547,142,189	547,142,189	397,290,000
Reserves	16	5,718,298	5,718,298	5,718,298
Retained Earnings / (Losses)		(470,787,548)	(467,067,988)	(343,051,013)
Total Equity		<u>82,072,939</u>	<u>85,792,499</u>	<u>59,957,285</u>
Non-current Liabilities				
Interest Bearing Loans and Borrowings	17	320,899,224	318,840,794	135,381,142
Provisions and Other Liabilities	18	16,868,615	16,868,615	18,370,773
		<u>337,767,839</u>	<u>335,709,409</u>	<u>153,751,915</u>
Current Liabilities				
Trade and Other Payables	19	39,225,304	39,134,220	57,153,946
Interest Bearing Loans and Borrowings	17	8,027,383	6,660,938	229,059,685
Voluntary Retirement Compensation Payable	20	167,400	167,400	19,930,951
		<u>47,420,087</u>	<u>45,962,558</u>	<u>306,144,582</u>
Total Equity and Liabilities		<u>467,260,865</u>	<u>467,464,466</u>	<u>519,853,782</u>


These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.
Certified by:


(sgd.) Financial Controller

The board of directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the board by:


(sgd.) Director


(sgd.) Director

The accounting policies and notes on pages 17 through 42 form an integral part of the Financial Statements.

19 January 2010
Colombo.

Statements Of Changes In Equity

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

Group	Stated Capital	Revaluation Reserve	Retained Earnings/ (Losses)	Total Equity
	Rs.	Rs.	Rs.	Rs.
Balance as at 31 December 2008	397,290,000	5,718,298	(343,051,013)	59,957,285
Issue of shares for non cash consideration	149,852,189	-	-	149,852,189
Net Profit/(Loss) for the year	-	-	(127,736,535)	(127,736,535)
Balance as at 31 December 2009	<u>547,142,189</u>	<u>5,718,298</u>	<u>(470,787,548)</u>	<u>82,072,939</u>

Company	Stated Capital	Revaluation Reserve	Retained Earnings/ (Losses)	Total Equity
	Rs.	Rs.	Rs.	Rs.
Balance as at 31 December 2007	397,290,000	5,718,298	(243,022,754)	159,985,544
Net Profit/(Loss) for the period	-	-	(100,028,259)	(100,028,259)
Balance as at 31 December 2008	<u>397,290,000</u>	<u>5,718,298</u>	<u>(343,051,013)</u>	<u>59,957,285</u>
Issue of shares for non cash consideration	149,852,189	-	-	149,852,189
Net Profit/(Loss) for the Year	-	-	(124,016,975)	(124,016,975)
Balance as at 31 December 2009	<u>547,142,189</u>	<u>5,718,298</u>	<u>(467,067,988)</u>	<u>85,792,499</u>

The accounting policies and notes on pages 17 through 42 form an integral part of the Financial Statements.

Cash Flow Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

	Note	Group 2009 Rs.	Company 2009 Rs.	2008 Rs.
Cash Flows From / (Used in) Operating Activities				
Profit/(Loss) Before Tax		(127,736,535)	(124,016,975)	(101,873,170)
Adjustments for				
Depreciation	9	42,735,759	40,631,413	40,602,487
Foreign Currency (Gains)/Losses	4	(3,211,907)	(3,211,907)	(8,171,612)
Income from Investments	4	(2,541,830)	(2,541,830)	(2,980,569)
Profit on sales of Property, Plant and Equipment	9	9,643	9,643	(5,884,333)
Write off of Exploration Rights		6,182,500	6,182,500	-
Finance Costs	6	49,912,713	47,629,707	48,270,374
Actuarial Gains arising from transitional provision		-	-	(4,369,818)
Provision for Defined Benefit Plans	18	12,588,444	12,588,444	8,408,483
Operating Profit/(Loss) before Working Capital Changes		<u>(22,061,213)</u>	<u>(22,729,005)</u>	<u>(25,998,158)</u>
(Increase)/ Decrease in Inventories		26,986,517	26,986,517	(14,748,060)
(Increase)/ Decrease in Trade and Other Receivables		9,649,414	10,065,726	9,542,218
Increase/ (Decrease) in Trade and Other Payables		27,378,509	22,333,563	19,177,336
Increase/ (Decrease) in Voluntary Retirement Compensation		-	-	19,763,550
Cash Generated from Operations		<u>41,953,228</u>	<u>36,656,801</u>	<u>7,736,886</u>
Voluntary Retirement compensation Paid		(19,763,551)	(19,763,551)	-
Finance Cost Paid		(49,912,713)	(47,629,707)	(46,958,912)
Defined Benefit Plan Costs Paid	18	(14,090,602)	(14,090,602)	(15,960,752)
Income Tax Paid		(140,716)	(140,716)	(1,556,794)
Net Cash From/(Used in) Operating Activities		<u>(41,954,354)</u>	<u>(44,967,775)</u>	<u>(56,739,572)</u>
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant and Equipment	9	(10,955,570)	(4,615,428)	(65,021,987)
Proceeds from Sale of Property, Plant and Equipment		5,847,726	5,847,726	6,316,565
Interest Received		2,541,830	2,541,830	2,980,569
Net Cash Flows from/(Used in) Investing Activities		<u>(2,566,014)</u>	<u>3,774,128</u>	<u>(55,724,853)</u>
Cash Flows from / (Used in) Financing Activities				
Investment in Subsidiary		-	(25,000)	-
Proceeds from Interest Bearing Loans and Borrowings		309,832,965	302,050,357	109,498,900
Repayment of Interest Bearing Loans and Borrowings	17	(3,574,400)	(3,574,400)	(25,097,599)
Principal Payment under Finance Lease Liabilities		(10,909,684)	(6,551,952)	-
Net Cash Flows from/(Used in) Financing Activities		<u>295,348,881</u>	<u>291,899,005</u>	<u>84,401,301</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents		3,211,907	3,211,907	8,171,612
Net Increase/(Decrease) in Cash and Cash Equivalents		<u>254,040,419</u>	<u>253,917,265</u>	<u>(19,891,512)</u>
Cash and Cash Equivalents at the Beginning of the Year	14	<u>(204,691,773)</u>	<u>(204,691,773)</u>	<u>(184,800,261)</u>
Cash and Cash Equivalents at the End of the Year	14	<u>49,348,636</u>	<u>49,225,492</u>	<u>(204,691,773)</u>

The accounting policies and notes on pages 17 through 42 form an integral part of the Financial Statements.

Notes to the Financial Statements

B O G A L A G R A P H I T E L A N K A P L C

Year ended 31 December 2009

1. CORPORATE INFORMATION

1.1 General

Bogala Graphite Lanka PLC (“Company”) is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 210, De Saram Place, Colombo 10 and the principal place of business is situated at Bogala Mine in Aruggammana.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the company for the year ended 31 December 2009 comprise the company and its subsidiary (the ‘Group’).

1.3 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were mining, separation, reining, treating, processing and preparation and sale of graphite.

The principal activities of the subsidiary is to provide transport services to the parent and external parties.

1.4 Parent Entity and Ultimate Parent Entity

The Company’s parent entity is Graphit Kropmuhl AG of Germany.

1.5 Date of Authorization for Issue

The Consolidated Financial Statements of Bogala Graphite Lanka PLC for the year ended 31 December 2009 were authorized for issue, in accordance with a resolution of the board of directors on 19 January 2010.

