Annual Report 2018

AMG GRAPHITE GK

Annual Report 2018

Contents

Financial and Operational Highlights

Year Ended 31st December

		2018	2017	% Change
Earnings Highlights and Ratios				
Revenue	Rs.million	877.8	732.9	19.8
Gross Profit	Rs.million	389.5	255.0	52.7
Profit/(Loss) from Operations	Rs.million	178.4	(17.1)	1,140.5
Profit/(Loss) before Tax	Rs.million	175.5	(20.99)	936.5
Profit/(Loss) after Tax	Rs.million	152.2	(19.7)	874.5
EBITDA	Rs.million	215.5	21.7	893.4
Cash from Operating Activities	Rs.million	162.5	56.4	187.9
Gross Profit to Turnover	%	44.4	34.8	27.5
Net Income to Turnover	%	17.3	(2.7)	746.7
Interest Cover	%	26.7	(1.6)	1,748.4
Return on Equity (ROE)	%	31.7	(6.1)	621.8
Balance Sheet Highlights & Ratios				
Total Assets	Rs.million	724.9	608.7	19.1
Total Debt	Rs.million	244.2	285.0	(14.3)
Total Shareholders' Funds	Rs.million	480.6	323.8	48.4
No. of Shares in Issue	million	94.6	94.6	-
Net Assets	Rs.million	480.6	323.8	48.4
Net Assets per Share	Rs.	5.08	3.42	48.4
Debt/Equity (Book Value)	%	50.8	88.0	(42.3)
Operational Highlights				
Lost-Time Accident Rate	%	1.0	1.5	(33.3)
Accident Severity Rate	%	0.06	0.06	-
Earnings per Share	Rs.	1.6	(0.2)	866.0

It is my pleasure, once again, to welcome you on behalf of the Board to the 28th Annual General Meeting of our Company.

I am indeed pleased to announce that the year under review was a positive one in terms of both progress and profitability – marking a turning point in our journey, considering the trials and testing times we have faced in recent years. The past year has proven, beyond doubt, our Company's innate ability to overcome adversity and move forward – and achieve set targets.

Despite the unstable economic conditions in the country we made considerable efforts towards improving productivity which have proven highly beneficial. Significant improvements were also made to safety measures, with due diligence and strict adherence to standards being made a priority.

In 2013 we were one of the first Sri Lankan companies to achieve certification according to the Occupational Health and Safety Standards (OHSAS 18001) and the safety of our workers continues to be a primary focus. The considerable investments we made towards safety and training have resulted in a reduction of work accidents by 98 percent (in the last 10 years). Comprehensive safety and health training sessions are held with the employees on a regular basis, and we also invite their family members to these sessions so they too get a better understanding of the measures taken by the Company.

During the previous year, our focus was to increase our productivity, putting the right organisational structure in place to be ready to face future competitive threats. To that end we introduced an early retirement scheme with financial incentives which we believe will have a favourable impact in the years ahead. This scheme was implemented during the year under review and, as expected, generated positive results in terms of smooth and efficient operational handling.

Despite the continuing devaluation of the Rupee during the year under review, your Company achieved a turnover of Rs.878 million compared to Rs.733 million the previous year as a result of these efforts.

Economic Environment

In the year under review, the Sri Lankan economy faced renewed challenges emanating from global market developments, which disrupted the steady stabilisation path observed up to the first quarter of the year. Sri Lanka's growth performance remained subdued, in spite of positive growth in all three major sectors. The economy grew at a moderate pace of 3.6 percent in the first half of 2018, following relatively low growth of 3.3 percent recorded during the year 2017. Agricultural activities continued their rebound in the first half of 2018 supported by favourable weather conditions that prevailed during this period. However, the growth in industrial activities slowed - recording only 1.6 percent, mainly due to low performance in the construction, mining and quarrying subsectors.

Consumer price inflation remained subdued in 2018, although temporarily edging up in some months, mainly as a result of movements in volatile food prices and upward adjustments of domestic petroleum products and other administered prices. In the external sector, the trade deficit widened further as the growth in import expenditure outpaced the rise in earnings from exports. Amidst the widened trade and current account deficits, which were partly due to the increased expenditure of fuel imports and imports of motor vehicles, the balance of payments (BOP) also experienced pressure from the emerging market selloff caused by tightening global financial conditions and the strengthening of the US Dollar. These developments resulted in a sharp depreciation of the Sri Lankan Rupee.

Whilst the IMF indicated in October 2017 that the international economy would stabilise and grow in the year 2018, according to the October 2018 release of the World Economic Outlook (WEO), global growth is projected to plateau during 2018 and 2019, impacted by the slowdown in economic performance of both key advanced economies and several emerging market and developing economies. Accordingly, the global economy is projected to grow at a slower-than-expected pace of 3.7 percent in 2018 and 2019, as in 2017.

Locally, the successful implementation of growth strategies already laid out by the government in a consistent and coordinated manner would support the gradual improvement towards a growth trajectory in the medium term, with active private sector participation. Maintaining stable macroeconomic conditions supported by low and stable inflation, continued adherence to fiscal discipline and a market-based exchange rate would also facilitate sustained growth. Although the widened trade deficit is likely to weaken the performance of the external current account in 2018, the policy measures initiated to curtail the expansion in import expenditure, complemented by the adjustment of the exchange rate, are expected to improve the external current account performance in 2019. On the downside, escalating trade tensions in advanced economies may undermine the global trade prospects, which in turn may have an indirect impact on Sri Lanka's export earnings.

The government's commitment towards continued fiscal consolidation, as reflected by the decisive measures introduced to improve revenue, rationalise expenditure and streamline debt management, is expected to result in an overall improvement in the fiscal sector in the medium term.

Corporate Performance

The Capital Expenditure requirements of the Company were met in total through internally generated funds.

In comparison to the previous year, we have surpassed expectations in meeting the material requirement of both our parent company GK and sister companies. The Rupee value showed an increase compared to last year and that was supported mainly by the high-value sales coupled with the devaluation of the currency.

The product mix with higher margins for graphite contributed to comparatively better margins, whilst the Lubricants business sustained 22 percent contribution to the overall revenue of the Company.

The performance for the year is commendable as it has surpassed most of the set targets for the year. Total revenue for the year was Rs.877.8 million whilst the profit after tax (PAT) was Rs.152.2 million compared to Rs.732.9 million and a loss of Rs.19.7 million respectively in 2017.

Our corporate performance for the year 2018 exceeded expectations in several aspects, achieving higher margins than the previous years. Investments made towards the improvement of machinery have also been beneficial, leading to increased efficiency.

Compliance and Risk Management

Committed to strict adherence of regulatory requirements, we have an effective mechanism in place to ensure total compliance and risk management of the Company.

The Management of Risk forms a significant part of our processes. In keeping with this policy, a well-thought-out disaster recovery plan and a business continuity plan are now in place after a thorough review of risks to the business having been completed.

We continue to comply with the regulations laid down by the Securities and Exchange Commission of Sri Lanka (SEC) in respect of establishing a Related Party Transaction Review Committee as well as having in place Audit and Remuneration Committees. These and other requirements of Corporate Governance as laid down by the SEC are diligently observed.

Future Prospects

Having recorded a successful year despite the negative impacts of economic uncertainty and the losses borne during the previous years, we are proud of the strength and resilience shown by our Company when faced with tough challenges. We have taken the necessary steps to improve performance and gain competitive advantage and we look forward to the future with confidence. We firmly believe that brighter prospects are within our reach – and we shall strive to reach them in the year to come.

Acknowledgement

In conclusion, on behalf of the Board of Directors and the employees of the Company, I thank our valued shareholders – especially our major shareholder and Parent Company, Graphit Kropfmühl – for their continued support. I also thank the stakeholders for the trust and confidence they place in the management of the Company and the support they always extend to the Company.

Our heartfelt appreciation to Mr. Torben Müller, who served as a Director of the Company and who resigned from the Board in June 2018, for his valuable contribution made during his tenure in office. We wish him well for the future.

I also take this opportunity to thank my colleagues on the Board for their guidance and support, and extend my sincere appreciation to the Management Team and all employees, who performed their duties diligently to create greater value for our stakeholders. I am confident that they will continue to support us in our future endeavours.

Vijaya Malalasekara
Chairman
25th February 2019

Chief Executive Officer's Review

Having successfully overcome the challenges of the recent years, it is rewarding to look back on the year past and reflect on its positive performance. 2018 marked a turning point in our journey, steering the Company forward to record a year of success and performance beyond expectations. The adversities faced in the past years have only served to strengthen our resolve and motivate us to reach our targets. Therefore, it is indeed a pleasure to announce a year of profit and productivity.

In view of the incidents of 2017, further emphasis on safety and training was implemented with greater focus on stricter adherence to safety regulations and measures. The downsizing and restructuring also proved effective, bringing smooth and efficient improvements to operations, resulting in greater productivity.

The year under review recorded a revenue of Rs.877.8 million (2017 Rs.732.9 million), resulting in an overall increase of 19.8 percent compared to the previous year. Revenue from supply of specialised solutions to the Carbon Brush Industry and the Friction Industry grew by 49 percent and the revenue generated from traditional grades was reduced by 36 percent.

Another significant milestone achieved during the year past was obtaining a mining license valid for 10 years. Up until 2018, we were required to renew the mining license every year. This extended license was granted due to the proven high standards of safety followed by the Company, and it further confirms our commitment towards that end.

We are pleased to note that the Company reported the highest operating results during the year under review, where the Profit Before Taxation was Rs.175.5 million (loss before taxation for 2017 Rs.21 million). Earnings per share (EPS) recorded Rs.1.6 compared to Rs.0.2 negative in 2017 for a similar share base of 94,632,904 shares.

Health and Safety

Methodical training programs in relation to health and safety were carried out throughout the year under review. As a result, the number of training hours nearly doubled in comparison with the previous year. This endeavour showed positive results with only 2 lost-time accidents, 23 lost days and 1 minor accident being recorded in 2018. However, we are making every possible effort maintain a zero lost-time accident level, and continue to focus on improving health and safety measures. Through our strong commitment and ongoing training, we are confident that in the near future we will be able to achieve the target of zero lost-time accidents.

As we have identified the issue of health and safety as being vital beyond the workplace, we will be conducting Family Day events in 2019, focusing mainly on awareness programs for domestic safety and health as well.

As previously indicated, being granted a 10-year license during the year past is a clear indicator of the exceptional levels of safety maintained, and the Company's continuous commitment to maintain them.

Outlook

The year under review was a challenging one in all quarters – with ongoing reviews, and focus on meeting set targets. The support of our parent company, along with the commitment from our workforce, enabled the Company to achieve its performance goals. It is imperative for us to maintain focus on achieving the planned production and productivity levels whilst minimising costs, particularly in an environment where the demand is continuously increasing. Constant monitoring and review of key performance indicators would certainly be a necessity to achieve and sustain positive results in the future.

We have also placed great emphasis on monitoring industry developments currently taking place in order to ascertain possible threats that may affect us in the years ahead. However, whatever challenges the future may bring, we are confident that our drive for continuous improvement will enable us to meet adversities if they arise, and to overcome them – as we have indeed proven more than capable of doing so, especially in the year past.

Appreciation

As we record a year of positive performance, I take this opportunity to express my appreciation to our parent company, Graphit Kropfmühl GmbH, the Chairman and the Board of Directors for their continued confidence in me, and for extending their unwavering support and guidance to me at all times. I extend my thanks to Mr. Torben Müller, who resigned from the Board in June 2018, for the valuable contribution made during his tenure as a director of the Company.

I also wish to thank all our shareholders, employees, Management Team and staff for the steadfast support they have offered me throughout, and look to the year ahead with confidence that we will be able to record further success and meet our goals.

Amila Jayasinghe
Chief Executive Officer
25th February 2019

Vijaya Malalasekera *(Non-Executive /Independent Director)*
MA(Cantab). Barrister-at-Law (Inner Temple), Attorney-at-Law

He was appointed Chairman of Bogala Graphite Lanka PLC in April 2000. He is currently the Chairman of Fairway Sky Homes (Private) Limited. He also serves on the Board of Carson Cumberbatch PLC and 1990 Suwasariya Foundation as a Board Member.

Thomas A. Junker *(Non-Executive Director)*

Mr. Junker is a graduate in Civil Engineering from the University of Applied Science in Aalen, Germany. He was appointed a Director of Bogala Graphite Lanka PLC on 26th March 2010. He has been with Graphit Kropfmühl since April 2008 and currently serves as the President of AMG Graphite Group. He also is the Managing Director of Qingdao Kropfmühl Graphite Ltd and Board Director since 2011.

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 Board of the Company as a Consultant/Director in January 2008 and holds the position to date.

Roger P. Miller *(Non-Executive Director)*

Mr. Miller was appointed a Director of Bogala Graphite Lanka PLC on 28th April 2016. He is a founder and Managing Partner of Alterna Capital Partners (a private investment management firm in the United States) since 2007 and a Director of AMG GK since March, 2015. He holds a BS in Mining Engineering from Montana School of Mines and a MBA from Cornell University.

Amila Jayasinghe B.Bus (Monash), 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.

Ms. M. Coralie Pietersz *(Non-Executive/Independent Director)*

Ms. Pietersz was appointed a Director on 14th May 2013. She is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds a B.Sc. (Honours) degree in Physics from the University of Sussex and an MBA from Heriot-Watt University, Edinburgh. Ms. Pietersz is the Finance Director of Finlays Colombo Limited, Hapugastenne Plantations PLC and Udapussellawa Plantations PLC. She serves as an Independent Director on the Board of Seylan Bank PLC.

Sugath Amarasinghe ACA, ASCMA *(Executive Director)*

Mr. Amarasinghe was appointed a Director on 4th April 2014. He is a member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He possesses 26 years of working experience in the Mercantile Sector with industry coverage from FMCG (Foods & Beverages), Automobile, Services (Corporate and Management Consultancy), Information Technology, Garment Manufacturing, and Garment Processing.

Mohamed Adamaly *(Non-Executive/Independent Director)*
Attorney-at-Law, Marketer

Mr. Adamaly was appointed to the board with effect from 2nd October 2014. He is an Attorney-at-Law, and holds a Bachelors in Law (LL.B.) with Honors from the University of Colombo, and a post-graduate Diploma in Marketing from Chartered Institute of Marketing, UK. Mr. Adamaly is a practising lawyer specialising in investment consultancy, commercial litigation, labour and public law. He is also a resource person for Director Training for the Sri Lanka Institute of Directors, a Senior Lecturer in Marketing, and serves on boards of several Public and Private companies.

The governance framework of the Company provides clear directions on decision making which facilitates the progress of the Company whilst promoting a culture of openness, productive dialogue, constructive dissent, employee empowerment and engagement and creating value to all stakeholders.