Year ended 31 December 2009

2.1 BASIS OF PREPARATION

The Financial Statements have been prepared on a historical cost basis, except for land and buildings (without considering the mineral deposit and underground works) that have been measured at fair value. The Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these Financial Statements is in compliance with the Companies Act. No. 07 of 2007.

2.1.1 Statement of compliance

The Financial Statements of Bogala Graphite Lanka PLC has been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.3 Consolidation Policy - Principles of Consolidation

The financial statements of the Group represent the consolidation of the financial statements of Bogala Graphite Lanka PLC and its subsidiary as at 31 December 2009. The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies.

All intra-group balances, income and expenses, unrealized gain or losses resulting from Intra- group transaction are eliminated in full.

The Subsidiary is consolidated from the date of transferring significant control being the date of which the group obtains control and continue to be consolidated until the date that such control ceases.

2.1.4 Comparative Information

The accounting policies have been consistently applied by the Company and, except for the changes in accounting policy (policies) discussed more fully in 2.2; are consistent with those used in the previous year. Where necessary, comparative figures have been rearranged to comply with current presentation.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.

Year ended 31 December 2009

Deferred Tax Assets:

Deferred tax assets are recognised for all 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 judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements.

Defined Benefit Plans :

The cost of defined benefit plans-gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to 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.

2.3.2 Taxation

Current Taxes

Current income tax assets and liabilities for the current and prior periods 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 by the balance sheet date.

Year ended 31 December 2009

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

The export sales of the Company are entitled to a concessionary income tax rate of 15% from income tax under Section 52 of the Inland Revenue Act No. 10 of 2006 as amended amendment Act No. 10 of 2007

Deferred Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, 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 assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

Sales Tax

Revenues, expenses and assets are recognised 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 recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Balance Sheet.

2.3.3 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly

Year ended 31 December 2009

attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

2.3.4 Exploration Rights

The expenditure has been incurred in obtaining the Right to mine from Aluketiya Graphite Mines (Pvt) Limited and Ragedara Mines for the two projects, Aluketiya project and Ragedara project respectively. In this regard the total rights to mine have been surrendered by the two respective entities to Bogala Graphite Lanka PLC.

The Company has made an application to Geological Survey and Mines Bureau (GSMB) in 2000, for license to mine. However, to date GSMB has not issued the license.

Accordingly, the Company is treating the exploration as a non-current asset in the Balance Sheet until the license is issued. However, since the license was not issued and the company is not looking into the exploration of these two sites, such cost have been written off as at the end of this financial year.

2.3.5 Inventories

Inventories of graphite are valued on a Weighted Average Cost basis either at cost of production or net realizable value whichever is lower.

Inventories of graphite containing less than 70% of carbon content are not valued.

Consumable inventories are stated at the lower of cost or net realizable value. In general, cost is determined on a Weighted Average Cost basis and includes transport handling costs. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realization.

Provision is made, where necessary, for obsolete, slow-moving and defective inventories.

2.3.6 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize net of allowances for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognized at cost less allowances for bad and doubtful receivables.

2.3.7 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-

Year ended 31 December 2009

term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents 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.

2.3.8 Property, Plant and Equipment

Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

The Property, Plant & Equipment, which were transferred from Government Owned Business Undertaking of State Mining and Mineral Development Corporation, were at a valuation.

Depreciation is calculated on a straight line basis over the useful life of the assets.

Any revaluation surplus is credited to the revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

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 derecognition 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.

2.3.9 Leases - Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception 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 the 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 charged are reflected in the income statement.

Year ended 31 December 2009

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in 2.4.8.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

2.3.10 Investments

a) Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The company distinguishes and presents current and non current investment in the balance sheet.

b) Measurement

Long Term Investments

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

2.3.11 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 assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.3.12 Retirement Benefit Obligations

a) Defined Benefit Plan - Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an

Year ended 31 December 2009

actuary every 3 years using "Project Unit Credit Method". An actuarial valuation of the gratuity liability of the company as at 31 December 2008 was undertaken by Actuarial & Management Consultant (Pvt), a firm of professional actuaries. The result of such valuation was incorporated in these financial statements.

This liability is not externally funded, but is included other deferred liabilities.

b) Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.13 Pneumoconiosis Compensation

Provision has been made in the financial statements for compensation payable to all employees who have been medically identified by a medical board as having pneumoconiosis.

2.3.14 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

a) Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods (i.e. the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold).

b) Interest

Interest Income is recognised on an accrual basis unless collectability is in doubt.

c) Others

Other income is recognized on an accrual basis. Gains and Losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

3. REVENUE	Group	Company	
	2009 Rs.	2009 Rs.	2008 Rs.
Summary			
Export	238,986,377	238,986,377	382,484,621
Domestic	2,395,173	2,395,173	1,491,464
Hire Charges	1,381,260	-	-
	<u>242,762,810</u>	<u>241,381,550</u>	<u>383,976,085</u>

Income from local sales are liable for Value Added Tax (VAT) at the standard rate of 12%. Income from exports are liable for VAT at zero rate. The above revenue is stated after deducting VAT which amounted to Rs. 287,421/- (2008 - Rs. 223,720/-).

4. OTHER INCOME AND GAINS

Interest Income	2,541,830	2,541,830	2,980,569
Write-back of Creditors	75,406	75,406	1,727
Estate Income	138,575	138,575	194,583
Income from Sale of Obsolete Items	707,177	707,177	107,137
Profit on sales of Property, Plant and Equipment	(9,643)	(9,643)	5,884,333
Exchange Gain/(Loss)	3,211,907	3,211,907	(8,171,612)
Miscellaneous Income	260,587	260,587	1,197,932
	<u>6,925,839</u>	<u>6,925,839</u>	<u>2,194,669</u>

5. PROFIT/(LOSS) AFTER CHARGING /(CREDITING)

(a) Included in Cost of Sales

Depreciation	40,536,832	38,432,486	36,840,774
Staff Costs includes			
- Defined Benefit Plan Costs - Gratuity (included in staff cost)	12,282,150	12,282,150	6,813,894
- Defined Contribution Plan Costs - EPF and ETF (included in staff cost)	3,976,894	3,976,894	4,882,926
- Other Staff Costs	40,268,938	40,268,938	57,691,312
Technical Services Fee	11,960,087	11,960,087	19,215,526
Legal Expenses	302,192	302,192	361,818
Actuarial Gains arising from Transitional Provision for Retirement Benefit	-	-	(4,369,818)
	<u>-</u>	<u>-</u>	<u>(4,369,818)</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

(b) Included in Administrative Expenses

Depreciation	2,159,713	2,159,713	3,761,719
Auditors' Remuneration (Fees and Expenses)	540,850	505,850	424,200
Directors' Fees	350,000	350,000	375,000
Contingent Lease Rent on Operating Leases	1,440,000	1,440,000	1,440,000
Donations	33,704	33,704	485,000
Workmen Compensation	22,810,015	22,810,015	55,703,572
Staff Costs includes			
- Defined Benefit Plan Costs -Gratuity (included in staff cost)	293,412	293,412	685,732
- Defined Contribution Plan Costs - EPF and ETF (included in staff cost)	1,049,615	1,049,615	1,213,016
- Other Staff Costs	9,797,864	8,799,164	10,637,589
	<u>9,797,864</u>	<u>8,799,164</u>	<u>10,637,589</u>

(c) Included in Selling Distribution Expenses

Advertisement Costs	18,540	18,540	58,000
Transport Costs	5,258,055	5,258,055	6,214,845
Royalty Paid to the Government	12,121,336	12,121,336	15,306,085
	<u>12,121,336</u>	<u>12,121,336</u>	<u>15,306,085</u>