The Board provides strategic guidance and sets the tone to place proper internal control systems to ensure compliance with specific mandatory requirements under the rules set out in Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) and the voluntary requirements of the Code of Best Practices on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC).

Board Composition and Skills

The Board, comprises eight Directors. Six of them are Non-Executive Directors, three of whom are Independent Directors, and two Executive Directors. The Company policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors, in keeping with the relevant rules and codes. The Board brings in a wealth of diverse exposure in the fields of management, business administration, economics, and human resources. All directors possess the skills, expertise and knowledge needed, complementing a high sense of integrity and independent judgement.

The Board's responsibilities include:

- Providing strategic direction and guidance to the Company in the formulation of sustainable, high-level, medium-and long-term strategies which are aimed at promoting the long-term success of the Company
- Reviewing and approving annual and long-term business plans, tracking actual progress
- Ensuring operations are carried out within the scope of the Company Risk management framework
- Proper stewardship of the Company's resources and towards this, monitoring systems of governance and overseeing systems of internal control and risk management
- Ensuring the highest standards of information – particularly financial information, business ethics and integrity
- Reviewing and approving major acquisitions, disposals and capital expenditure
- Ensuring all Related Party Transactions are compliant with the statutory obligations

Director	Executive	Non-Executive	Independent
Vijaya Malalasekera		√	√
Thomas A. Junker		√	
J. C. P. Jayasinghe		√	
Torben Müller – resigned w.e.f. 12th June 2018		√	
Amila Jayasinghe	√		
Coralie Pietersz		√	√
Sugath Amarasinghe	√		
Mohamed Adamaly		√	√
Roger Miller		√	

All Non-Executive Directors are expected to disclose any material business interest and submit an annual declaration confirming his/her independence/non-independence as required under the Listing Rules of the Colombo Stock Exchange. Each Non-Executive Director has submitted a declaration of his/her independence or non-independence for the year under review. Non-Executive Directors do not have any business interest except what is stated under note 24 of Related Party Disclosure on page 69 of the Annual Report.

The Board places strong emphasis on transparency, accountability, and integrity of transactions, in line with the code of Corporate Governance. Whilst the Board is responsible for guiding the overall direction, strategies and financial objectives, overseeing systems of internal control, risk management, and strategic plans, it is the responsibility of the corporate management team to ensure its implementation.

The Board has determined that Mr. Vijaya Malalasekera is an Independent Director since he is not directly involved in the Management of the Company. Having considered these factors, the Board is of the opinion that Mr. Vijaya Malalasekera continue to serve on the Board as an Independent Director notwithstanding the fact that he has served on the Board for more than ten years, as it is beneficial to the Company and its shareholders.

During the year under review four Board meetings were convened. The Directors are provided with relevant information and background material per the agenda prior to every meeting to enable them to make informed decisions. Board papers are submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval.

Board Meeting Attendance

Director	Year of Appointed	22/02/2018	28/04/2018	15/08/2018	31/10/2018	Eligible to Attend	Attended
Independent Non-Executive							
Vijaya Malalasekera	2000	✓	✓	✓	✓	4	4
Coralie Pietersz	2013	✓	✓	✓	✓	4	4
Mohamed Adamaly	2014	✓	✓	Excused	✓	4	3
Non-Executive							
Thomas A. Junker	2010	✓	Excused	✓	Excused	4	2
J. C. P. Jayasinghe	2008	✓	✓	✓	✓	4	4
Torben Müller – resigned w.e.f. 12th June 2018	2012	Video conference	✓	N/A	N/A	2	2
Roger Miller	2016	✓	✓	✓	✓	4	4
Executive							
Amila Jayasinghe	2004	✓	✓	✓	✓	4	4
Sugath Amarasinghe	2014	✓	✓	✓	✓	4	4

The Role of the Chairman

The Chairman is responsible for the efficient conduct of Board meetings and ensures effective participation of both Executive and Non-Executive Directors. It is also the responsibility of the Chairman to ensure Board members have opportunities to obtain clarifications on matters set before the Board which include access to Key Management Personnel (KMP) and presentations done by experts and other team members. It is also the responsibility of the Chairman to ensure that views of Directors on issues under consideration are ascertained and that the Board is in complete control of the Company's affairs. The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.

The Chairman, whilst providing leadership to the Board, also sets the tone for the governance and ethical framework of the Company, facilitates and solicits the views of all Directors by keeping in touch with local and global industry developments and ensures that the Board is sensitive to its obligations to the Company's shareholders and stakeholders.

Delegation of Authority

The Board is responsible for the overall governance, conduct and implementation of sound business strategies for the Company. The Board exercises its ordinary and extraordinary powers in carrying out its duties within the relevant laws/regulations of the country, regulatory authorities, professional institutes and trade associations to achieve the corporate objectives of the Company. In exercising its business judgment, the Board acts as an advisor and counsellor to the CEO/Managing Director, who defines and enforces standards of accountability, with a view to enabling senior management to execute their responsibilities fully in the interest of the Company and its shareholders. The Board assesses the effectiveness of the Management Team through periodic review of their performance and compliance to best corporate practices.

Board Committees

The Board has delegated some of its functions to the Subcommittees, whilst retaining the rights of final decision. Members of these Subcommittees are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. The Directors dedicate sufficient time at such meetings to review respective documentation relating to the meeting, and call for additional information for any further clarification, in addition to familiarising themselves with the economic factors, legal and political risks and changes.

The three Board Subcommittees are as follows:

1. Audit Committee
2. Remuneration Committee
3. Related Party Transaction Review Committee

The Board Subcommittees comprise predominantly independent Non-Executive Directors. The committees are provided with all resources to empower them to undertake their duties in an effective manner. The Company Secretary acts as secretary to these committees except for the Remuneration Committee. The minutes of each committee meeting are circulated to all Directors on completion.

The membership of the three Board Subcommittees is as follows:

Attendance at Board and Committee Meetings

Director	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Independent Non-Executive				
Vijaya Malalasekera	4/4	5/5	1/1	4/4
Coralie Pietersz	4/3	5/5	N/A	4/4
Mohamed Adamaly	4/2	5/4	1/1	4/3
Non-Executive				
Thomas A. Junker	4/2	3/2	1/1	4/3
J. C. P. Jayasinghe	4/4	N/A	N/A	N/A
Torben Müller – resigned w.e.f. 12th June 2018	2/2	2/1	N/A	2/2
Roger Miller	4/4	3/3	N/A	3/3

Attendance at Board and Committee Meetings Cont.				
Director	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Executive				
Amila Jayasinghe	4/4	5/5	N/A	4/4
Sugath Amarasinghe	4/4	5/5	N/A	4/4

Audit Committee

The Board has appointed an Audit Committee consisting of three Independent Non-Executive Directors and a Non-Executive Director, chaired by Ms. Coralie Pietersz. A comprehensive report of the Audit Committee appears on page 21.

The Audit Committee is responsible for monitoring and supervising the financial reporting process defined by the management ensuring:

1. Review of the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with Sri Lanka Accounting Standards
2. The compliance with Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange, Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka and other relevant laws and regulations
3. The independence of both External Auditors, Internal Auditors and recommendation of re-appointment of External Auditors.
4. Review of the adequacy and effectiveness of the Internal Control and Risk Management systems over financial reporting process.
5. Review of the adequacy and effectiveness of the internal audit arrangements.

The Audit Committee has formalised its authority, responsibilities, and duties through the Audit Committee Terms of Reference, which is reviewed by the Board annually.

Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors, of whom two are Independent Directors. The Committee is headed by Mr. Vijaya Malalasekera and the members include Mr. Thomas A. Junker and Mr. Mohamed Adamaly.

The Committee is responsible for determining and agreeing with the Board a framework for remuneration of Chief Executive Officer, Finance Director and Management Team. They consider industry benchmark principles for any performance-related schemes to determine total remuneration package. Employee performance is measured through key performance indicators including financial and non-financial measures of performance, and links a significant component of pay to individuals and the Company's performance.

Determining the Non-Executive Directors' compensation is not under the scope of this Committee.

The remuneration policy and its role is discussed in the report of the Remuneration Committee given on page 23.

Related Party Transaction Review Committee

The Committee comprises four Non-Executive Directors and three of them are Independent Directors. The Committee is headed by Mr. Vijaya Malalasekera; the Report of the Related Party Transaction (RPT) Review Committee is given on page 25. The Chief Executive Officer and Finance Director attend the meetings by invitation and the Company Secretaries serve as the Secretary to the Committee.

The objective of the Committee is to ensure on behalf of the Board, the compliance with Code on Related Party Transactions, as issued by the SEC with the Listing Rules of the CSE, that all related party transactions with its parent, associate companies, and/or any key management persons are undertaken and disclosed in a manner consistent with the Code on Related Party Transactions.

The Committee has developed and recommended a policy for adoption by the Board on RPTs of the Company with its parent, associate companies and others which is in line with the Operating Model. The Committee updates the Board on related party transactions on a quarterly basis following the reporting templates, specifying recurrent and non-recurrent transactions which require discussion in detail. Related Party Transactions which require pre-approval by the Board are reviewed periodically as specified in the guidelines of the SEC.

The Committee in discharging its functions has introduced a process whereby periodic reporting of the Company is required, with a view to ensuring compliance with the Code, that shareholder interests are protected and that fairness and transparency are maintained at all times.

Accountability and System of Internal Control

The Board has taken necessary steps to ensure the integrity of accounting and financial reporting systems and that internal control systems remain robust and effective with the review and monitoring of such systems on a periodic basis. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board has, through the Company's Business Process Review function, taken steps to obtain reasonable assurance that systems designed to safeguard the Company assets, maintain proper accounting records and provide management information, are in place and are functioning as planned. Effectiveness of the internal control system is reviewed quarterly by the Audit Committee and major observations are reported to the Board through the reports of internal audit.

The Board, having reviewed the system of internal controls, is satisfied with the Company's adherence to and effectiveness of them for the period up to the date of signing of the Financial Statements.

Internal and External Audit

The internal audit function is outsourced to Messrs B. R. De Silva & Company, Chartered Accountants. The Board reviews the comments arising from the internal audits and monitors their progress through action plans focused to take corrective measures. The Audit Committee evaluates appropriateness of the Internal Audit function through Internal Audit Charter reviewed annually to ensure that the internal audit plan adequately covers the significant risks of the Company.

The external auditor is a qualified independent external party whose objective is to determine whether the Financial Statement of the Company represents a true and fair view of its financial performance, position and cash flow status. The audit firm KPMG, Chartered Accountants, was re-appointed at the AGM in 2017 as external auditors of the Company for the financial year 2018. The Audit Committee reviews the annual audit plan with the recommended work approach.

The knowledge and experience of the Audit Committee ensures effective usage of the expertise of the auditors, while maintaining independence, in order to derive transparent Financial Statements. The Company maintains independence from financial and non-financial interest between auditors and re-assesses the same on a regular basis. The fees paid to audit and non-audit services are separately disclosed in the notes to the Financial Statements.

Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure (Mandatory provisions – Fully Compliant)

CSE Rule	Companies Act Requirement	Compliance Status	Reference to Annual Report 2018
7.6 (i)	Names of persons who were Directors of the Entity	Complied	Annual Report of the Board of Directors, pages 27-28
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year, and any changes therein	Complied	
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied	Invester Information, page 79
7.6 (iv)	The public holding percentage	Complied	
7.6 (v)	A statement of each Director's and Chief Executive Officer's holding of shares of the Entity at the beginning and end of each financial year	Complied	Annual Report of the Board of Directors, page 31
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Complied	
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied	Notes to the Financial Statements, page 62
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied	Invester Information, pages 79-80
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	
7.6 (xi)	Financial ratios and market price information	Complied	
7.6 (xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Complied	Notes to the Financial Statements, page 62
7.6 (xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Complied	The Company had no public issue, rights issue or private placement during the year under review.
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Complied	As at date, the Company has no share option/purchase scheme made available to its Directors or employee.
7.6 (xv)	"Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules"	Complied	Reffer pages 21, 23 & 28 of this Annual Report
7.6 (xvi)	Related Party Transactions exceeding 10 percent of the equity or 5 percent of the total assets of the Entity per audited Financial Statements, whichever is lower	Complied	Related Party Disclosures, page 71

Statement of Compliance under Section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance (Mandatory provisions – Fully Compliant)

Company has complied with the mandatory disclosure requirement on Corporate Governance for Listed Companies in Sri Lanka issued by the Colombo Stock Exchange (CSE) as set out below.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Bogala extent of adoption
7.10 (a, b, c)	Compliance	Complied	Compliance with Corporate Governance Rules
7.10.1 (a, b, c)	Non-Executive Directors (NED)	Complied	Six out of eight Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors – 2 or 1/3 of NEDs, whichever is higher, should be independent	Complied	Three out of six Non-Executive Directors are independent
7.10.2 (b)	Independent Directors – each NED should submit a signed and dated declaration of independence or non independence	Complied	All NEDs have submitted their confirmation on independence in line with regulatory requirement
7.10.3 (a, b)	Disclosure Relating to Directors – the Board shall annually determine the independence or otherwise of the NEDs	Complied	Names of the Independent Directors are disclosed on page 28 and criteria for independence have been met
7.10.3 (c)	Disclosure relating to Directors – a brief resume of each Director should be included in the Annual Report (AR) including the Director's areas of expertise	Complied	Brief resumes of the Directors are given under Directors' Profiles, on page 9
7.10.3 (d)	Disclosure relating to Directors – provide a brief resume of new Directors appointed to the Board along with details	Complied	Disclosed the appointments of new Directors to the CSE with brief resume when it was disclosed to the public
7.10.4 (a to h)	Criteria for Defining Independence – requirements for meeting criteria to be an independent Director	Complied	Company has established it through their independence statement
7.10.5	Remuneration Committee (RC)	Complied	Company has a Remuneration Committee
7.10.5 (a)	Composition of Remuneration Committee – shall comprise NEDs, a majority of whom shall be independent; one NED shall be appointed as Chairman of the Committee	Complied	The Committee comprises two Independent Non-Executive Directors and a Non-Executive Director
7.10.5 (b)	Functions of Remuneration Committee – The RC shall recommend the remuneration of the CEO and Executive Director and Senior Management Staff	Complied	The Committee has recommended the remuneration of the Chief Executive Officer, Finance Director, and Management Committee