6. FINANCE COST

Interest Expense on Overdrafts	34,775,034	34,775,034	43,458,164
Interest Expense on Interest Bearing Loans and Borrowings	11,824,936	11,824,936	2,533,444
Finance Charges on Lease Liabilities	3,312,743	1,029,737	1,311,462
Interest Expense on Packing Credit	-	-	967,304
	<u>49,912,713</u>	<u>47,629,707</u>	<u>48,270,374</u>

7. INCOME TAX - GROUP/COMPANY

The major components of income tax expense for the years ended 31 December are as follows :

Income Statement

	2009	2008
	Rs.	Rs.
Current Income Tax		
Current Income Tax charge (7.1)	-	-
Over Provision of current taxes in respect of prior years	-	1,844,911
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (7.2)	-	-
Income tax expense reported in the Income Statement	<u>-</u>	<u>(1,844,911)</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

7. INCOME TAX - GROUP/COMPANY (Contd....)

7.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

	2009 Rs.	2008 Rs.
Accounting Profit/(Loss) Before Tax from		
Continuing Operations	(124,016,975)	(101,873,170)
Aggregate Disallowed Items	94,827,224	91,678,866
Aggregate Allowable Expenses	(50,728,878)	(51,945,408)
Aggregate Other Income	2,541,830	2,980,569
Royalty	<u>(12,073,036)</u>	<u>(19,215,526)</u>
Accounting Profit/(Loss) before Income Tax	<u><u>(89,449,835)</u></u>	<u><u>(78,374,669)</u></u>
Statutory Tax Rate		
- Income Tax Rate	15%	15%
- Social Responsibility Levy	1%	1%
7.1.1 Tax Losses Brought Forward	213,526,966	155,624,053
Adjustment due to revised Income Tax Computation	7,325,312	(19,428,557)
Set off against Current Years Profits	-	(1,043,199)
Current Year Tax Losses	<u>89,449,835</u>	<u>78,374,669</u>
Tax Losses Carried Forward	<u><u>310,302,113</u></u>	<u><u>213,526,966</u></u>

7.2 The Company is liable for Income Tax at the rate of 15% (31.12.2008 - 15%) on profit derived from Export Sales. The profit derived from local sales is taxable at 30% (31.12.2008 - 30%). A provision has been made in these financial statements on account of income taxes in view of adjusted taxable profits of the Company. The carried forward tax losses of the Company as at 31.12.2009 amounts to Rs. 310,302,113/- (provisional) (31 December 2008 - Rs.213,526,966/-).

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

7. INCOME TAX - GROUP/COMPANY (Contd....)

7.2 Deferred Tax Assets, Liabilities and Income Tax relates to the following;

	Balance 2009 Rs.	Sheet 2008 Rs.	Income 2009 Rs.	Statement 2008 Rs.
Deferred Tax Liability				
Capital allowances for tax purposes	7,800,776	9,413,157	1,612,381	1,677,939
	<u>7,800,776</u>	<u>9,413,157</u>	<u>1,612,381</u>	<u>1,677,939</u>
Deferred Tax Assets				
Provisions and Other Liabilities	(2,344,602)	(2,780,726)	(436,124)	(1,763,203)
Voluntary Retirement				
Compensation Payable	(25,110)	(25,110)	-	-
	<u>(2,369,712)</u>	<u>(2,805,836)</u>	<u>(436,124)</u>	<u>(1,763,203)</u>
Brought forward Losses	(5,431,064)	(6,607,321)	(1,176,257)	(3,441,142)
Deferred income tax income/ (expense)			-	-
Net Deferred Tax Liability	<u>-</u>	<u>-</u>		

7.2.1 Deferred Tax Liability arising from temporary differences is set-off against the brought forward losses to its extent, Deferred Income Tax Asset arising from the remaining carried forward losses amounting to Rs. 310,302,113/- (2008 - Rs. 213,526,966/-) have not been recognized in the Company's financials statements, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized due to the ongoing capital investment program.

8. EARNINGS PER SHARE

8.1 Basic Earning Per Share is calculated by dividing the net profit/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	Rs.
Profit/(Loss) Attributable Ordinary shareholders for basic Earning Per Share	<u>(127,736,535)</u>

Number of Ordinary Shares used as Denominators:

	2009 Number
Number of Ordinary Shares applicable to basic Earning Per Share	<u>47,316,452</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT - GROUP

9.1 Gross Carrying Amounts

At Cost	Balance	Additions/ Transfers	Disposals	Balance
	As at 01.01.2009			As at 31.12.2009
	Rs.	Rs.	Rs.	Rs.
Buildings on Freehold Land	31,643,875	1,169,804	-	32,813,679
Freehold Land	1,272,000	-	-	1,272,000
Road Development	2,036,586	1,081,003	-	3,117,589
Access Tunnels	158,029,024	7,206,864	-	165,235,888
Plant and Machinery	203,820,051	346,696	(1,006,000)	203,160,747
Other Equipments	30,753,832	2,012,581	-	32,766,413
Office Equipment	4,796,799	218,200	-	5,014,999
Furniture and Fittings	2,794,439	234,896	-	3,029,335
Computer Equipments	9,913,568	1,587,270	(315,155)	11,185,683
Motor Vehicles	19,205,672	-	(703,000)	18,502,672
	<u>464,265,846</u>	<u>13,857,314</u>	<u>(2,024,155)</u>	<u>476,099,005</u>

At Valuation

Freehold Land	10,150,000	-	-	10,150,000
	<u>10,150,000</u>	<u>-</u>	<u>-</u>	<u>10,150,000</u>

Assets on Finance Leases

Motor Vehicles	16,800,000	6,300,000	(7,800,000)	15,300,000
	<u>16,800,000</u>	<u>6,300,000</u>	<u>(7,800,000)</u>	<u>15,300,000</u>

9.2 In the Course of Construction

	Balance As At	Incurred During the Year	Disposal/ Transfers	Balance As At
	01.01.2009			31.12.2009
	Rs.	Rs.	Rs.	Rs.
Access Tunnels	36,708,800	1,043,651	(7,206,864)	30,545,587
Buildings on Freehold Land	1,122,633	47,171	(1,169,804)	-
Plant and Machinery	1,853,800	-	(1,853,800)	-
Total Gross Carrying Amount	<u>39,685,233</u>	<u>1,090,822</u>	<u>(10,230,468)</u>	<u>30,545,587</u>
Total Value of Assets	<u>530,901,079</u>	<u>21,248,135</u>	<u>(20,054,623)</u>	<u>532,094,592</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT (Contd....)