7.10.5 (c)	Disclosure in Annual Report relating to RemunerationCommittee – Names of the Directors comprising the RC, statement of policy, aggregated remuneration paid to EDs and NEDs	Complied	Refer to page 23 for names of the committee members, and for the remuneration policy. The aggregate remuneration paid to Executive and Non-Executive Directors is given under note 24.2 to the Financial Statements on page 70
7.10.6	Audit Committee (AC)	Complied	Company has an Audit Committee
7.10.6 (a)	Composition of Audit Committee – shall comprise NEDs, a majority of whom shall be independent. A NED to be the Chairman of the Committee; CEO and FD to attend AC meetings, Chairman of the AC or one member should be a member of a professional accounting body	Complied	The Audit Committee comprises three Independent Non-Executive Directors, and a Non-Executive Director. CEO and Finance Director attended committee meetings by invitation
7.10.6 (b)	Audit Committee Functions – Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS); compliance with financial reporting requirements; ensuring that internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS; assessment of the independence and performance of the external auditors; make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors; and approve the remuneration and terms of engagement of the external auditors	Complied	Please refer to page 21 for the functions of the Audit Committee
7.10.6 (c)	Disclosure in Annual Report relating to AC – Names of Directors comprising the AC; the AC shall make a determination of the independence of the Auditors and disclose the basis for such determination; the Annual Report shall contain a Report of the AC setting out the manner of compliance with their functions	Complied	The names of the Audit Committee members and the basis of determination of the independence of the auditor are given in the Audit Committee report on page 21

Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Related Party Transactions (Mandatory provisions – Fully Compliant)

CSE Rule	Companies Act Requirement	Compliance Status	Reference to Annual Report 2018
9.3.2 (a)	Details pertaining to Non-Recurrent Related Party Transactions	Complied	Notes to the Financial Statements, page 71
9.3.2 (b)	Details pertaining to Recurrent Related Party Transactions	Complied	
9.3.2 (c)	Report of the Related Party Transactions Review Committee	Complied	Refer to Report of the Related Party Transaction Review Committee, pages 25-26
9.3.2 (d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Complied	

Statement of Compliance under Section 168 of Companies Act No. 07 of 2007

CSE Rule	Companies Act Requirement	Compliance Status	Reference to Annual Report 2018
168.(1) (a)	The nature of the business of the Company Group and the Company together with any change thereof during the accounting period	Complied	Annual Report of the Board of Directors, page 27
168.(1) (b)	Signed Financial Statements of the Company for the accounting period completed – section 151	Complied	Financial Statements, page 40
168.(1) (c)	Auditors' Report on Financial Statements of the Company	Complied	Independent Auditors Report, page 34
168.(1) (d)	Accounting policies and any changes therein	Complied	Note to the Financial Statements, page 43
168.(1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Complied	Annnual Report of the Board of Directors, page 29
168.(1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Notes to the Financial Statements, page 70
168.(1) (g)	Corporate donations made by the Company during the accounting period	Complied	Notes to the Financial Statements, page 59
168.(1) (h)	Information on the Directorate of the Company at the end of the accounting period	Complied	Annual Report of the Board of Directors, page 28
168.(1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Complied	Notes to the Financial Statements, page 59
168.(1) (j)	Auditors' relationship or any interest with the Company	Complied	Audit Committee Report, page 21
168.(1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Complied	Statement of Directors' Responsibility, page 33

Risk Management

The Company has established an integrated risk management process to identify the types of risk specific to the industry in which we operate, to measure those potential risks and to develop strategies to mitigate them. Risk management is an essential element of our corporate governance structure and strategic development process. Therefore, appropriate systems, policies and procedures are in place in all areas of operations and they are periodically reviewed to ensure adequacy and adherence.

Risk management, being an integrated discipline, plays a pivotal role in balancing strategic planning with business execution and compliance. This facilitates informed decision making and a conscious evaluation of opportunities and risks. The Company's overall risk management process is overseen by the Board through the Audit Committee as an important part of corporate governance.

However, we also recognise that risk management is a shared responsibility of all employees of the Company, rather than being a separate and stand-alone process. Hence it is integrated into overall business and decision-making processes including strategy formulation, business planning, business development, investment decisions, capital allocation, internal control and day-to-day functions.

Having the right people to execute strategies is imperative for the success in new and diverse opportunities emerging in growth markets. The Board recognises the crucial role of human capital since talent, culture and work attitude are arguably the biggest drivers of competitive advantage. The Board plays an important role in ensuring that the leadership stays focused on building the talent strategy.

The Company conducts regular reviews of the major risks such as regulatory changes, political and environment changes that could affect the business and financial performance, and creates awareness of them. It also evaluates the potential threats that could be posed from possible competitors. The Company analyses the exposure to business risks by identifying their vulnerability and probability of occurrence in order to determine how best to handle such exposure.

The Company also engages consistently in new exploration techniques and processing methods, focusing on overall efficiency improvement to be more attractive in terms of pricing and product quality, and to make certain that possible new entrants do not compromise the Company's strategic advantage.

The Company manages its working capital at a healthy level of liquidity and monitors its net operating cash flow and maintains cash and cash equivalent at an appropriate level to support operational and capital expenditure requirements.

Investment risks are hedged through close monitoring and compliance to production and quality parameters agreed and projected when making such investments. Periodic review and implementation of customer feedback also ensures sustained product quality.

Going Concern, Financial Reporting and Transparency

The Board of Directors, after conducting necessary inquiries and reviews of the Company's budget for the ensuing year, capital expenditure requirements, prospects and risks, cash flows and ability to raise funds, has a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. Therefore, the going concern principle has been adopted in preparing these Financial Statements.

The Financial Statements are prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and all statutory and material declarations are highlighted in the Annual Report of the Board of Directors. The Directors have taken reasonable steps to ensure the accuracy and timeliness of information in the annual Financial Statements.

The Board discusses full information, both financial and non-financial, within the bounds of commercial realities. Being the only mining company listed on the Colombo Stock Exchange, it is committed to a responsible business discipline.

Conflict of Interest and Independence

Each Director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest arising from external associations, interests in material matters and personal relationships which may influence their judgement. The Board reviews such potential conflicts from time to time whilst the Board members are free to express their own opinion on matters of importance to the Company and its operation. Related Party Disclosure note 24 of the Annual Report on page 69 provides information regarding the exception. Each Non-Executive Director has submitted a declaration of his or her independence or non-independence for the year under review.

Independent Professional Advice by the Board during the Financial Year

The Board seeks independent professional advice when deemed necessary. During the year under review, professional advice was taken on the following matters:

- Legal, tax and accounting aspects, particularly where independent external advice was deemed necessary in ensuring the integrity of the subject decision.
- Actuarial valuation of retirement benefits and valuation of property.
- Information technology consultancy services pertaining to existing ERP system software upgrade.
- Specific technical knowledge and domain knowledge required for productivity improvements.

Investor Relations

The Company continues to maintain an active dialogue with shareholders, potential investors, banks, analysts and other interested parties in ensuring effective investor communication. The Board invites questions from shareholders during the Annual General Meeting.

Employee Participation and Industrial Relations

The Company considers its employees as its greatest asset and includes them at various levels within its internal governance structure. Policies, processes and systems are in place to ensure effective recruitment, development and retention as the Company is committed to hiring, developing and promoting individuals who possess the required competencies.

The Company is continuously working towards introducing innovative and effective methods for employee communication and employee awareness. The importance of communication top-down, bottom-up and laterally in gaining employee commitment to Company goals has been conveyed extensively through various communications issued by the Chairman, CEO/Managing Director and the management. Towards this, the Company maintains constant dialogue and facilitation pertaining to work-related issues and matters of general interest that could affect employees and their families. Further, the Company promotes an open-door policy for its employees and key stakeholders, at all levels.

The Company provides an environment conducive to safety and security for its employees, and allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race or religion and promotes a workplace that is free from physical, verbal or sexual harassment, all of which complement effective Corporate Governance.

The Audit Committee, which is a subcommittee of the Board, is appointed by, and responsible to, the Board of Directors. The Audit Committee's authority, responsibilities, and duties have been formalised through the Terms of Reference which are reviewed annually by the Committee and approved by the Board. The primary functions of the Audit Committee are to:

- review the effectiveness and adequacy of the internal control procedures,
- seek assurance on the integrity of the Company's financial reporting process and the reliability of the published Financial Statements,
- monitor the processes in place for ensuring compliance with statutory requirements,
- evaluate the adequacy of the process established by management for identifying, assessing and managing risk.

Composition of the Committee and Meetings

The Audit Committee is composed of three independent Non-Executive Directors and is chaired by Ms. Coralie Pietersz, Independent and Non-Executive Director.

Director	Committee	Non-Executive	Independent
Coralie Pietersz	Chairperson	√	√
Vijaya Malalasekera	Member	√	√
Thomas A. Junker – appointed w.e.f. 12th June 2018	Member	√	
Torben Muller – resigned w.e.f. 12th June 2018	Member	√	
Mohamed Adamaly	Member	√	√

The Audit Committee met five times during the year. This included one meeting with internal auditors without the presence of the Management and one meeting with the external auditors.

Note: The Chief Executive Officer and Finance Director of the Company, the CEO/President of AMG Graphite, and the Managing Partner of Alterna Capital attend the meetings of the Audit Committee by invitation. The External Auditor and Internal Auditor attend meetings as and when required.

Audit Committee Meeting Attendance

Director	12.02.2018	10.04.2018	15.08.2018	31.10.2018	05.12.2018	Eligible to attend	Attended
Coralie Pietersz	√	√	√	√	√	5	5
Vijaya Malalasekera	√	√	√	√	√	5	5
Thomas A. Junker – appointed w.e.f. 12th June 2018	N/A	N/A	√	Excused	√	3	2
Torben Muller – resigned w.e.f. 12th June 2018	√	Excused	N/A	N/A	N/A	2	1
Mohamed Adamaly	√	√	Excused	√	√	5	4
By Invitation							
Thomas A. Junker	√	√	N/A	N/A	N/A	2	2
Roger Miller	√	N/A	√	√	N/A	5	3
Sugath Amarasinghe	√	√	√	√	√	5	5
Amila Jayasinghe	√	√	√	√	√	5	5

Financial Reporting

The Audit Committee has reviewed and discussed the financial reporting system adopted by the Company in the preparation of its Interim and Annual Financial Statements prior to publication. The review also includes ascertaining the consistency and relevance of the Accounting Policies adopted and compliance with the Sri Lanka Financial Reporting Standards.

The Committee reviews and recommends the Interim Financial Statements and Annual Financial Statements to the Board for its acceptance. The Committee in its evaluation of the financial reporting system also recognises the adequacy of the content and quality of the management information.The Committee reviewed the issues arising from the audit of the Annual Financial Statements highlighted in the Management Letter together with the management responses thereto, and monitored the progress made by the Management in resolving the issues raised by the auditors.

The Audit Committee reviewed the impact assessment carried out by the Company on SLFRS 15 – Revenue from Contracts from Customers, and the treatment on SLFRS 6 – Exploration for and Evaluation of Mineral Resources and recommended appropriate disclosure in both Interim and Year-End Financial Statements.

Internal Audit

The Internal Audit Function conforms to the terms and guidelines of the Internal Audit Charter, which sets out the scope, functions, authority, and responsibility of the internal audit function. The internal audit function is outsourced to an independent and leading professional firm, Messrs B. R. De Silva & Co.

During the year, the Audit Committee reviewed and monitored the effectiveness of the internal audit function and reviewed the progress of audits against the internal audit plan for 2018 approved by the Committee. It reviewed the internal audit report and its findings and monitored the implementation of recommendations made by the Internal Auditors.

External Audit

The Committee held meetings with External Auditors during the year to discuss the scope of the audit, audit approach and procedures to be adopted during the audit.

The external auditors kept the Committee advised on an ongoing basis regarding matters of significance that were pending resolution. Before the conclusion of the Audit, the Committee met with the External Auditors and management to discuss all audit issues highlighted in the management letter and management response for same. The Committee also met External Auditors, without management being present, prior to the finalisation of the Financial Statements to obtain their input to ascertain whether they had any areas of concern.

The Audit Committee, having evaluated the performance of the external auditors, was satisfied that the independence of the external auditors has not been impaired by any event or service that gives rise to a conflict of interest.

The Committee has recommended to the Board that Messrs KPMG be re-appointed as the External Auditors for the year ending 31st December 2019, subject to approval by the shareholders at the forthcoming Annual General Meeting.

Coralie Pietersz
Chairperson, Audit Committe

25th February 2019

The Remuneration Committee was set up with the objective of formulating a system to develop a policy on executive remuneration and determining the remuneration packages of Executive Directors and senior management of the Company.

The Committee is chaired by Independent Non-Executive Director Mr. Vijaya Malalasekera and comprises three Non-Executive Directors of whom two are independent.

Director	Committee	Non-Executive	Independent
Vijaya Malalasekera	Chairman	✓	✓
Thomas A. Junker – appointed w.e.f. 12th June 2018	Member	✓	
Torben Müller – resigned w.e.f. 12th June 2018	Member	✓	
Mohamed Adamaly	Member	✓	✓

The committee was assisted at meetings by the Chief Executive Officer/MD, Amila Jayasinghe and Finance Director, Sugath Amarasinghe, who acts as the Secretary.

Remuneration Policy

The Remuneration Policy of the Company is to attract, motivate, and retain quality management in a competitive environment with relevant experience to achieve the objectives of the Company.The Committee focuses on, and is responsible for, ensuring that the total package is competitive in order to attract the best talent for the Company.

The Committee is not responsible for determining the remuneration of Independent Non-Executive Directors.

Framework and Scope

The Committee is responsible for developing the Company's remuneration policy and determining the remuneration packages of executive employees of the Company. The Committee recommends to the Board the remuneration to be paid to Key Management personnel. In designing competitive compensation packages, the Committee, in consultation with the Chief Executive Officer, consciously balances short-term performance with medium to long-term goals of the Company.

The Committee reviews all significant changes in the corporate sector in determining salary structures, and terms and conditions relating to the CEO and Executive Directors. In this decision-making process, necessary information and recommendations are obtained from the Chief Executive Officer. The Company ensures internal equity, and fairness among employees is maintained at all times; a suitable work environment and working conditions are also provided.

The Committee is responsible for determining, reviewing and monitoring and evaluating the performance of the Chief Executive Officer, Finance Director and the Senior Management Team of the Company. The Committee lays down guidelines and parameters for management development and succession planning. The Chief Executive Officer, who is responsible for the overall management of the Company, attends all meetings by invitation and participates in all deliberations except when his own performance and compensation package is discussed.

Fees

Independent Directors receive a fee for attendance at Board Meetings and for serving on Subcommittees. They do not receive any performance or incentive payments. Total remuneration to Directors is shown in note 24.2 to the Financial Statements on page 70.

Meetings

The Committee met on October 2018 to review the 2018 performance of the Chief Executive Officer, Finance Director and the Management Team. Decisions recommended by the Committee were approved by the Board of Directors.

Remuneration Committee Meeting Attendance

Director	31/10/2018	Eligible to attend	Attended
Vijaya Malalasekera	✓	1	1
Thomas A. Junker – appointed w.e.f. 12th June 2018	✓	1	1
Torben Müller – resigned w.e.f. 12th June 2018	N/A		
Mohamed Adamaly	✓	1	1

In conclusion, I wish to thank my colleagues on the Committee for their helpful contribution to the deliberations of the Committee.

Vijaya Malalasekera
Chairman, Remuneration Committee
25th February 2019

Code of Best Practice on Related Party Transactions

The Board of Directors of the Company in compliance with the Code of Best Practices on Related Party Transaction issued by the Securities and Exchange Commission of Sri Lanka (SEC) under Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE), constituted a Related Party Transaction Review Committee (RPTRC) on 11th November 2014.

The Company developed its Compliance Code with the guidance of the RPTRC, setting out the policies and procedures that are required to follow the rules and laws enacted in Sri Lanka relating to Related Party Transactions.

Composition of the Committee

The Related Party Transaction Review Committee comprises three Independent Non-Executive Directors and one Non-Executive Director.

Director	Committee	Non-Executive	Independent
Vijaya Malalasekera	Chairman	✓	✓
Thomas A. Junker	Member	✓	
Coralie Pietersz	Member	✓	✓
Mohamed Adamaly	Member	✓	✓

Purpose of the Committee

The objective of the Committee is to exercise oversight on behalf of the Board to ensure compliance with the Code on Related Party Transaction, as issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE). The primary objective of the said rules is to ensure that the interests of the shareholders are considered when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To achieve this objective the Committee has adopted the Related Party Transaction Code which contains the Company's Policy governing the review, approval and oversight of Related Party Transactions.

Procedure for Reporting Related Party Transactions

The Chief Executive Officer and the Chief Financial Officer are responsible for reporting to the Committee, for its review and approval, the information set out under the Code, in respect of each category of Related Party Transaction classifying them to recurrent and non-recurrent transactions. Moreover, on a quarterly basis, the CEO and CFO are required to report to the Committee on the Related Party Transactions entered into by the Company.

The Company has approved the Related Party Transaction Declaration Form required to be filled out by the Directors and key management personnel of the Company. The Company uses this form to capture the Related Party Transaction at the end of every quarter.

Related Party Transaction Review Committee Meeting Attendance

Director	22.02.2018	28.04.2018	15.08.2018	31.10.2018	Eligible to attend	Attended
Vijaya Malalasekera	√	√	√	√	4	4
Coralie Pietersz	√	√	√	√	4	4
Thomas A. Junker	√	Excused	√	Excused	4	3
Mohamed Adamaly	√	√	Excused	√	4	0
By Invitation						
Roger Miller	√	N/A	√	√	3	3
Torben Müller – resigned w.e.f. 12th June 2018	√	√	N/A	N/A	2	2
Sugath Amarasinghe	√	√	√	√	4	4
Amila Jayasinghe	√	√	√	√	4	4

Duties of the Related Party Transactions Committee

- To review the related party transactions of the Company presented to the Committee in a specified format and decide upon same.
- To seek any information the Committee requires from Management, employees, or external parties regarding any transactions entered into with a related party.
- To obtain expertise to assess all aspects of Related Party Transactions where necessary, including obtaining appropriate professional and expert advice.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any Related Party Transaction.
- To monitor the Related Party Transactions of the Company to ensure that they are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- To meet with the management, internal auditors/external auditors as necessary to carry out the assigned duties.
- To review the transfer of resources and services between related parties to ascertain the reasonableness regardless of whether a price/fee is charged.

Declaration

The Board of Directors confirm that the Company has complied with the requirements of the Listing Rules of the CSE on Related Party Transactions.

Vijaya Malalasekera
Chairman, Related Party Transaction Review Committee
25th February 2019

The Board of Directors has pleasure in presenting the 28th Annual Report and the Audited Financial Statements for the year ended 31st December 2018, which were approved on 25th of February 2018. The details set out herein provide pertinent information required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and are guided by the recommended best Accounting Practices.

Principal Activity

The principal activity of the Company is the mining, separation, refining, treating, processing and preparation, and sale of graphite, and the production and sale of lubricants.

Review of Business

A review of the Company's performance during the financial year is given in the Chairman's Review on page 4 and the CEO's Review on page 7. These reports, together with the audited Financial Statements of the Company, reflect the state of affairs of the Company.

Results and Appropriations

The Company's profit before tax was at Rs. (175.5) million (2017 – Net Loss Rs.21 million). Results of the Company are given in the statement of profit or loss and other comprehensive income on page 39. A brief description of the results and appropriations is given below:

For the year ended 31st December in Rs.'000s	2018	2017
The Net Profit/(Loss) after providing for all expenses, known liabilities, depreciation on property, plant and equipment and slow-moving stock	178,391	(17,144)
Finance Cost	(6,836)	(8,015)
Finance Income	3,981	4,173
Profit before tax	175,536	(20,986)
Provision for taxation including deferred tax	(23,314)	1,332
Net profit after tax	152,222	(19,653)
Actuarial gain/loss of defined benefit liability recognised through other comprehensive income net of tax	128	(5,877)
Total Comprehensive Income attributable to shareholders excluding land revaluation gain	152,350	(25,531)
Balance brought forward from the previous year	215,980	241,511
Amount available for appropriation	368,330	215,980
Final Dividend paid	-	-
Balance to be carried forward to next year	368,330	215,980

Accounting Policies and Changes during the year

The Company prepared the Financial Statements in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The significant accounting policies adopted in the preparation of the Financial Statements of the Company are given on pages 43 to 58. There were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous financial year.

During the year under review the Company carried out an impact assessment on SLFRS 15 – Revenue from Contract with Customers and observed that there are no significant impacts on adoption. The Company also adopted a strategy to recognise and disclose exploration, evaluation and development expenditure, consistent with its ultimate Parent Company.

Donations

During the year, donations amounting to Rs.1.459 million were made by the Company and are shown in note 7 to the Financial Statements on page 59 of the Annual Report.

Taxation

A detailed statement of the income tax reconciliation of the accounting profits with the taxable profits is given in note 9.1 of the Financial Statements. It is the policy of the Company to provide for deferred taxation on all known material timing differences between the carrying amounts of assets and liabilities for financial reporting purposes.

The deferred tax balances of the Company are given in note 21 of the Financial Statements.

Property, Plant and Equipment

The carrying value of property, plant and equipment as at the reporting date amounted to Rs.304.5 million compared to Rs.265.5 million for 2017.

The total expenditure incurred on acquisition of property, plant and equipment during the year for the Company amounted to Rs.70.2 million (2017 – Rs.44.5 million).

Land recognised as property, plant and equipment in the Financial Statements of the Company is recorded at revalued amounts. The land was revalued by a professionally qualified independent valuer during the financial year 2018.

Details of property, plant and equipment and their movements are given in note 11 of the Financial Statements on page 62.

Stated Capital and Reserves

The stated capital of the Company as at 31st December 2018 was Rs.102.074 million (2017 – Rs.102.074 million) consisting of 94,632,904 Ordinary Shares as given in note 17 of the Financial Statements on page 65. Total reserves of the Company as at 31st December 2018 amount to Rs.378.5 million (2017 – Rs.221.7 million) and the movement and composition is given in the Statement of Changes in Equity on page 41 of the Financial Statements.

Shareholder Information

Information relating to shareholding, net assets per share, market value of shares, and share trading is available on pages 79 and 80 of the Annual Report.

There were 9,405 registered shareholders as at 31st December 2018. The 20 major shareholders and public shareholding as at 31st December 2018, the number of shares held and the percentage of total shareholding are disclosed on page 79 in the Investor Information section of the Annual Report.

Board of Directors

The Directors of the Company as at 31st December 2018 were:

Director	Executive	Non-Executive	Independent
Vijaya Malalasekera		√	√
Torben Müller – resigned w.e.f. 12th June 2018		√	
Thomas A. Junker		√	
J. C. P. Jayasinghe		√	
Amila Jayasinghe	√		
Coralie Pietersz		√	√
Sugath Amarasinghe	√		
Mohamed Adamaly		√	√
Roger Miller		√	

New Appointments/Resignations During the Year and Re-appointment of Directors Who Are Over 70 Years of Age

Mr. Torben Müller, who served as a Director of the Company for more than five years, resigned from the Board on 12th June 2018.

There were no new appointments during the year.

In accordance with the provisions of the Companies Act No. 07 of 2007, section 210, the Company has received a notice from Graphit Kropfmühl GmbH, the principal shareholder, giving notice to the Company of their intention to move a resolution to re-elect Mr. J. C. P. Jayasinghe, who has reached the age of 75 years, for a further period of one year until conclusion of the next Annual General Meeting.

In accordance with the provisions of the Companies Act No. 07 of 2007, section 210, the Company has received a notice from Graphit Kropfmühl GmbH, the principal shareholder, giving notice to the Company of their intention to move a resolution to re-elect Mr. V. P. Malalasekera, who attained the age of 73 years on 11th August 2018, for a further period of one year until conclusion of the next Annual General Meeting.

The Board has determined that Mr. Vijaya Malalasekera, who has served on the Board for more than 10 years, is an Independent Director since he is not directly involved in the Management of the Company.

The Board, having considered the said fact, believes Mr. Vijaya Malalasekera should continue to serve on the Board as an Independent Director notwithstanding the fact that he has served on the Board for more than 10 years as it is beneficial to the Company and its Shareholders.

Board Committees

The following Directors served as members of Audit Committee, Remuneration Committee, and Related Party Transaction Review Committee and the Reports of such committees are given on pages 21 to 26 of the Annual Report.

Director	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Independent Non-Executive Director			
Vijaya Malalasekera	Member	Chairman	Chairman
Coralie Pietersz	Chairperson	Member	Member
Mohamed Adamaly	Member	Member	Member
Non-Executive Director			
Torben Müller – resigned w.e.f. 12th June 2018	Member	Member	N/A
Thomas A. Junker	Member appointed w.e.f. 12th June 2018	Member appointed w.e.f. 12th June 2018	Member

Directors' Interest and Interests Register

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 2018 except as stated in note 24 of the Financial Statements on page 69.

The Company maintains an Interests Register as required by the Companies Act No. 07 of 2007, which is available for inspection upon request. Any interest in transaction disclosed to the Board by a Director in accordance with Section 192 of the Companies Act No. 07 of 2007 is duly recorded in the Interests Register.

The following entries have been made in the Interests Register maintained by the Company:

Mr. Thomas A. Junker is also the Managing Director/CEO Graphite of Graphit Kropfmühl GmbH, which owns 79.58 percent of the shareholding of Bogala Graphite Lanka PLC and Managing Director of Qingdao Kropfmühl Graphite Co. Ltd and a Board Director.

Mr. Roger P. Miller is also the Founder and Managing Partner of Alterna Capital Partners, which owns 10.33 percent of the shareholding of Bogala Graphite Lanka PLC.

Related party disclosures in terms of section 192 are given below and disclosed in note 24 of the Financial Statements on page 69.

Company	Relationship	Director	Nature of Transaction	Value Rs.
Graphit Kropfmühl GmbH	Parent Entity	Thomas A. Junker	Sale of Goods Purchase of Goods Technical Service Fees Interest Paid Loan Settlement Expenses Reimbursed	124,308,351 82,408,731 43,888,070 6,129,055 66,420,933 1,515,511
Qingdao Kropfmühl Graphite Co. Ltd.	Affiliate	Thomas A. Junker	Sale of Goods Purchase of Goods	18,631,482 1,446,467
Graphite Tyn spol. s r.o.	Affiliate	Thomas A. Junker	Sale of Goods	87,024,315

Related Party Transactions (RPTs)

The Related Party Transactions of the Company are disclosed in note 24 of the Financial Statements. These are recurrent and non-recurrent Related Party Transactions, which require disclosure in the Annual Report in accordance with the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures. During the financial year RPTs have been reviewed by the Related Party Transaction Review Committee and are in compliance with Section 09 of the CSE Listing Rules. The Related Party Transaction Review Committee Report is given on page 25 of the Annual Report whilst the Related Party Transactions are given in note 24 of the Financial Statements on page 69.

Corporate Governance

The Board of Directors confirms that the Company is compliant with section 7.10 of the Listing Rules of the CSE. The Directors declare, having considered all information and explanations made available to them, that:

a) the Company complied with all applicable Laws and Regulations in conducting its business,

b) the Directors have declared all material interests in contract involving the Company and refrained from voting on matters in which they were materially interested,

c) the Company has made all endeavours to ensure equitable treatment of all shareholders,

d) the business is a going concern with supporting assumptions or qualifications as necessary; and

e) they have conducted a review of internal controls covering financial, operational, and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence thereto.

The tables on pages 16 to 17 show the manner in which the Company has complied with Section 7.10 of the Rules of the CSE on Corporate Governance. The Corporate Governance Report is given on pages 10 to 20 of the Annual Report.

Directors' Remuneration
The Directors' emoluments and fees for the financial year ended 31st December 2018 are stated below and are also given in note 24 of the Financial Statements on page 69.

Directors' Emoluments	Executive Directors	Rs. 34,851,437
	Non-Executive Director	Rs. 4,134,159

Directors' Responsibilities for Financial Statements
The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the status of its affairs. The Directors are of the view that the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 39 to 77 have been prepared in conformity with Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and provide the information required by the Companies Act No. 07 of 2007, and the Listing Requirements of the Colombo Stock Exchange.

Statement of Directors' Responsibility is given on page 33 of the Annual Report.

Directors' Shareholding
The relevant interest of Directors in the shares of the Company as at 31st December 2018 and 31st December 2017 is as follows:

Director	31st December 2018	31st December 2017
Vijaya Malalasekara – Chairman	Nil	Nil
Thomas A. Junker	Nil	Nil
J. C. P. Jayasinghe	Nil	Nil
Roger Miller	Nil	Nil
Amila Jayasinghe – CEO/MD	Nil	Nil
Coralie Pietersz	Nil	Nil
Sugath Amarasinghe	Nil	Nil
Mohamed Adamaly	Nil	Nil

Statutory Payments
The Directors, to the best of their knowledge and belief, are satisfied that all statutory financial obligations to the Government and to the employees of the Company, as at the reporting date, have been either duly paid or adequately provided in the Financial Statements. A confirmation of same is included in the Statement of Directors' Responsibility on page 33.

Employees and Industrial Relations
The number of persons employed by the Company as at 31st December 2018 was 183 (2017 – 178). The Company is committed to pursuing various HR initiatives that provide a culture that recognises the competencies and commitment of its employees. Career growth and advancement opportunities facilitate the creation of value for themselves, the Company and other stakeholders.

The Company had no industrial dispute during the year under review, which is a direct result of the effective and supportive management approach it had followed in dealing with the employees and their industrial relations.