9.3 Depreciation	Balance	Charge for	Disposals/	Balance
	As At	the year/	Transfers/	As at
	01.01.2009	Transfers	Discontinued	31.12.2009
At Cost	Rs.	Rs.	Rs.	Rs.
Buildings	14,215,569	1,265,755	-	15,481,324
Road Development	772,427	203,659	-	976,086
Access Tunnels	53,959,207	15,802,902	-	69,762,109
Plant and Machinery	115,457,069	13,971,667	(1,006,000)	128,422,736
Other Equipments	15,791,974	2,461,233	-	18,253,207
Office Equipment	3,049,561	373,051	-	3,422,612
Furniture and Fittings	1,189,134	487,795	-	1,676,929
Computer Equipments	5,894,702	2,201,955	(137,689)	7,958,968
Motor Vehicles	14,665,425	1,676,071	(681,000)	15,660,496
	<u>224,995,068</u>	<u>38,444,089</u>	<u>(1,824,689)</u>	<u>261,614,467</u>
Assets on Finance Leases				
Motor Vehicles	1,990,000	4,291,670	(2,080,000)	4,201,670
	<u>1,990,000</u>	<u>4,291,670</u>	<u>(2,080,000)</u>	<u>4,201,670</u>
	<u>226,985,068</u>	<u>42,735,759</u>	<u>(3,904,689)</u>	<u>265,816,137</u>

9.4 Net Book Values

	2009	2008
	Rs.	Rs.
At Cost		
Buildings on Freehold Land	17,332,355	17,428,306
Freehold Land	1,272,000	1,272,000
Road Development	2,141,503	1,264,160
Access Tunnels	95,473,779	104,069,816
Plant and Machinery	74,738,011	88,362,983
Other Equipments	14,513,206	14,961,858
Office Equipment	1,592,387	1,747,238
Furniture and Fittings	1,352,406	1,605,304
Computer Equipments	3,226,715	4,018,866
Motor Vehicles	2,842,176	4,540,247
	<u>214,484,538</u>	<u>239,270,780</u>
Assets on Finance Leases		
Motor Vehicles	11,098,330	14,810,000
	<u>11,098,330</u>	<u>14,810,000</u>
At Valuation		
Freehold Land	10,150,000	10,150,000
	<u>10,150,000</u>	<u>10,150,000</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT (Contd....)

	2009 Rs.	2008 Rs.
In the Course of Construction		
Access Tunnels	30,545,587	36,708,799
Buildings on Freehold Land	-	1,122,633
Plant and Machinery	-	1,853,800
	<u>30,545,587</u>	<u>39,685,232</u>
Total Carrying Amount of Property, Plant and Equipment	<u>266,278,455</u>	<u>303,916,012</u>

9.5 The land was revalued during the financial year 2001 by Messrs Chulanda Wellappili (an independent valuer). The result of such revaluation was incorporated in these financial statements from its effective (reported) date which is 15.11.2001. Such asset was valued on an open market value on an existing use basis without considering the mineral deposits and under ground works. The surplus arising from the revaluation was transferred to a revaluation reserve. However, since there are no experts in the mining industry in valuing such mines, a revaluation has not been performed for the current year.

9.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs. 87,160,510/- (2008 - Rs. 84,893,013/-).

9.7 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 10,955,570/- . Acquisitions through Cash payments amounting to Rs. 4,655,570/- and finance leases amounting to Rs. 6,300,000/- were made during the year for purchase of Property Plant & Equipment.

9.8 The useful lives of the assets is estimated as follows;	2009	2008
Buildings	25 Years	25 Years
Road Development Cost	10 Years	10 Years
Access Tunnels	10 Years	10 Years
Plant and Machinery	10 Years	10 Years
Other Equipments	10 Years	10 Years
Office Equipment	05 Years	05 Years
Furniture and Fittings	05 Years	05 Years
Motor Vehicles	05 Years	05 Years
Computer Equipments (Upto 31.12.2000 Over 05 Years)	03 Years	03 Years

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT (Contd....)

9.9 PROPERTY, PLANT AND EQUIPMENT - COMPANY

9.9.1 Gross Carrying Amounts	Balance	Additions/ Transfers	Disposals	Balance
	As at 01.01.2009			As at 31.12.2009
At Cost	Rs.	Rs.	Rs.	Rs.
Buildings on Freehold Land	31,643,875	1,169,804	-	32,813,679
Freehold Land	1,272,000	-	-	1,272,000
Road Development	2,036,586	1,081,003	-	3,117,589
Access Tunnels	158,029,024	7,206,864	-	165,235,888
Plant and Machinery	203,820,051	346,696	(1,006,000)	203,160,748
Other Equipments	30,753,832	1,972,438	-	32,726,270
Office Equipment	4,796,799	218,200	-	5,014,999
Furniture and Fittings	2,794,439	234,896	-	3,029,335
Computer Equipments	9,913,568	1,587,270	(315,155)	11,185,683
Motor Vehicles	19,205,672	-	(703,000)	18,502,672
	<u>464,265,846</u>	<u>13,817,171</u>	<u>(2,024,155)</u>	<u>476,058,862</u>
At Valuation				
Freehold Land	10,150,000	-	-	10,150,000
	<u>10,150,000</u>	<u>-</u>	<u>-</u>	<u>10,150,000</u>
Assets on Finance Leases				
Motor Vehicles	16,800,000	-	(7,800,000)	9,000,000
	<u>16,800,000</u>	<u>-</u>	<u>(7,800,000)</u>	<u>9,000,000</u>
9.9.2 In the Course of Construction	Balance	Incurred During	Disposal/	Balance
	As at	the Year	Transfers	As at
	01.01.2009			31.12.2009
	Rs.	Rs.	Rs.	Rs.
Access Tunnels	36,708,800	1,043,651	(7,206,864)	30,545,587
Buildings on Freehold Land	1,122,633	47,171	(1,169,804)	-
Plant and Machinery	1,853,800	-	(1,853,800)	-
Total Gross Carrying Amount	<u>39,685,233</u>	<u>1,090,822</u>	<u>(10,230,468)</u>	<u>30,545,587</u>
Total Value of Assets	<u>530,901,079</u>	<u>14,907,993</u>	<u>(20,054,623)</u>	<u>525,754,449</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

9.9 PROPERTY, PLANT AND EQUIPMENT (Contd....)

9.9.3 Depreciation	Balance As at 01.01.2009 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers/ Discontinued Rs.	Balance As at 31.12.2009 Rs.
At Cost				
Buildings	14,215,569	1,265,755	-	15,481,324
Road Development	772,427	203,659	-	976,086
Access Tunnels	53,959,207	15,802,902	-	69,762,109
Plant and Machinery	115,457,069	13,971,667	(1,006,000)	128,422,736
Other Equipments	15,791,974	2,458,557	-	18,250,531
Office Equipment	3,049,561	373,052	-	3,422,613
Furniture and Fittings	1,189,134	487,795	-	1,676,929
Computer Equipments	5,894,702	2,201,955	(137,689)	7,958,968
Motor Vehicles	14,665,425	1,676,071	(681,000)	15,660,496
	<u>224,995,068</u>	<u>38,441,413</u>	<u>(1,824,689)</u>	<u>261,611,792</u>

Assets on Finance Leases

Motor Vehicles	1,990,000	2,190,000	(2,080,000)	2,100,000
	<u>1,990,000</u>	<u>2,190,000</u>	<u>(2,080,000)</u>	<u>2,100,000</u>
	<u>226,985,068</u>	<u>40,631,413</u>	<u>(3,904,689)</u>	<u>263,711,792</u>

9.9.4 Net Book Values

	2009 Rs.	2008 Rs.
At Cost		
Buildings on Freehold Land	17,332,355	17,428,306
Freehold Land	1,272,000	1,272,000
Road Development	2,141,503	1,264,160
Access Tunnels	95,473,779	104,069,816
Plant and Machinery	74,738,011	88,362,983
Other Equipments	14,475,739	14,961,858
Office Equipment	1,592,386	1,747,238
Furniture and Fittings	1,352,406	1,605,304
Computer Equipments	3,226,715	4,018,866
Motor Vehicles	2,842,176	4,540,247
	<u>214,447,071</u>	<u>239,270,780</u>
Assets on Finance Leases		
Motor Vehicles	6,900,000	14,810,000
	<u>6,900,000</u>	<u>14,810,000</u>
At Valuation		
Freehold Land	<u>10,150,000</u>	<u>10,150,000</u>
	<u>10,150,000</u>	<u>10,150,000</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