Risk Management and Internal Control
The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Company. Risk Assessment and evaluation is an integral part of the Company's planning cycle and the principal risks and mitigating actions in place are reviewed regularly by the Board and the Audit Committee.

The Board, through the involvement of the risk review and controls takes steps to gain assurance of the effectiveness of the Company's system of internal controls that are in place. The control system is designed to give assurance regarding the safeguarding of assets, the maintenance of proper accounting and the reliability of financial information generated.

The Audit Committee receives regular reports on the adequacy and effectiveness of the internal controls of the Company, the compliance with laws and regulations, and the established policies and procedures. The Audit Committee reviews the reports of the outsourced internal audit function regularly to ensure effective implementation of the systems and procedures.

However, any system can only provide reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable period.

Events after the Balance Sheet Date

There have been no events subsequent to the reporting period which would have material effect and which would require an adjustment to or a disclosure in the Financial Statements other than those disclosed above and in note 29 of the Financial Statements on page 76.

Going Concern

The Board of Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance Report on page 10, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Appointment and Remuneration of Independent Auditors

The Audit Committee reviews the appointment of the Auditors, their effectiveness and independence, and their relationship with the Company, including the level of audit and non-audit fees paid to the Auditors.

Based on the declaration made by Messrs KPMG, Chartered Accountants, and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company. Details of the Auditors' remuneration are set out in note 7 of the Financial Statements on page 59.

Compliance with Laws and Regulations

To the best of the Directors' knowledge and belief, the Company has not engaged in any activity which contravenes the laws and regulations of the country.

Annual Report

The Board of Directors approved the Company Financial Statements on the 25th of February, 2019. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and Sri Lanka Accounting and Auditing Standards Monitoring Board.

Annual General Meeting

The Annual General Meeting will be held at the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02 on Saturday, the 6th of April, 2019 at 10.30 a.m. The Notice of the Annual General Meeting is on page 81 of the Annual Report.

This Annual Report is signed for and on behalf of the Board of Directors.
By order of the Board

Corporate Services (Private) Limited Secretaries	Vijaya Malalasekera Chairman	Amila Jayasinghe CEO/Managing Director

25th February 2019

Statement of Directors' Responsibility

The responsibility of the Directors in relation to the Financial Statements is set out in the following statement. The Companies Act No. 07 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the Financial Statements and other statutory reports. The responsibility of the auditors, in relation to the Financial Statements prepared in accordance with the provisions of the Companies Act No. 07 of 2007, is set out in the Report of the Auditors.

The Directors are also responsible under Section 148, to ensure that the Company maintains proper accounting records to disclose, and enable the determination of, the financial position with reasonable accuracy, and to enable preparation of Financial Statements in accordance with the Companies Act No. 07 of 2007, the Sri Lankan Accounting and Auditing Standards Act No.15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Financial Statements comprise:

- Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year
- Statement of Comprehensive Income, which presents a true and fair view of the profits and losses of the Company for the financial year
- Statement of Changes in Equity, Statement of Cash Flow and summary of Significant Accounting Policies and other explanatory notes.

The Directors are required to confirm that the Financial Statements have been prepared:

- Using appropriate accounting policies which have been selected and applied in a consistent manner and material departures, if any, are disclosed and explained.
- In accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and that reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected.
- Provides the information required in compliance with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, and review of its current and business plans, that adequate resources are available to support the Company to continue its operation and to justify applying the going concern principle in preparing Financial Statements.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.The Directors have established appropriate internal controls systems with a view to providing reasonable, though not absolute, assurance that assets are safeguarded to carry on the business in an orderly manner.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary to give their audit opinion.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company to regulatory and statutory authorities as at the balance sheet date have been duly paid, or been adequately provided for in the Financial Statements.

By Order of the Board

Director
Corporate Services (Private) Limited
Secretaries
25th February 2019

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BOGALA GRAPHITE LANKA PLC

Report on the Financial Statements

Opinion

We have audited the Financial Statements of Bogala Graphite Lanka PLC ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies as set out on pages 39 to 77 of this Annual Report.

In our opinion, the accompanying Financial Statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs).Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company, in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's Financial Statements of the current period. These matters were addressed in the context of our audit of the Company's Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

***Revenue Recognition* –** Refer to note 3.3 to accounting policy (pages 47- 48), and note 5 (page 59) of the Financial Statements.

The revenue of the Company for the year ended 31 December 2018 was Rs.878 million.

Risk Description	How the matter was addressed in our audit
The timing of revenue recognition depends on the terms of individual sales transactions and revenue is generally recognised for graphite and lubricant sales based on the shipping terms. Accordingly, there is a risk that revenue is recognised for sales of individual products before the control of the goods sold has been transferred to the customers, and recorded in the incorrect period.	In this area, our audit procedures included, amongst others: ■ Understanding and assessing the design, implementation and operating effectiveness of the key controls in respect of the Company's revenue recognition process, ■ Inspecting of invoices raised to customers on a sample basis, to ensure revenue is recognised and measured in accordance with the contractual terms of the contracts and the Company's accounting policies, ■ Assessing the appropriateness of the recognition of revenue on a gross or net basis,

	■ On a sample basis, testing revenue cut-off around the year-end date, ■ Assessing the adequacy of Financial Statements disclosures, ■ Testing of manual journal entries and reasonability of credit notes approved.

***Carrying value of Inventories* –** Refer to note 3.8 to accounting policy (page 56), and note 14 (page 64) of the Financial Statements.

The Company carried inventories of Rs.116 million as at 31 December 2018 at the lower of cost or net realisable value.

Risk Description	How the matter was addressed in our audit
Assessing net realisable value is an area which involves significant judgement, particularly with regard to the estimation of provisions for slow-moving and obsolete inventory. Therefore there is a risk that slow-moving inventory has not been adequately provided for.	In this area, our audit procedures included, amongst others: ■ Testing the design, implementation and operating effectiveness of the key controls management has established to manage inventories, including purchases, sales and holding of inventories, ■ Assessing the valuation of reporting date, inventory levels, including assessing the reasonability of judgement/estimate made regarding obsolescence, ■ Evaluating the adequacy and consistency of provisioning for inventories at the reporting date and comparing with the Company's inventory provision policy, ■ On a sample basis, comparing the carrying amounts of the Company's inventories with net realisation value of those inventories subsequent to the end of reporting period, ■ Testing the existence of inventories through physical verification as at year end for a sample selected based on the professional judgement, ■ Assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing brackets by comparing individual items in the report with underlying documentation, including purchase invoices and goods received notes.

Revaluation of freehold land – Refer to note 3.4 to accounting policy (pages 48-50), and note 11 (page 62) of these Financial Statements.

As at reporting date, freehold land carried at fair value, classified as Property, Plant and Equipment, amounted to Rs.18 million.

Risk Description	How the matter was addressed in our audit
The Company has engaged a professional valuer to determine the revalued amounts of freehold land. Estimating the fair value is a complex process involving a number of assumptions/ judgements and estimates regarding various inputs such as price range per perch, by considering factors such as the location, condition and accessibility of the property.	In this area, our audit procedures included, amongst others: ■ Assessing the competency, qualification, objectivity and independence of the external valuer, ■ Evaluating reasonableness of the value of the property by comparing the prices used for the land valuation with the comparable land prices based on the available information and challenging the reasonableness of key assumptions based on our knowledge of the business and industry, ■ Assessing the appropriateness of the valuation techniques used by the external valuer, taking into account the profile of the land properties, ■ Testing whether the information supplied to external valuers by management was consistent with the underlying property records held by the Company, ■ Assessing the adequacy of the fair value disclosures in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 2294.

Colombo, Sri Lanka.
25th February 2019

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31st December

	Note	2018 Rs.	2017 Rs.
Revenue	5	877,761,395	732,887,983
Cost of sales		(488,289,584)	(477,849,178)
Gross profit		**389,471,811**	**255,038,805**
Other income	6	10,098,004	3,599,488
Net exchange gain/(loss)		2,726,295	(3,453,177)
Administrative expenses		(110,791,123)	(173,758,229)
Selling and distribution expenses		(113,113,886)	(98,571,380)
Profit/(Loss) from operations	**7**	**178,391,101**	**(17,144,493)**
Finance income		3,981,033	4,173,322
Finance cost		(6,835,799)	(8,014,555)
Net finance cost	**8**	**(2,854,766)**	**(3,841,233)**
Profit/(Loss) before tax		**175,536,335**	**(20,985,726)**
Income tax (expense)/reversal	**9**	(23,314,276)	1,332,350
Profit/(Loss) for the year		**152,222,059**	**(19,653,376)**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability		149,160	(6,833,999)
- Related tax		(20,882)	956,760
Revaluation of freehold land		6,178,000	-
- Related tax		(1,665,482)	-
Other comprehensive income, net of tax		**4,640,796**	**(5,877,239)**
Total comprehensive income/(loss)		**156,862,855**	**(25,530,615)**
Basic earnings/(loss) per share (Rs.)	**10**	**1.61**	**(0.21)**

The Notes to the Financial Statements from pages 43 to 77 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st December

	Note	2018 Rs.	2017 Rs.
ASSETS			
Property, plant and equipment	11	304,569,556	265,538,553
Intangible assets	12	9,151,882	-
Other financial assets	13	24,586,401	19,217,736
Deferred tax assets	21	-	220,244
Non-current assets		**338,307,839**	**284,976,533**
Inventories	14	115,531,681	100,879,067
Trade and other receivables	15	184,018,115	143,424,251
Advance and prepayments		9,433,136	12,579,187
Other financial assets	13	15,128,861	12,024,966
Current taxation	23	-	1,544,612
Cash and cash equivalents	16	62,463,017	53,297,756
Current assets		**386,574,810**	**323,749,839**
Total assets		**724,882,649**	**608,726,372**
EQUITY			
Stated capital	17	102,074,201	102,074,201
Reserves	18	10,230,816	5,718,298
Retained earnings		368,330,303	215,979,966
Total equity		**480,635,320**	**323,772,465**
LIABILITIES			
Loans and borrowings	19	65,396,238	92,155,122
Employee benefits	20	57,217,883	53,927,614
Deferred tax liabilities	21	16,160,604	-
Non-current liabilities		**138,774,725**	**146,082,736**
Trade and other payables	22	63,823,930	72,551,073
Current taxation	23	2,779,345	-
Loans and borrowings	19	38,869,329	66,320,098
Current liabilities		**105,472,604**	**138,871,171**
Total liabilities		**244,247,329**	**284,953,907**
Total equity and liabilities		**724,882,649**	**608,726,372**

The Notes to the Financial Statements from pages 43 to 77 form an integral part of these Financial Statements.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

S. Amarasinghe
Finance Director

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved for and on behalf of the Board of Directors:

Director **Director**

25th February 2019
Colombo

The Notes to the Financial Statements form an integral part of these Financial Statements. *Figures in brackets indicate deductions.*

Statement of Changes in Equity

Year ended 31st December

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1 January 2017	102,074,201	5,718,298	241,510,581	349,303,080
Loss for the year	-	-	(19,653,376)	(19,653,376)
Other comprehensive income, net of income tax				
- Actuarial loss on defined benefit plan	-	-	(5,877,239)	(5,877,239)
Total comprehensive income for the year	**-**	**-**	**(25,530,615)**	**(25,530,615)**
Transactions with owners of the Company				
Contributions and Distributions	-	-	-	-
Total transactions with owners of the Company	-	-	-	-
Balance as at 31 December 2017	**102,074,201**	**5,718,298**	**215,979,966**	**323,772,465**
Balance as at 1 January 2018	**102,074,201**	**5,718,298**	**215,979,966**	**323,772,465**
Profit for the year	-	-	152,222,059	152,222,059
Other comprehensive income, net of income tax				
- Actuarial gain on defined benefit plan	-	-	128,278	128,278
- Net gain on revaluation of land, net of tax	-	4,512,518	-	4,512,518
Total comprehensive income for the year	**-**	**4,512,518**	**152,350,337**	**156,862,855**
Transactions with owners of the Company				
Contributions and Distributions	-	-	-	-
Total transactions with owners of the Company	**-**	**-**	**-**	**-**
Balance as at 31 December	**102,074,201**	**10,230,816**	**368,330,303**	**480,635,320**

Revaluation reserve

The reserve relates to revaluation surplus recorded as at 31 December 2001 and surpluses recorded as at 31 December 2018. However, the revaluation surplus of Rs. 978,000/- based on the revaluation on 31 December 2013 was not recorded based on materiality. The Company has accounted for its revaluation surplus of Rs. 6,178,000/- based on the valuation carried out on 31 December 2018. This will be transferred to retained earnings when the related land is disposed of.

The Notes to the Financial Statements from pages 43 to 77 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Year ended 31st December

	Note	2018 Rs.	2017 Rs.
Cash Flows From Operating Activities			
Profit/(Loss) before taxation		175,536,335	(20,985,726)
Adjustments for:			
Property, plant and equipment depreciation	11	37,055,122	38,836,915
Intangible asset amortization	12	55,212	-
Effect on exchange loss on loans	19	14,283,902	19,524,455
Gain on sale of property, plant and equipment	6	(8,000,000)	(2,802,402)
Interest expense	8	6,835,799	8,014,555
Interest income	8	(3,981,033)	(4,173,322)
Provision for slow-moving inventory	14	1,594,303	5,322,392
Property, plant and equipment written off	11	300,041	-
Provision for employee benefits	20	9,689,807	9,210,250
Changes in working capital			
Inventories		(16,246,917)	5,819,464
Trade and other receivables		(40,593,864)	(40,625,939)
Advance and prepayments		3,146,052	(1,027,513)
Other financial assets		(8,472,560)	(1,020,235)
Trade and other payables		(8,727,143)	40,344,737
Cash generated from operating activities		**162,475,056**	**56,437,631**
Current taxes paid		(4,295,835)	(10,765,286)
Gratuity paid	20	(6,250,378)	(10,127,746)
Net cash generated from operating activities		**151,928,843**	**35,544,599**
Cash flows from investing activities			
Interest received	8	3,981,033	4,173,322
Proceeds from sale of property, plant and equipment	6	8,059,143	2,811,066
Acquisition of property, plant and equipment	11	(70,267,309)	(44,542,759)
Acquisition of intangible assets	12	(9,207,094)	-
Net cash used in investing activities		**(67,434,227)**	**(37,558,371)**
Cash flows from financing activities			
Interest paid	8	(6,835,799)	(8,014,555)
Loans obtained	19	-	32,056,150
Repayment of borrowings	19	(66,420,933)	(29,047,201)
Payment of finance lease liabilities	19	(2,072,623)	(2,933,728)
Net cash used in financing activities		**(75,329,355)**	**(7,939,334)**
Net increase/(decrease) in cash and cash equivalents		**9,165,261**	**(9,953,106)**
Cash and cash equivalents at 1 January	16	53,297,756	63,250,862
Cash and cash equivalents at 31 December	**16**	**62,463,017**	**53,297,756**

The Notes to the Financial Statements from pages 43 to 77 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

1. REPORTING ENTITY

1.1 Corporate information

The Bogala Graphite Lanka PLC is a limited liability Company incorporated and domiciled in Sri Lanka and whose shares are publicly traded on the Colombo Stock Exchange. The registered office and the principal place of business are located at Bogala Mines, Aruggammana.

The Company is primarily engaged in the mining, separation, refining, treating, processing and preparation and sale of graphite and in the production of lubricants.

1.2 Parent enterprise and Ultimate parent enterprise

The Company's parent and ultimate undertaking is Graphit Kropfmühl GmbH and AMG Advanced Metallurgical Group N.V. (Netherlands) respectively.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Companies Act No. 07 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows, have been prepared following accrual basis of accounting.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements of the Company per the provisions of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors', 'Statement of Directors' Responsibility' and the certification on the Statement of Financial Position.

These Financial Statements include the following components:

a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review. Refer to page 39;

a Statement of Financial Position providing the information on the financial position of the Company as at the year-end. Refer to page 40;

a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company. Refer to page 41;

a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer to page 42.

Notes to the Financial Statements comprising Accounting Policies and other explanatory information. Refer to pages 43 to 77.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements were authorised for issue by the Company's Board of Directors on 25 February, 2019.

2.4 Basis of measurement
The Financial Statements of the Company have been prepared on the historical cost basis except for Freehold land and Defined benefit obligations, which have been measured as described in Notes 3.4 and 3.12 respectively.

2.5 Going concern basis of accounting
The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

2.6 Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Profit or Loss, unless required or permitted by an Accounting Standard and as specifically disclosed in the Accounting policies of the Company.

2.7 Materiality and aggregation
Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements'.

2.8 Comparative information
Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter-period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant, for better presentation and to be comparable with those of the current year.

2.9 Functional and presentation currency
The Financial Statements are presented in Sri Lankan Rupees (LKR) which is the Company's functional currency. All amounts have been rounded to the nearest rupee, unless otherwise indicated.

2.10 Use of judgements and estimates
In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs, the management has made judgements, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018 is included in the following notes:

-	Note 3.12	measurement of defined benefit obligations: key actuarial assumptions
-	Note 3.2.2	recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used
-	Note 3.4	revaluation of freehold land and useful lives of PPE
-	Note 3.10/3.11	recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

2.11 Measurement of fair values

Fair value related disclosures for freehold land which is measured at fair value are summarised as follows:

Fair value is the price that would be received when selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 —	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 —	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 —	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value of the Land has been determined under Level 3 valuation.

The Company's Management Committee determines the policies and procedures for recurring fair value measurement of freehold land.

External valuers are involved for valuation of freehold land. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Management Committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed per the Company's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated. These accounting policies have been applied consistently by the Company.

3.1.1 Foreign currency translations

The Financial Statements are presented in Sri Lankan Rupees, which is also the Company's functional currency as explained in Note 2.9.

3.1.2 Foreign currency transactions and balances

Transactions in foreign currencies are translated into functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of the functional currency prevailing at the reporting date.

Foreign exchange differences arising on translation of foreign exchange transactions are recognised in the Statement of Profit or Loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.2 Income tax expense

Income tax expense for the year comprises current and deferred tax including adjustments to previous years and changes in tax provisions. It is recognised in Profit or Loss except to the extent it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI).

3.2.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted, at the reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes prior to 31st March 2018, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, and from 1st April 2018, in accordance with the provision of the Inland Revenue Act No. 24 of 2017 at the rates specified in note 9 on page 60. This note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

3.2.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Additional taxes that arise from the distribution of dividends by the Company are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss as they generally relate to income arising from transactions that were originally recognised in profit or loss.

3.2.3 Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except when:

the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

receivables and payables that are stated with the amount of sales tax included;

the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.3 Revenue

Accounting policy applicable prior to 1 January 2018

3.3.1 Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers, 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 Company separately identifies different components of a single transaction in order to reflect the substance of the transaction. The following specific criteria are used for the purpose of recognition of revenue.

(i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, and usually depends on the terms and conditions of the contract of sale.

Revenue from Contract with Customers – Applicable from 1st January 2018

The Company has initially applied SLFRS 15 from 1 January 2018. As there was no significant impact on adoption of this standard, comparative information has not been restated.

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Under SLFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

3.4 Property, plant and equipment

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Basis of measurement

All property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (as explained under 'subsequent costs'). The cost of self-constructed assets include the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the asset under construction.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Purchased software which is integral to the functionality of the related equipment is capitalised as part of that equipment.

Cost model

Property, plant and equipment (excluding freehold land), is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When an asset's carrying value is higher than its estimated recoverable amount, the carrying value is written down to its recoverable amount.

Revaluation model

The Company applies the revaluation model for the entire class of freehold land for measurement after initial recognition. The Company policy is to revalue all freehold land every five years or when there is a substantial difference between the fair value and the carrying amount.

Any revaluation surplus is recognised in Other Comprehensive Income and accumulated in equity in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in Profit or Loss, in which case the increase is recognised in Profit or Loss.

A revaluation deficit is recognised in Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve. Upon disposal, any revaluation reserve relating to particular assets being sold is transferred to retained earnings.

Subsequent costs
When significant parts of a property, plant and equipment are required to be replaced at regular intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciates accordingly. Ongoing repair and maintenance costs are expensed as incurred.

Derecognition
An item of property, plant and equipment is derecognised upon disposal, replacement or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in Profit or Loss in the period the asset is derecognised.

Depreciation
Depreciation is based on straight-line method over the estimated useful lives of the assets. Freehold land is not depreciated

Depreciation of an asset begins from the date it is available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The estimated useful lives of the assets are as follows:

Class of asset	Years
Buildings on freehold land	25
Road development	10
Access tunnels / Mining assets	5 - 20
Plant and machinery	5 - 20
Other equipment	10
Office equipment	5
Furniture and fittings	5
Computer equipment	3
Motor vehicles	5
Assets on finance lease	Over the lease period

No depreciation is charged on freehold land.

Residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted if appropriate.

Impairment of property, plant and equipment
The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the Income Statement unless it reverses a previous revaluation surplus for the same asset.

Capital work-in-progress
Capital work-in-progress is stated at cost, including borrowing costs, less any accumulated impairment losses. These would be transferred to the relevant asset category in property, plant and equipment when the asset is completed and available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Mining assets

a) Recognition of mining assets
Cost associated with developing mine reserves are recognised in property, plant and equipment when they are established as commercially viable. These costs can include amounts that were previously recognised as intangible assets during the exploration and evaluation phase of the mine development.

b) Exploration, evaluation and development expenditures
Exploration and evaluation expenditures relate to costs incurred on the exploration and evaluation of potential mineral resources. These costs are recorded as Intangible Assets while exploration is in progress. When commercially recoverable reserves are determined, and such development receives the appropriate approvals, capitalised exploration and evaluation expenditures are transferred to construction-in-progress under Property, Plant and Equipment. Upon completion of development and commencement of production, capitalised development costs as well as exploration and evaluation expenditures are transferred to Mining Assets under Property, Plant and Equipment and depreciated using the straight-line method over 5-20 years.

Further, the capitalisation of development expenditure is related only to the expenditure incurred on developing Access Tunnels. The cost incurred on Drives and Winzes are recognised in the profit or loss as and when they are incurred under Development activities.

3.5 Intangible assets

Recognition and measurement

(a) Exploration and evaluation expenditure
Assets which are included under intangible assets include exploration and evaluation expenditures incurred on finding graphite reserves. When commercially recoverable reserves are determined, and such development receives the appropriate approvals, capitalised exploration and evaluation expenditures are transferred to construction-in-progress under Property, Plant and Equipment. Exploration and evaluation expenditure is measured at cost as and when it is incurred until the development commences.

(b) Software and license
Other intangible assets, software and licenses, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over its estimated useful life, and is recognised in profit or loss.

The estimated useful life for licenses is 3 years.

3.6 Leases
The determination of whether an arrangement is a lease or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

3.6.1 Finance leases – Company as a lessee
Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned

between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

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

3.7 Financial instruments

(a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent solely with the payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets - Policy applicable prior to 1st January 2018

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading
  - derivative hedging instruments; or
  - designated as at FVTPL

Financial assets - Subsequent measurement and gains and losses: Policy applicable prior to 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment policy: applicable from 1 January 2018
Non-derivative financial assets - Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECLs).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment Policy: applicable prior to 1 January 2018
Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in, an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment Policy: Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of other assets, recognised in prior periods, is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

raw materials – Purchased cost on a weighted average cost basis

finished goods and work in progress – Direct cost incurred on excavation, cost of raw materials, processing, finishing and manufacturing overheads (excluding borrowing cost)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased.

3.9 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand.

For the purpose of the statement of cash flow, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

3.10 Provisions

Provisions are recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of benefits will be required to settle the obligation and it can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability.

3.11 Commitments and contingencies

Provisions are made for all obligations existing as at the reporting date when it is probable that such obligation will result in an outflow of resources and reliable estimate can be made of the quantum of the outflow.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

3.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed determinable contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible to Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions per the respective statutes. These obligations come within the scope of a defined contribution plan per LKAS 19 on 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognised in Profit or Loss as incurred.

Defined benefit obligation

In accordance with the Gratuity Act No. 12 of 1983, a liability arises for a defined benefit obligation to employees.

Such defined benefit obligation is a post-employment benefit obligation falling within the scope of Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefits'.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date. The calculation is performed annually by a qualified actuary using the projected unit credit method (PUC). Any actuarial gains and losses arising are recognised immediately in Other Comprehensive Income. The discount rate has been derived considering the yield of government bonds.

The liability is not externally funded.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT THE REPORTING DATE

A new accounting standard, SLFRS 16, has been issued but is not yet effective as at the reporting date. Accordingly, this accounting standard has not been applied in preparing these Financial Statements.

New or amended standard	Summary of the Requirement	Possible impact on the Financial Statements
SLFRS 16 - Leases	SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting. SLFRS 16 is effective for reporting periods beginning on or after 01 January 2019.	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

Year ended 31st December

		2018 Rs.	2017 Rs.
5.	**REVENUE**		
	Export sales	874,450,440	727,750,306
	Local sales	3,310,955	5,137,677
		877,761,395	**732,887,983**

As explained in Note 3.3, the Company adopted SLFRS 15-Revenue from Contracts with Customers. There was no significant impact on adoption of this Standard.

		2018 Rs.	2017 Rs.
6.	**OTHER INCOME**		
	Income from sales of obsolete items	925,163	313,971
	Gain on disposal of property, plant and equipment	8,000,000	2,802,402
	Miscellanious income (note 6.1)	1,172,841	483,115
		10,098,004	**3,599,488**

6.1 Miscellaneous income mainly consists of rental income received from Dialog Tower.

		2018 Rs.	2017 Rs.
7.	**PROFIT/(LOSS) FROM OPERATIONS**		
	Profit/(Loss) from operations are stated after charging all expenses including the following:		
	Directors' remuneration	38,985,593	29,178,351
	Auditor's remuneration		
	Audit and audit-related fees	830,000	807,750
	Non-audit fees	-	-
	Professional charges	470,513	1,216,983
	Depreciation of property, plant and equipment	37,055,122	38,836,915
	Amortisation of intangible assets	55,212	-
	Impairment provision on inventories	1,594,303	5,322,392
	Royalty charges on exports (note 7.1)	49,149,486	40,452,108
	Technical service fees (note 7.2)	43,888,070	36,644,399
	Donations	1,458,859	1,102,296
	Legal charges	1,043,635	804,900
	Death compensation cost (note 7.3)	635,362	9,931,044
	Early retirement compensation cost (note 7.4)	5,868,002	67,338,210
	Staff costs (note 7.5)	252,529,934	231,763,188

7.1 Royalty charges are paid to GSMB (Geological Survey and Mines Bureau) on Graphite sales at 7% and 6% for Export and Local sales respectively.

7.2 Technical service fee is paid to Graphit Kropfmühl GmbH at 5% on total sales of the Company.

7.3 Death compensation cost relates to the provision made for compensation to be paid to the aggrieved family of the mine worker who died during working hours in the mine on 28 January 2017. Consequently, the Company decided to pay the salary of the deceased employee until his retirement age to the aggrieved family on a monthly basis. Accordingly, a provision of Rs.9.9 million was recognised in the Financial Statements for a period of 152 months from the previous year. The current year provision includes the increment for the employee.

7.4 Early retirement compensation cost includes the amounts paid to the outgoing employees as compensation amounts decided by the Company. The basis of compensation was equal for all employees. The number of employees who left the Company were 12 and 3 for 2017 and 2018 respectively.

Year ended 31st December

7. PROFIT/(LOSS) FROM OPERATIONS (Cont.)

7.5 Staff costs

	2018 Rs.	2017 Rs.
Salaries and wages	130,432,239	129,754,715
Defined contribution plan cost - EPF and ETF	23,208,843	22,081,925
Defined benefit plan cost - retiring gratuity (note 20.2.1)	9,689,807	9,210,250
Performance bonuses (note 7.5.1)	17,904,773	7,180,094
Overtime	9,262,988	8,676,523
Other staff expenses	62,031,284	54,859,681
	252,529,934	**231,763,188**

Staff costs reported above include benefits paid to the Executive Directors during the year.

7.5.1 Performance bonuses relate to the bonuses paid by the Company for Executive and Non-Executive staff based on their individual and company performance during the year. The escalation is mainly due to the provision of bonuses to be paid to the Executive Directors.

8. NET FINANCE COST

	2018 Rs.	2017 Rs.
Interest income on staff loans	3,500,367	2,846,223
Interest income on savings deposits	480,666	1,327,099
Finance income	**3,981,033**	**4,173,322**
Interest on interest bearing borrowings	(6,129,055)	(6,998,072)
Finance charge on lease liabilities	(706,744)	(1,016,483)
Finance cost	**(6,835,799)**	**(8,014,555)**
Net finance cost recognised in profit or loss	**(2,854,766)**	**(3,841,233)**

9. INCOME TAX EXPENSE

The charge for income tax expense is made up as follows.

	2018 Rs.	2017 Rs.
Current tax expense (note 9.1)	8,953,321	2,323,362
Adjustment for prior years	(333,529)	(8,207)
Deferred taxation (note 21)	14,694,484	(3,647,505)
	23,314,276	**(1,332,350)**

The Company is liable for Income tax at the rate of 14% (previously 12%) on profit derived from export sales in respect of IRD Act No. 24 of 2017 which came into effect from 1 April 2018. A provision has been made in these Financial Statements on account of income taxes in view of adjusted taxable profits of the Company.