9.9 PROPERTY, PLANT AND EQUIPMENT (Contd....)

	2009 Rs.	2008 Rs.
In the Course of Construction		
Access Tunnels	30,545,587	36,708,799
Buildings on Freehold Land	-	1,122,633
Plant and Machinery	-	1,853,800
	<u>30,545,587</u>	<u>39,685,232</u>
Total Carrying Amount of Property, Plant and Equipment	<u>262,042,658</u>	<u>303,916,012</u>

9.9.5 The land was revalued during the financial year 2001 by Messrs Chulanda Wellappili (an independent valuer). The result of such revaluation was incorporated in these financial statements from its effective (reported) date which is 15.11.2001. Such asset was valued on an open market value on an existing use basis without considering the mineral deposits and under ground works. The surplus arising from the revaluation was transferred to a revaluation reserve. However, since there are no experts in the mining industry in valuing such mines, a revaluation has not been performed for the current year.

9.9.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs. 87,160,510/- (2008 - Rs. 84,893,013/-).

9.9.7 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 4,615,428/- (2008 - Rs. 27,918,615/-). Acquisitions through Cash payments amounting to Rs. 4,615,428/- (2008 - Rs. 18,918,615/- and finance leases amounting to Rs. Nil (2008 - Rs. 9,000,000/-) were made during the year for purchase of Property Plant & Equipment.

9.9.8 The useful lives of the assets is estimated as follows;

	2009	2008
Buildings	25 Years	25 Years
Road Development Cost	10 Years	10 Years
Access Tunnels	10 Years	10 Years
Plant and Machinery	10 Years	10 Years
Other Equipments	10 Years	10 Years
Office Equipment	05 Years	05 Years
Furniture and Fittings	05 Years	05 Years
Motor Vehicles	05 Years	05 Years
Computer Equipments (Upto 31.12.2000 Over 05 Years)	03 Years	03 Years

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

10. INVESTMENT IN SUBSIDIARIES		Company Holding	2009	2008
			Rs.	Rs.
Fairdeal Trading Company (Private) Limited	100%		25,000	-
			<u>25,000</u>	<u>-</u>
11. EXPLORATION RIGHTS		Group	Company	2008
		2009	2009	2008
		Rs.	Rs.	Rs.
Aluketiya Project	-	-	-	5,925,000
Ragedara Project	-	-	-	257,500
	-	-	-	6,182,500
12. INVENTORIES		Group	Company	2008
		2009	2009	2008
		Rs.	Rs.	Rs.
Finished Goods	46,799,446	46,799,446	68,146,805	
Consumables and Spares	68,761,857	68,761,857	74,401,015	
	<u>115,561,303</u>	<u>115,561,303</u>	<u>142,547,820</u>	
13. TRADE AND OTHER RECEIVABLES	Current	Non-Current	Total	
	2009	2009	2009	2008
	Rs.	Rs.	Rs.	Rs.
13.1 Summary - Group				
Trade Debtors - Related Parties (13.3)	228,498	-	228,498	2,326,722
- Others	7,504,045	-	7,504,045	8,414,363
	<u>7,732,543</u>	-	<u>7,732,543</u>	<u>10,741,085</u>
Other Debtors - Related Parties (13.4)	1,842,576	-	1,842,576	8,329,226
- Others	11,352,928	-	11,352,928	10,728,737
Advances and Prepayments	7,635,773	-	7,635,773	8,504,490
Loans to Company Officers (13.5)	2,976,145	3,355,115	6,331,260	11,054,094
	<u>31,539,965</u>	<u>3,355,115</u>	<u>34,895,080</u>	<u>49,357,632</u>
13.2 Summary - Company	Current	Non-Current	Total	
	2009	2009	2009	2008
	Rs.	Rs.	Rs.	Rs.
Trade Debtors - Related Parties (13.3)	228,498	-	228,498	2,326,722
- Others	7,163,950	-	7,163,950	8,414,363
	<u>7,392,448</u>	-	<u>7,392,448</u>	<u>10,741,085</u>
Other Debtors	11,352,928	-	11,352,928	10,728,737
Other Receivable from Related Parties (13.4)	6,796,439	-	6,796,439	8,329,226
Advances and Prepayments	7,559,548	-	7,559,548	8,504,490
Loans to Company Officers (13.5)	2,976,145	3,355,115	6,331,260	11,054,094
	<u>36,077,508</u>	<u>3,355,115</u>	<u>39,432,623</u>	<u>49,357,632</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

13.3 Trade Debtors - Related Parties	Relationship	Group		Company	
		2009	2009	2009	2008
		Rs.	Rs.	Rs.	Rs.
Branwell Graphite Limited	Affiliate	-	-	2,265,715	
Graphite Kropfmuhl AG	Parent Company	-	-	61,007	
Qingdao Kropfmuhl Graphite Co Ltd.	Affiliate	228,498	228,498	-	
		<u>228,498</u>	<u>228,498</u>	<u>2,326,722</u>	

13.4 Other Debtors - Related Parties	Relationship	Group		Company	
		2009	2009	2009	2008
		Rs.	Rs.	Rs.	Rs.
Branwell Graphite Limited	Affiliate	-	-	3,075,272	
Graphite Kropfmuhl AG	Parent Company	-	-	2,371,525	
Fair Deal Trading Company (Private) Limited	Subsidiary	-	4,953,863	2,882,429	
Ansro Lanka (Private) Limited	Affiliate	1,842,576	1,842,576	-	
		<u>1,842,576</u>	<u>6,796,439</u>	<u>8,329,226</u>	

13.5 Summary	Balance as at 01.01.2009	Loans Granted During the Year		Repayments	Balance as at 31.12.2009
		Rs.	Rs.		
Loans to Company Officers	11,054,094	2,113,750	(6,836,584)		6,331,260
	<u>11,054,094</u>	<u>2,113,750</u>	<u>(6,836,584)</u>		<u>6,331,260</u>

14. CASH AND CASH EQUIVALENTS IN THE CASHFLOW STATEMENT

Components of Cash and Cash Equivalents	Group		Company	
	2009	2009	2009	2008
	Rs.	Rs.	Rs.	Rs.
14.1 Favorable Cash and Cash Equivalents Balance				
Cash and Bank Balances	40,526,027	40,402,882	7,849,818	
Fixed Deposits	10,000,000	10,000,000	10,000,000	
	<u>50,526,027</u>	<u>50,402,882</u>	<u>17,849,818</u>	
14.2 Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(1,177,390)	(1,177,390)	(222,541,591)	
Total Cash and Cash Equivalents For the purpose of Cash Flow Statement	<u>49,348,637</u>	<u>49,225,492</u>	<u>(204,691,773)</u>	

15. STATED CAPITAL - GROUP/COMPANY	2009		2008	
	Number	Rs.	Number	Rs.
15.1 Fully paid Ordinary Shares	47,316,452	547,142,189	39,729,000	397,290,000
	<u>47,316,452</u>	<u>547,142,189</u>	<u>39,729,000</u>	<u>397,290,000</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

	2009		2008	
	Number	Rs.	Number	Rs.
15.1 Fully paid Ordinary Shares				
Balance at the beginning of the Year	39,729,000	397,290,000	39,729,000	397,290,000
Issue of shares for non cash consideration	7,587,452	149,852,189	-	-
Balance at the end of the Year	<u>47,316,452</u>	<u>547,142,189</u>	<u>39,729,000</u>	<u>397,290,000</u>

16. RESERVES	Group		Company	
	2009	2009	2009	2008
	Rs.	Rs.	Rs.	Rs.
Summary Capital Reserves				
Revaluation Reserve (16.1)		5,718,298	5,718,298	5,718,298
		<u>5,718,298</u>	<u>5,718,298</u>	<u>5,718,298</u>

16.1 Revaluation Reserve	Group		Company	
On: Property, Plant and Equipment	2009	2009	2009	2008
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the Year	5,718,298	5,718,298	5,718,298	5,718,298
Transfer of surplus during the Year	-	-	-	-
Balance as at the end of the Year	<u>5,718,298</u>	<u>5,718,298</u>	<u>5,718,298</u>	<u>5,718,298</u>

17. INTEREST BEARING LOANS AND BORROWINGS	2009		2009	
Group	Amount	Amount	Amount	Amount
	Repayable	Repayable	Repayable	Repayable
	Within 1 Year	After 1 Year	Within 1 Year	After 1 Year
	Rs.	Rs.	Rs.	Rs.
Loans (17.1)	3,889,790	315,612,081	3,889,790	315,612,081
Bank Overdrafts	1,177,390	-	1,177,390	-
Finance Lease (17.2)	2,960,203	5,287,143	2,960,203	5,287,143
	<u>8,027,383</u>	<u>320,899,224</u>	<u>8,027,383</u>	<u>320,899,224</u>

17.1 Loans	As At	Loans	Repayment/	As At
	01.01.2009	Obtained	Transfers	31.12.2009
	Rs.	Rs.	Rs.	Rs.
Lanka Phosphate Limited (LPL) - (17.1.1)	21,025,914	-	(3,574,400)	17,451,514
Graphite Kropfmuehl AG (GK) - (17.1.2)	109,498,900	302,050,357	(109,498,900)	304,050,357
	<u>130,524,814</u>	<u>302,050,357</u>	<u>(113,073,300)</u>	<u>319,501,871</u>

17.1.1 Lanka Phosphate Limited	2009		2008	
	Rs.	Rs.	Rs.	Rs.
Gross Liability		20,027,138		25,033,922
Finance Charges allocated to Future Periods		(2,575,624)		(4,008,007)
Net Liability		<u>17,451,514</u>		<u>21,025,915</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

17.1.2 The repayment terms of borrowing and the security offered to each loan (other than leases) are set out below;

	LPL	GK	
		Loan 1	Loan 2
- Rate of Interest	12%	LIBOR + 4%	LIBOR + 4%
- Term of Repayment			
- Equal Monthly installments	Rs. 417,232/-	EUR 74,333	EUR 540,550
- Repayment commencement	1999 - 2013	2011 - 2013	2011 - 2013
- Security offered.	None	None	Non
- Grace Period	None	2 years up to January 2011	2 years up to October 2011

17.2 Finance Leases

	As At		Loans		As At	
	01.01.2009	Rs.	Obtained	Repayment	31.12.2009	Rs.
Finance Lease - Motor Vehicle	14,522,374		9,094,832	(13,028,554)	10,588,652	
Gross Liability	14,522,374		9,094,832	(13,028,554)	10,588,651	
Finance Charges allocated to future periods		(3,147,952)				(2,341,306)
Net liability		11,374,422				8,247,346

17.3 INTEREST BEARING LOANS AND BORROWINGS

Company	2009		2008		2008	
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loans (17.4)	3,889,791	315,612,080	319,501,871	3,574,401	126,950,414	130,524,815
Bank Overdrafts	1,177,390	-	1,177,390	222,541,591	-	222,541,591
Finance Lease (17.5)	1,593,757	3,228,714	4,822,471	2,943,693	8,430,729	11,374,422
	6,660,938	318,840,794	325,501,732	229,059,685	135,381,143	364,440,828

17.4 Loans

	As At		Loans		As At	
	01.01.2009	Rs.	Obtained	Repayment	31.12.2009	Rs.
Lanka Phosphate Limited (LPL) - (17.4.1)	21,025,914		-	(3,574,400)	17,451,514	
Graphite Kropfmuehl AG (GK) - (17.4.2)	109,498,900		302,050,357	(109,498,900)	302,050,357	
	130,524,814		302,050,357	(113,073,300)	319,501,871	

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

17.4.1 Lanka Phosphate Limited	2009	2008
	Rs.	Rs.
Gross Liability	20,027,138	25,033,922
Finance Charges allocated to Future Periods	<u>(2,575,624)</u>	<u>(4,008,008)</u>
Net Liability	<u>17,451,514</u>	<u>21,025,914</u>

17.4.2 The repayment terms of borrowing and the security offered to each loan (other than leases) are set out below;

	LPL	GK	
		Loan 1	Loan 2
- Rate of Interest	12%	LIBOR + 4%	LIBOR + 4%
- Term of Repayment - Equal Monthly installments	Rs. 417,232/-	EUR 74,333	EUR 540,550
- Repayment commencement	1999 - 2013	2011 - 2013	2011 - 2013
- Security offered	None	None	None
- Grace Period	None	2 years up to January 2011	2 years up to October 2011

17.5 Finance Leases	As At	Loans		As At
	01.01.2009	Obtained	Repayment	31.12.2009
	Rs.	Rs.	Rs.	Rs.
Finance Lease - Motor Vehicle	14,522,374	-	(8,670,821)	5,851,553
Gross Liability	<u>14,522,374</u>	<u>-</u>	<u>(8,670,821)</u>	<u>5,851,553</u>
Finance Charges allocated to future periods	<u>(3,147,952)</u>			<u>(1,029,082)</u>
Net liability	<u>11,374,422</u>			<u>4,822,471</u>

18. PROVISIONS AND OTHER LIABILITIES	Group		Company
	2009	2009	2008
	Rs.	Rs.	Rs.
Retirement Benefit Obligations - Gratuity (18.1)	15,630,683	15,630,683	17,132,841
Pneumoconiosis Compensation (18.2)	1,237,932	1,237,932	1,237,932
	<u>16,868,615</u>	<u>16,868,615</u>	<u>18,370,773</u>

18.1 Retirement Benefit Obligations - Gratuity			
Balance as at the Beginning of the Period	17,132,841	17,132,841	29,054,928
Charge for the Period	12,588,444	12,588,444	8,408,483
Actuarial Gain arisen from Transitional provision	-	-	(4,369,818)
Payments made During the Period	<u>(14,090,602)</u>	<u>(14,090,602)</u>	<u>(15,960,752)</u>
Balance as at the End of the Period	<u>15,630,683</u>	<u>15,630,683</u>	<u>17,132,841</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

18.2 Pneumoconiosis Compensation

Balance as at the Beginning of the Period	1,237,932	1,237,932	1,237,932
Charge for the Period	-	-	-
Payments made During the Period	-	-	-
Balance as at the End of the Period	<u>1,237,932</u>	<u>1,237,932</u>	<u>1,237,932</u>

18.3 Provision was made in accordance with the Workmen's Compensation (Amendment) Act No. 15 of 1990 for identified employees.

18.4 During the current year no new employees had been identified by the medical board as having Pneumoconiosis. The Directors have therefore concluded that no further provision is required for the current period.