Year ended 31st December

9. INCOME TAX EXPENSE (Cont.)

9.1 Reconciliation of accounting profit/(loss) to income tax expense

	2018 Rs.	2017 Rs.
Accounting profit/(loss) before tax from continuing operations	175,536,335	(20,985,726)
Aggregated disallowable expenses	76,761,069	99,681,298
Aggregated allowable expenses	(45,852,672)	(53,082,202)
Aggregated other income	7,626,955	4,173,322
Statutory deductions - Tax loss (note 9.1.1)	(136,990,251)	(10,425,342)
Taxable profit	**77,081,436**	**19,361,350**
Statutory tax rate		
- Tax rate 12%	4,615,912	2,323,362
- Tax rate 14%	4,337,409	-
Current tax expense	**8,953,321**	**2,323,362**

9.1.1 Tax loss analysis is as follows;

	2018 Rs.	2017 Rs.
Tax losses brought forward	135,493,643	145,918,985
Adjustment in respect of prior years	1,496,608	-
Set off against current year profits	(136,990,251)	(10,425,342)
Tax losses carried forward (note 21.2)	**-**	**135,493,643**

9.2 Recognition of deferred tax origination/(reversal) in the comprehensive income

	2018 Rs.	2017 Rs.
Profit or loss	14,694,484	(3,647,505)
Other comprehensive income	(1,686,364)	956,760
	13,008,120	**(2,690,745)**

10. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of shares outstanding during the year.

	2018 Rs.	2017 Rs.
Profit/(Loss) attributable to ordinary shareholders	152,222,059	(19,653,376)
Weighted average number of ordinary shares	94,632,904	94,632,904
Basic earnings/(loss) per share (Rs.)	**1.61**	**(0.21)**

11. PROPERTY, PLANT AND EQUIPMENT

As at 31st December

	Freehold land	Buildings on freehold land	Road development	Access tunnels /Mining assets	Plant and machinery	Other equipment	Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	Assets on finance lease	Capital WIP		Total 2018	Total 2017
												Mining costs	Others		
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 Jan 2018	11,422,000	52,348,923	8,807,789	235,104,809	287,680,056	46,834,778	9,878,557	2,834,027	8,097,426	8,203,924	39,818,480	18,461,899	8,841,371	738,334,039	708,579,618
Revaluation surplus	6,178,000	-	-	-	-	-	-	-	-	-	-	-	-	6,178,000	-
Additions	-	-	-	-	2,751,322	713,486	-	-	-	11,621,950	-	15,206,417	39,974,134	70,267,309	44,542,759
Disposals	-	-	-	-	(26,676)	-	-	-	(91,252)	(2,769,310)	(17,884,240)		-	(20,771,478)	(14,788,338)
Transfers from CWIP - Others	-	-	4,000,000	-	34,556,689	5,992,855	-	-	-	-	-		(44,549,544)	-	-
Transfers	-	-	-	-	(8,806,702)	8,806,702	-	-	-	5,434,240	(5,434,240)	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-	(300,041)	(300,041)	-
Balance as at 31 December 2018	**17,600,000**	**52,348,923**	**12,807,789**	**235,104,809**	**316,154,689**	**62,347,821**	**9,878,557**	**2,834,027**	**8,006,174**	**22,490,804**	**16,500,000**	**33,668,316**	**3,965,920**	**793,707,829**	**738,334,039**
Accumulated depreciation and impairment losses															
Balance as at 1 Jan 2018	-	26,760,425	5,799,454	154,168,011	197,985,211	36,466,364	5,891,783	2,728,745	7,531,489	7,470,524	27,993,480	-	-	472,795,486	448,738,245
Depreciation	-	1,374,565	787,068	11,997,167	13,973,111	3,137,686	1,156,798	70,336	230,666	1,027,725	3,300,000	-	-	37,055,122	38,836,915
Disposals	-	-	-	-	(26,676)	-	-	-	(91,252)	(2,710,167)	(17,884,240)	-	-	(20,712,335)	(14,779,674)
Transfers	-	-	-	-	(185,719)	185,719	-	-		5,434,240	(5,434,240)	-	-	-	-
Balance as at 31 December 2018	**-**	**28,134,990**	**6,586,522**	**166,165,178**	**211,745,927**	**39,789,769**	**7,048,581**	**2,799,081**	**7,670,903**	**11,222,322**	**7,975,000**	**-**	**-**	**489,138,273**	**472,795,486**
Carrying amount															
Balance as at 31 December 2018	**17,600,000**	**24,213,933**	**6,221,267**	**68,939,631**	**104,408,762**	**22,558,052**	**2,829,976**	**34,946**	**335,271**	**11,268,482**	**8,525,000**	**33,668,316**	**3,965,920**	**304,569,556**	
Balance as at 31 December 2017	**11,422,000**	**25,588,498**	**3,008,335**	**80,936,798**	**89,694,845**	**10,368,414**	**3,986,774**	**105,282**	**565,937**	**733,400**	**11,825,000**	**18,461,899**	**8,841,371**		**265,538,553**

11.1 Revaluation of freehold land

Freehold land was revalued as at 31 December 2018 by Mr. N. M. Jayatilake (F.I.V) who is a professionally qualified independent valuer. The valuation method adopted was open market value on an existing use basis without considering mineral deposits and underground works. The value of freehold land has been written up to correspond with the market value and the details are as follows:

Location	Extent	Cost Rs.	Freehold land revalued Rs.	Price per perch Rs.	Pledged
Aruggammana village, Kotiyakumbura	13.2268 hectares		9,600,000	100,000 -	No
Welathuduwa village, Kotiyakumbura	9.7159 hectares		4,900,000	800,000	No
		5,703,702			
Kendawa village, Bulathkohupitiya	7.2361 hectares		3,100,000	150,000-600,000	No
		5,703,702	**17,600,000**		

Description of the valuation technique used together with narrative description on sensitivity of the fair value measurement to changes in significant unobservable input is set out on page 63.

As at 31st December

11. PROPERTY, PLANT AND EQUIPMENT (Cont.)

Valuation technique	Significant unobservable inputs	Sensitivity of fair value measurement to inputs
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for any differences in the nature, location or condition of the specific property.	Price per perch for land according to respective lots (as disclosed above)	Estimated fair value would increase/(decrease) if the price per perch would be higher/(lower).

The fair value measurement for the freehold land of the Company has been categorised at Level 3. Fair value measurement based on the inputs to the valuation technique used was unobservable.

Significant increases (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value on a linear basis.

11.2 Capital WIP - Mining cost

As set out in Note 3.4(b), the Company has capitalised Rs.33.6 million relating to a major drilling program. The results of the drilling program data then were used to calculate the estimated resources by our internal geologist. The 3-4 year development program has already commenced. Accordingly, cost of exploration and evaluation of Rs.33.6 million after assesment has been classified under Construction-in -Progress – Mining asset in PPE.

11.3 Transfers from Capital WIP - Others

These are the transfers made to respective asset categories from other capital projects in relation to the operations inside and outside the mine. The major projects capitalised during the year were Power House Panel, Internal Road Carpeting, Generator Automation and Workshop Rearrangements.

11.4 Transfers

There are the transfers between asset categories due to the asset classification bases. During the year, the Company has transferred fully settled finance leases of Rs.5.4Mn to motor vehicles upon completion of these leases. In addition to this, the Company has reclassified assets (Forklifts) which were recorded under Plant and Machinery to Other Equipment during the year. As these assets had been depreciated at the same rate of 10%, there was no impact to the Financial Statements due to transfers.

11.5 Fully depreciated but still in use

The cost of fully depreciated property, plant and equipment of the Company which are still in use amounted to Rs.252,780,928 as at 31 December 2018 (2017 - Rs.148,804,105).

11.6 Permanent fall in value of property, plant and equipment

There is no permanent fall in the value of property, plant and equipment which requires a provision for impairment as at the reporting date.

11.7 Title restriction on property, plant and equipment

There were no restrictions existing on the title to the property, plant and equipment of the Company as at the reporting date.

11.8 Assets pledged as collaterals

There were no assets pledged as collateral as at the reporting date.

As at 31st December

12. INTANGIBLE ASSETS

	Software and licenses Rs.	Exploration and Evaluation Expenditure Rs.	Total 2018 Rs.	Total 2017 Rs.
Cost				
Balance as at 1 January	7,840,800	-	7,840,800	7,840,800
Additions	397,528	8,809,566	9,207,094	-
Balance as at 31 December	**8,238,328**	**8,809,566**	**17,047,894**	**7,840,800**
Amortisation				
Balance as at 1 January	7,840,800	-	7,840,800	7,840,800
Charge of the year	55,212	-	55,212	-
Balance as at 31 December	**7,896,012**	**-**	**7,896,012**	**7,840,800**
Carrying value as at **31 December**	**342,316**	**8,809,566**	**9,151,882**	**-**

12.1 Exploration and evaluation expenditure recorded under intangible assets above refers to the expenditure incurred on finding graphite resources in Rangala mine (owned by the Company) during the year 2018. The exploration project continues further as the technical and commercial viabilities have not been demonstrable as at the reporting date. Refer to note 3.4.

12.2 During the year, the Company purchased software to regulate the ventilation and simulation systems inside the mine.

13. OTHER FINANCIAL ASSETS

	2018 Rs.	2017 Rs.
Loans to Company Officers	39,715,262	31,242,702
The movement of loans is as follows:		
Balance as at 1 January	31,242,702	30,222,467
Loans granted	29,130,560	24,975,180
Loan repayments	(20,658,000)	(23,954,945)
Balance as at 31 December	**39,715,262**	**31,242,702**
Non-current	24,586,401	19,217,736
Current	15,128,861	12,024,966
	39,715,262	**31,242,702**

14. INVENTORIES

	2018 Rs.	2017 Rs.
Raw materials - Lubricants	26,315,135	18,817,347
Raw materials - Graphite	19,573,396	7,501,536
Work-In-Progress - Graphite	5,383,579	6,178,841
Finished goods - Graphite	1,672,220	2,614,614
Consumables and spares	70,017,199	68,609,415
	122,961,529	103,721,753
Impairment for slow-moving stocks (note 14.1)	(7,429,848)	(6,449,076)
	115,531,681	97,272,677
Goods in transit	-	3,606,390
	115,531,681	**100,879,067**

As at 31st December

14. INVENTORIES (Cont.)

14.1 Impairment for slow-moving stocks

	2018 Rs.	2017 Rs.
Balance as at 1 January	6,449,076	1,341,139
Provision for the year	1,594,303	5,322,392
Write off against provisions	(613,530)	(214,455)
Balance as at 31 December	**7,429,848**	**6,449,076**

15. TRADE AND OTHER RECEIVABLES

	2018 Rs.	2017 Rs.
Trade receivables	77,350,429	68,419,332
Trade receivables due from related companies	29,055,637	22,975,766
Total trade receivables (note 15.1)	106,406,066	91,395,098
VAT receivables	75,168,617	51,068,196
Other receivables	2,443,432	960,957
	184,018,115	**143,424,251**

15.1 Age analysis of total trade receivables

	2018 Rs.	2017 Rs.
Neither past due nor impaired	93,961,102	67,838,898
Past due but not impaired		
0-30 days	4,084,388	20,011,304
31-60 days	8,360,576	3,544,896
	106,406,066	**91,395,098**

16. CASH AND CASH EQUIVALENTS

	2018 Rs.	2017 Rs.
Cash in hand	217,409	241,799
Cash at bank	62,245,608	53,055,957
Cash and cash equivalents per statement of cash flows	**62,463,017**	**53,297,756**

17. STATED CAPITAL

	2018		2017	
	Number	Rs.	Number	Rs.
Fully paid ordinary shares	94,632,904	102,074,201	94,632,904	102,074,201
	94,632,904	**102,074,201**	**94,632,904**	**102,074,201**

As at 31st December

	2018 Rs.	2017 Rs.
18. RESERVES		
Revaluation reserve	**10,230,816**	**5,718,298**
18.1 The movement is as follows:		
Balance as at 1 January	5,718,298	5,718,298
Revaluation	4,512,518	-
Balance as at 31 December, net of deferred tax	**10,230,816**	**5,718,298**
19. LOANS AND BORROWINGS		
Loans from Graphit Kropfmühl GmbH (note 19.1)	100,307,243	152,444,274
Finance lease obligations (note 19.2)	3,958,324	6,030,947
	104,265,567	**158,475,221**
Non-current		
Loan from Graphit Kropfmühl GmbH	63,831,869	88,200,270
Finance lease obligations	1,564,369	3,954,852
	65,396,238	**92,155,122**
Current		
Loan from Graphit Kropfmühl GmbH	36,475,374	64,244,003
Finance lease obligations	2,393,955	2,076,095
	38,869,329	**66,320,098**
19.1 The movement of the loan is as follows:		
Balance as at the beginning of the year	152,444,274	129,910,870
Loans obtained	-	32,056,150
Repayments	(66,420,933)	(29,047,201)
Effect on exchange loss	14,283,902	19,524,455
Balance as at the end of the year	**100,307,243**	**152,444,274**

Terms and conditions of the loan

Graphit Kropfmühl GmbH Loan
The repayment terms of borrowing and the security offered to the loan are set out below:

Rate of interest	EURO 5.53%
Terms of repayment - equal capital installments	EURO 43,616.25 (Quarterly)
Grace period	2 years up to October, 2011
Loan repayment period	10 years ending 2021
Security offered	NIL

Finance Lease Obligations

19.2 The movement of the finance lease is as follows:

	2018 Rs.	2017 Rs.
Balance as at 1 January	6,030,947	8,964,675
Lease repayments	(2,072,623)	(2,933,728)
Balance as at 31 December	**3,958,324**	**6,030,947**

As at 31st December

20. EMPLOYEE BENEFITS

20.1 Defined contribution plans

The following contributions have been made to the Employees' Provident Fund and Employees' Trust Fund during the year:

	2018 Rs.	2017 Rs.
Employees' Provident Fund		
Employers' contribution	18,567,074	17,665,543
Employees' contribution	16,145,282	14,731,133
Employees' Trust Fund	4,641,769	4,419,340
20.2 Defined benefit plan		
Balance at the beginning of the year	53,927,614	48,011,111
Provision recognised during the year (note 20.2.1)	9,689,807	9,210,250
Actuarial (gain)/loss during the year (note 20.2.2)	(149,160)	6,833,999
	63,468,261	64,055,360
Payments made during the year	(6,250,378)	(10,127,746)
Balance at the end of the year	**57,217,883**	**53,927,614**
20.2.1 Provision recognised in the profit or loss		
Current service cost	3,757,769	3,688,972
Interest on obligation	5,932,038	5,521,278
	9,689,807	**9,210,250**
20.2.2 Provision recognised in the other comprehensive income		
Actuarial (gain)/loss for the year	**(149,160)**	**6,833,999**

An actuarial valuation for gratuity liability was carried out as at 31 December 2018 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries.