19. TRADE AND OTHER PAYABLES

	Group 2009 Rs.	2009 Rs.	Company 2008 Rs.
Trade Payables - Others	7,470,245	7,470,245	1,615,694
Other Creditors - Related Parties (Graphite Kropfmuhl AG)	22,525,709	22,525,709	40,353,289
Sundry Creditors	1,658,813	1,629,868	3,600,273
Accrued Expenses	<u>7,570,537</u>	<u>7,508,398</u>	<u>11,584,690</u>
	<u>39,225,304</u>	<u>39,134,220</u>	<u>57,153,946</u>

20. VOLUNTARY RETIREMENT COMPENSATION PAYABLE

Balance as at the beginning of the Year	19,930,950	19,930,950	167,400
Charge for the period	22,810,015	22,810,015	55,703,572
Payment made during the Year	<u>(42,573,565)</u>	<u>(42,573,565)</u>	<u>(35,940,022)</u>
Balance as at the end of the Year	<u>167,400</u>	<u>167,400</u>	<u>19,930,950</u>

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

21. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

21.1 Transaction with the parent and related entities

Nature of Transaction	Parent		Subsidiary		Affiliate		Total	
	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
As at 01 January	(152,223,714)	(20,503,662)	2,882,429	-	3,075,272	-	(146,266,013)	(20,503,662)
Sale of Goods/Services	(3,224,449)	(2,160,090)	(5,015,000)	(4,949,400)	75,594,435	135,723,463	67,354,986	128,613,973
Finance Charges	(10,391,127)	(790,050)	-	-	-	-	(10,391,127)	(790,050)
Management Fees Paid	(11,960,087)	(21,480,582)	-	-	-	-	(11,960,087)	(21,480,582)
Investments made by the Company	(308,129,812)	(109,498,900)	-	-	-	-	(308,129,812)	(109,498,900)
Transfers under finance arrangements	149,852,189	-	-	-	-	-	149,852,189	-
Settlement of Liabilities on behalf of the Company	5,595,974	-	7,086,434	7,831,829	(76,598,642)	(132,648,191)	(63,916,234)	(124,816,362)
Net Exchange (Gain) / Loss	5,904,959	2,209,570	-	-	-	-	5,904,959	2,209,570
As at 31 December	<u>(324,576,067)</u>	<u>(152,223,714)</u>	<u>4,953,863</u>	<u>2,882,429</u>	<u>2,071,065</u>	<u>3,075,272</u>	<u>(317,551,139)</u>	<u>(146,266,013)</u>

* Terms and Conditions :

Sales and purchase of goods and/or services to related parties were made at normal trading terms on arms length basis.

21.1.1 The Affiliate Companies and the amounts outstanding as at the Balance Sheet date are disclosed in notes 13 and 19 to the financial statements.

21.2 Transactions with Key Management Personnel of the Company or parent

Key Management Personnel Compensation ¹	2009 Rs.	2008 Rs.
Short-term employee benefits	2,552,062	2,147,490

¹Key management personnel are the Board of Directors of the Company.

21.3 Transactions with other related parties

Transactions with entities that are controlled, jointly controlled or significantly influenced by Key Management Personnel or their close members are as follows;

The Company procured services valued at Rs. 600,000/- (2008 - Rs. 899,812/-) and supplied services valued at Rs. 2,442,576/- (2008 - Rs. 2,536,732/-) to a related party Company; and the sum receivable to the Company as at 31 December 2009 amounts to Rs. 1,842,576/- (2008- Rs. NIL).

Notes to the Financial Statements

BOGALA GRAPHITE LANKA PLC

Year ended 31 December 2009

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no material events occurring after the Balance Sheet date that require adjustments to a disclosure in the financial statements.

23. ASSETS PLEDGED

There are no assets pledged as at the Balance Sheet date.

24. COMMITMENTS AND CONTINGENCIES

24.1 Contingent liabilities as at 31 December 2009 are as follows;

	2009 Rs.	2008 Rs.
Bank Guarantee for Custom Purposes -Deutsche Bank	1,738,174	18,575,95
Bank Guarantee for Custom Purposes -Peoples Bank	7,068,405	13,493,72

Other than the above there were no contingent liabilities as at 31 December 2009.

SUMMARY OF SHAREHOLDERS AS AT 31.12.2009 BOGALA GRAPHITE LANKA LIMITED

SHAREHOLDING	NO.OF SHAREHOLDERS	TOTAL NO.OF SHARES	PERCENTAGE %
1-1000	10,150	2,311,598	4.89
1001-5000	483	1,204,934	2.55
5001-10000	48	355,396	0.75
10001-50000	19	380,100	0.80
50001-100000	1	67,100	0.14
100001-500000	2	564,500	1.19
500001-1000000	0	0	0
OVER 1000000	1	42,432,824	89.68
TOTAL	10,704	47,316,452	100.00

Top 20 Shareholders

BOGALA GRAPHITE LANKA PLC

Shareholder Name	No of Shares	%
GRAPHIT KROPFMUHL AG	42,432,824	89.68
SHARE INVESTMENTS (PRIVATE) LIMITED	310,000	0.66
SECRETARY TO THE TREASURY	254,500	0.54
C.S.N. SILVAPULLE	67,100	0.14
UNIVOQUE GARMENTS LIMITED.	49,500	0.10
M.M. RINOZA	35,700	0.08
W.D.N.H. PERERA	30,000	0.06
W.A. DE SILVA	28,400	0.06
H.K. PUSHPAKUMARA	25,000	0.05
G.E.S.DE SILVA	20,200	0.04
K. SRIRANJAN	20,000	0.04
S.Y. SULTAN	19,500	0.04
PRIME LANDS (PVT) LTD	17,100	0.04
K.R.U. GUNAWARDENA	16,000	0.03
S.A.J.CHATHURANGA	15,000	0.03
S. S. WIGNARAJAH	14,700	0.03
U.G.L. WIMALASIRI	14,700	0.03
M.A. BUSEFI	13,700	0.03
Z.G. CARIMJEE	12,500	0.03
K.K. WIMALARATNE	12,100	0.03

SHARES HELD BY THE PUBLIC AS AT 31ST DECEMBER 2009

Shares

GRAPHIT KROPFMUHL AG	42,432,824
SHARE INVESTMENTS (PRIVATE) LIMITED	310,000
Total	42,742,824

Number of Share held by Public	4,573,628
Percentage	9.67

Net Asset Value Per Share 2009 Rs 1.81 (2008 Rs 1.50)

Highest Share Price (30-12-2009) Rs 23.00

Lowest Share Price (26-03-2009) Rs 10.00

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of the Company will be held at 10.45 a.m. on Saturday the 24th day of April 2010 at the Ceylon Chamber of Commerce Auditorium at No. 50, Navam Mawatha, Colombo 02 for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company for the year ended 31st December 2009 together with the Auditors' Report thereon.
2. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31st December 2010.
3. To authorise the Directors to determine contributions to charities for the ensuing year.

By Order of the Board
CORPORATE SERVICES LIMITED
Secretaries
BOGALA GRAPHITE LANKA PLC

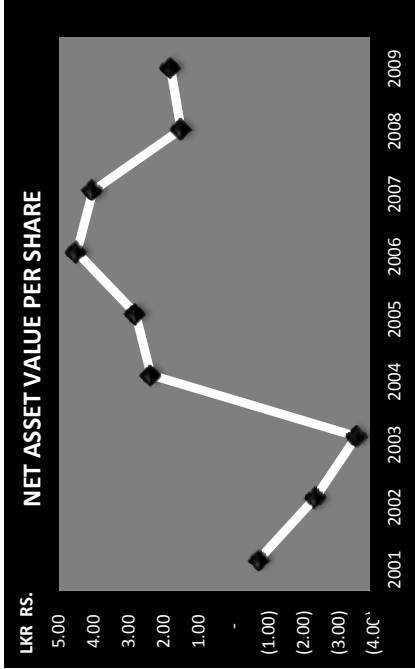
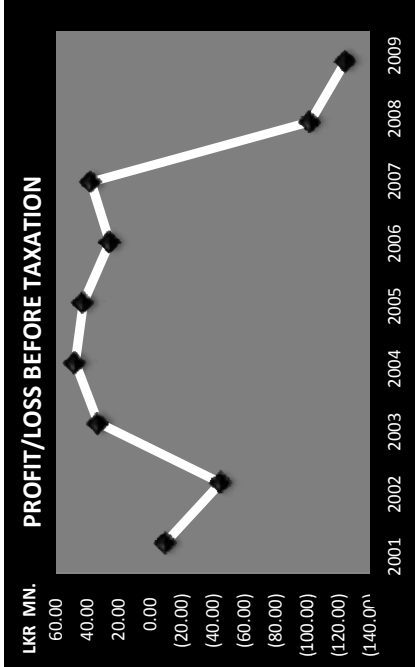
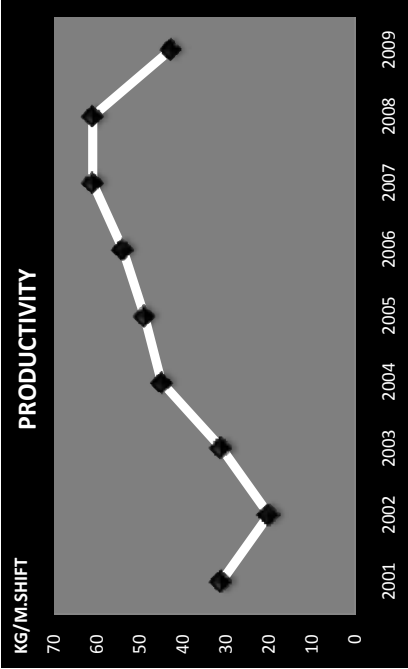
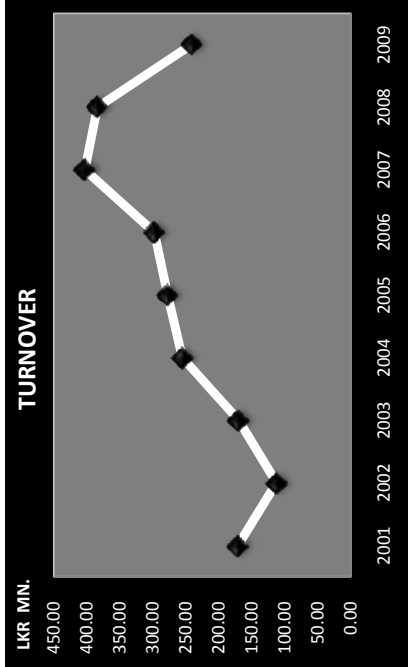
Colombo on this 19th day of March 2010

Note:

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

A completed form of proxy must be deposited at the Registered Office of the Company at No.216, De Saram Place, Colombo 10 not less than 48 hours before the time appointed for the holding of the meeting.

FINANCIAL HIGHLIGHTS (2001-2009)



Financial Highlights At a Glance 2001-2009

BOGALA GRAPHITE LANKA PLC

Year	TURNOVER LKR MN	PROFIT/(LOSS) BEFORE TAX	PRODUCTIVITY Kg/ms	NET ASSET VALUE PER SHARE (Rs.)
2001	171.08	(9.44)	31	(0.72)
2002	112.65	(44.85)	20	(2.33)
2003	170.11	33.12	31	(3.51)
2004	255.32	47.75	45	2.37
2005	277.63	42.61	49	2.81
2006	297.68	25.75	54	4.49
2007	403.00	37.75	61	4.03
2008	383.98	(101.87)	61	1.51
2009	241.38	(124.30)	42.9	1.81

Form Of Proxy

BOGALA GRAPHITE LANKA PLC

I/We of being

a member/s of BOGALA GRAPHITE LANKA PLC hereby appoint of

.....or failing him Mr.V.P.Malalasekera or failing him Mr.M.Ebeling or failing him Mr.J.C.P.Jayasinghe or failing him Mr.C.Cooper or failing him Mr.N.A.De Mel or failing him Mr.A.P.Jayasinghe or failing him Mr.G.M.Popescu failing him Mr.J.J.Ambani as my/our proxy to speak/vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Company to be held on the 24th day of April 2010 at 10.45 a.m. and at any adjournment thereof and at every poll which may be taken in connection with such meeting.

As witness my/our hands this.....day of Two Thousand and Ten.

.....
Signature

Note:

Delete what is inapplicable. *Please bring your National Identity Card.

INSTRUCTIONS AS TO COMPLETION

1. The instrument appointing a proxy may be in writing under the hands of the appointor or of its attorney duly authorized in writing under the hands of the appointor or of its attorney duly authorized in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorized person.
2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of the Power of Attorney or other authority will have to be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for the holding of the meeting.

Attendance Slip

I/ We here by record my/ our presence at the eighteenth Annual General Meeting of the Company at the Ceylon Chamber of Commerce Auditorium, No. 50, Nawam Mawatha, Colombo 02, at 10.30 a.m on Saturday the 24th of April 2010.

1. Full Name of Shareholder :
(In capital letters please)
2. Shareholder's NIC No :
3. Number shares held :
4. Name of Proxy Holder :
5. Proxy Holder's NIC No :
6. Signatue of attendee :

Note:

1. Shareholders / Proxy holders are requested to bring the attendance slip with them when attending the meeting and hand it over at the entrance to the meeting hall after signing it.
2. Shareholders are also kindly requested to indicate any changes in their addresses by coleting the following:

Certificate No :

New Address :

*Please bring your National Identity Card.

Corporate Information

BOGALA GRAPHITE LANKA PLC

Directors

V.P.Malalasekera (Chairman)
M.Ebeling (Vice Chairman)
J.C.P.Jayasinghe
A.P.Jayasinghe Managing Director/ Chief Executive Officer
C.Cooper
N.A. De Mel
G.M.Popescu
A.Carstanjen
J.J. Ambani

Secretaries & Registrars

Corporate Services Ltd
216 De Saram Place
Colombo 10
Tel: 4718200

Auditors

Ernst & Young
201 De Saram Place
Colombo 10

Bankers

Deutsche Bank
Peoples Bank

Management

General Manager	K.G.G. Kumburuhena
Financial Controller	C.N.S.De Silva
Deputy General Manager	R.M.D.U. Rajapaksa
Manager (HR & ADM)	D . Mahaliyange
Under ground Manager	E.M.C.D.K. Ekanayake
Plant Engineering Manager	R.M.D.U. Rajapaksa
Customer Relation Manager	A.W.E. Wijesuriye
Supplies Manager	L.W.Ratnayake
Sales Manager Technical	E.M.K.B.Ekanayake
IT Manager	I.M.W.A. Gunawardane
Processing Manager	L.W.A. Liyanage
Accountant	Ms J.L.Jayakody

Business Address

No 20 Tickell Road
Colombo 8
Tel 2688224/2688225
Fax 2698291