The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer.

	2018	2017
Discount rate	11%	11%
Salary increment rate	9%	10%

20.2 Defined benefit plan

Assumptions regarding future mortality are based on A67/70 mortality table, issued by the Institute of Actuaries, London.

Normal retirement age of an individual is assumed to be 55 years and employees over 55 years are assumed to retire on their respective next birthdays.

According to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of 5 years of continuous service.

As at 31st December

20. EMPLOYEE BENEFITS (Cont.)

20.2.3 Sensitivity analysis

If there is a change in the assumption by 1%, the following would be the impact on employee benefits.

	2018		2017	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Discount rate	(3,569,865)	3,963,568	(3,315,093)	3,689,538
Salary increment rate	4,321,750	(3,942,631)	4,018,499	(3,658,864)

21. DEFERRED TAXATION

	2018 Rs.	2017 Rs.
Deferred tax (assets)/liabilities		
Deferred tax liabilities (note 21.1)	26,471,185	26,298,732
Deferred tax assets (note 21.2)	(10,310,581)	(26,518,976)
	16,160,604	**(220,244)**

The movement on the deferred tax account is as follows:

21.1 Deferred tax liabilities

	2018 Rs.	2017 Rs.
Balance as at 1 January	26,298,732	20,975,330
(Reversed)/Originated during the year through profit or loss	(1,493,029)	5,323,402
Originated during the year through other comprehensive income	1,665,482	-
Balance as at 31 December	**26,471,185**	**26,298,732**

21.2 Deferred tax assets

	2018 Rs.	2017 Rs.
Balance as at 1 January	26,518,976	16,591,309
(Reversed)/Originated during the year through profit or loss	(16,187,513)	8,970,907
(Reversed)/Originated during the year through other comprehensive income	(20,882)	956,760
Balance as at 31 December	**10,310,581**	**26,518,976**

Deferred Tax Assets and Liabilities are attributable to the following:

	2018		2017	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Deferred tax liabilities				
Property, plant and equipment	177,106,295	24,794,881	187,848,087	26,298,732
Revaluation of freehold land (note 21.1)	11,896,298	1,665,482	-	-
Intangible assets	77,297	10,822	-	-
	189,079,890	**26,471,185**	**187,848,087**	**26,298,732**
Deferred tax assets				
Employee benefits	(57,217,883)	(8,010,504)	(53,927,614)	(7,549,866)
Provision for death compensation	(8,999,270)	(1,259,898)	-	-
Impairment provision for inventories	(7,429,848)	(1,040,179)	-	-
Tax loss (note 21.2)	-	-	(135,493,643)	(18,969,110)
	(73,647,001)	**(10,310,581)**	**(189,421,257)**	**(26,518,976)**
Net deferred tax liabilities/(assets)	**115,432,889**	**16,160,604**	**(1,573,170)**	**(220,244)**

As at 31st December

21. DEFERRED TAXATION (Cont.)

21.1 Per the New Inland Revenue Act which came into effect from 1 April 2018, Business Assets will attract Capital Gains Tax at the corporate tax rate, at the time of disposal. Accordingly, Land under revaluation model which is considered as a business asset by the entity, computed a deferred tax liability on revaluation reserve as at reporting date. The respective deferred tax liability has been recognised through Other Comprehensive Income (OCI).

21.2 Tax loss

During the year, the Company has claimed its tax losses outstanding in full per the Inland Revenue Act No. 24 of 2017 which came into effect from 1 April 2018. Accordingly, no deferred tax asset has been recognised in the Financial Statements in this regard. Refer to note 9.1.1.

22. TRADE AND OTHER PAYABLES

	2018 Rs.	2017 Rs.
Trade payables - Others	16,464,673	20,353,725
Trade payables - Related companies	8,789,850	4,729,489
Sundry creditors	9,744,170	19,632,314
Accrued expenses	28,825,237	27,835,545
	63,823,930	**72,551,073**

23. CURRENT TAXATION

	2018 Rs.	2017 Rs.
Balance as at 1 January	(1,544,612)	6,905,519
Provision for the year	8,953,321	2,323,362
Adjustments for prior years	(333,529)	(8,207)
Tax payments	-	(8,963,243)
ESC setoff	(4,250,677)	(1,680,013)
WHT setoff	(45,158)	(122,030)
Current tax liability/(asset)	**2,779,345**	**(1,544,612)**

24. RELATED PARTY DISCLOSURES

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties per Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures', the details of which are reported below.

According to Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures', Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors of the Company have been classified as KMP.

Being the parent and ultimate undertaking, Graphit Kropfmühl GmbH and AMG Advanced Metallurgical Group N.V. (Netherlands) respectively, as noted in note 1.2, the Board of Directors has the authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors of the parent company has also been classified as KMP.

As at 31st December

24. RELATED PARTY DISCLOSURES (Cont.)

24.1 Transactions with KMP of the Company are as follows:

Name of KMP	Relationship	Nature of transaction	Amount (Rs.)	Balance as at 31.12.2018 (Rs.)
Mr. A. P. Jayasinghe	Managing Director /CEO	Distress loan granted Distress loan repaid	- (880,469)	2,347,917
Mr. Sugath Amarasinghe	Finance Director /CFO	Distress loan granted Distress loan repaid	600,000 (62,500)	537,500

The above loans were granted to the Executive Directors in their capacity as employees.

24.2 Compensation to Key Management Personnel of the Company is as follows:

	2018 Rs.	2017 Rs.
Short-term employee benefits		
Executive Directors - Emoluments	34,851,434	26,375,437
Non-Executive Directors - Fees and other benefits	4,134,159	2,802,914
	38,985,593	29,178,351
Post-employment benefits		
Executive Directors	4,528,861	7,508,518
Total compensation applicable to KMP	**43,514,454**	**36,686,869**

As at 31st December

24. RELATED PARTY DISCLOSURES (Cont.)
24.3 Transactions with related companies

Nature of Transactions	Name of Company & Relationship						Total	
	Parent Graphit Kropfmühl GmbH		Affiliate Graphite Tyn spol. s r.o		Affiliate Qingdao Kropfmühl Graphite Co. Ltd.			
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Recurrent related party transactions								
Balance receivable/(payable) as at 01 January	(154,383,398)	(129,476,030)	3,566,405	3,475,436	9,646,787	1,246,546	(141,170,206)	(124,754,048)
Sale of goods/services	124,308,351	92,198,204	87,024,315	50,737,560	18,631,482	26,816,568	229,964,148	169,752,332
Purchase of goods/services	(82,408,731)	(72,734,475)	-	-	(1,446,467)	-	(83,855,198)	(72,734,475)
Expenses reimbursable from related companies	1,515,511	-	-	-	-	-	1,515,511	-
Finance cost (interest expenses)	(6,129,055)	(6,998,072)	-	-	-	-	(6,129,055)	(6,998,072)
Technical service fee payments	(43,888,070)	(36,644,399)	-	-	-	-	(43,888,070)	(36,644,399)
Receipt of loans and borrowings	-	(32,056,150)	-	-	-	-	-	(32,056,150)
Repayment of loans and borrowings	66,420,933	29,047,201	-	-	-	-	66,420,933	29,047,201
Net settlements	12,941,204	21,804,778	(85,765,715)	(50,646,591)	(19,775,710)	(18,416,327)	(92,600,221)	(47,258,140)
Net exchange loss	(14,283,902)	(19,524,455)	-	-	-	-	(14,283,902)	(19,524,455)
Balance receivable/(payable) as at 31 December on recurrent transactions	**(95,907,157)**	**(154,383,398)**	**4,825,005**	**3,566,405**	**7,056,092**	**9,646,787**	**(84,026,060)**	**(141,170,206)**
Above balance included in	**2018 Rs.**	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**	**Total - 2018 Rs.**	**Total - 2017 Rs.**
Trade receivables	17,174,540	9,762,574	4,825,005	3,566,405	7,056,092	9,646,787	29,055,637	22,975,766
Trade payables	(8,789,850)	(4,729,489)	-	-	-	-	(8,789,850)	(4,729,489)
Other payables	(3,984,604)	(6,972,209)	-	-	-	-	(3,984,604)	(6,972,209)
Loans and borrowings	(100,307,243)	(152,444,274)	-	-	-	-	(100,307,243)	(152,444,274)
	(95,907,157)	**(154,383,398)**	**4,825,005**	**3,566,405**	**7,056,092**	**9,646,787**	**(84,026,060)**	**(141,170,206)**

24.3.1 Total aggregated value of the sales made to Graphit Kropfmühl, Graphite Tyn and Qingdao Kropfmühl are 14.2%, 9.9% and 2.1% respectively from the total revenue of the Company. There has not been any non-recurrent related party transaction during the year.

Terms and conditions:
All related party transactions have been conducted on agreed commercial terms with the respective parties.

As at 31st December

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value of assets and liabilities

The fair values of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2018		31 December 2017	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Assets carried at amortised cost				
Other financial assets	39,715,262	39,715,262	31,242,702	31,242,702
Trade receivables	106,406,066	106,406,066	91,395,098	91,395,098
Cash and cash equivalents	62,463,017	62,463,017	53,297,756	53,297,756
	208,584,345	**208,584,345**	**175,935,556**	**175,935,556**
Liabilities carried at amortised cost				
Loans and borrowings	104,265,567	104,265,567	158,475,220	158,475,220
Trade payables	25,254,523	25,254,523	25,083,215	25,083,215
	129,520,090	**129,520,090**	**183,558,434**	**183,558,434**

The carrying amount of cash and cash equivalents approximate the fair value due to the relatively short maturity of the financial instruments. This includes cash balances as well. For all the other items the carrying value has been considered as the fair value due to the timing of the cash flows.

The Company does not have any financial assets or liabilities carried at fair value as at the reporting date.

Non-financial assets measured at fair value

The valuation technique and inputs used in measuring the fair value of freehold land are given in note 11.1.

26. FINANCIAL RISK MANAGEMENT

26.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk
4. Operational risk

Introduction and overview

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these Financial Statements.

26.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the

Year ended 31st December

26. FINANCIAL RISK MANAGEMENT (Cont.)

Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructively controlled environment in which all employees understand their roles and obligations.

26.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. As it is mainly from the Customers, their credits are mainly decided in consultation with the Parent Company with strict monitoring systems for compliance. Periodic reviews are carried out and the Parent Company is promptly notified of any abnormal delays in customer settlements.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual stability and characteristics of each customer and circumstances that drive the risk-creating atmosphere. However, management also considers the demographics of the customer base and their longstanding relationship with the Company, default risk of the industry and in particular the customer, based on past experience, business conditions in the area or region of domicile of the customer, etc. However, the Company has not experienced a concentration of credit risk geographically.

The Parent Company has established a periodic credit reviewing policy under which each new customer is analysed individually for their creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Parent Company; these limits are reviewed quarterly. Customers who fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and coverage by letters of credit or other forms of credit insurance). Trade receivables are not written off due to the fact they fall past due for more than one year unless there is no enforceability. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 13, which are within the allowed credit periods and means to recover.

26.3.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018 Rs.	2017 Rs.
As at 31st December		
Trade receivables	106,406,066	91,395,098
Cash and cash equivalents	62,463,017	53,297,756

The maximum exposure to credit risk for loans and receivables at the reporting date, currencywise;

	2018	2017
EUR	209.07	183.84
GBP	231.94	207.20
USD	182.71	153.29

Impairment losses

The aging of trade receivables at the end of the reporting period was as follows:

	2018	2017
Neither past due nor impaired	93,961,102	67,838,898
Past due but not impaired	12,444,964	23,556,200
Due and impaired	-	-

Year ended 31st December

26. FINANCIAL RISK MANAGEMENT (Cont.)

26.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

26.4.1 Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date.

As at 31 December 2018	**Carrying amount Rs.**	**Less than 3 months Rs.**	**3 - 12 months Rs.**	**> 5 years Rs.**
Non-derivative financial liabilities				
Loans and borrowings	104,265,567	9,685,381	29,183,936	65,396,250
Trade payables	25,254,523	25,254,523	-	-
	129,520,090	**34,939,904**	**29,183,936**	**65,396,250**
As at 31 December 2017	**Carrying amount Rs.**	**Less than 3 months Rs.**	**3 - 12 months Rs.**	**> 5 years Rs.**
Non-derivative financial liabilities				
Loans and borrowings	158,475,220	24,594,290	41,725,809	92,155,122
Trade payables	25,083,215	25,083,215	-	-
	183,558,434	**49,677,505**	**41,725,809**	**92,155,122**

26.4.2 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's policy is to hold cash and undrawn overdraft facilities at a level sufficient to ensure that the Company has available funds to meet its liabilities.

26.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Year ended 31st December

26. FINANCIAL RISK MANAGEMENT (Cont.)

26.5 Market risk (Cont.)

26.5.1 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes on foreign exchange rates. The Company monitors the fluctuations in foreign currencies with appropriate strategies to minimise risk.

The Company's exposure to the risk of changes in foreign exchange rates relate primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and loans and borrowings.

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2018	**2017**	**2018**	**2017**
EUR	192.76	172.08	209.07	183.84
USD	163.57	151.33	182.71	153.29
GBP	217.25	196.40	231.94	207.20

The Company’s exposure to foreign currency risk is as follows:

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	31-Dec-18		31-Dec-17	
	EUR	**USD**	**EUR**	**USD**
Cash and cash equivalents	83,339	99,609	82,656	29,550
Trade receivables	270,766	272,550	72,505	62,934
Loans and borrowings - GK	479,779	-	(829,244)	-
Trade payables	39,841	18,933	(25,726)	-
Net statement of financial position exposure	**873,725**	**391,092**	**(699,809)**	**92,484**

The following significant exchange rates have been applied:

	Average rate		Year end spot rate	
	2018	**2017**	**2018**	**2017**
EUR	192.76	172.08	209.07	183.84
USD	163.57	151.33	182.71	153.29

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Euro and US Dollar against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity, net of tax	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
31 December 2018				
EUR (1% movement)	8,737	(8,737)	8,737	(8,737)
USD (1% movement)	3,911	(3,911)	3,911	(3,911)

26. FINANCIAL RISK MANAGEMENT (Cont.)

26.5 Market risk (Cont.)

26.5.1 Currency risk (Cont.)

	Profit or loss		Equity, net of tax	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
31 December 2017				
EUR	(6,998)	6,998	(6,998)	6,998
USD	925	(925)	925	(925)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations.

The Company's interest rate includes a fixed rate of 5.53%.

Sensitivity analysis

A change of 50 basis points in interest rates at the end of the reporting period would have increased/ (decreased) profit or loss by the amounts shown below.

	Increase/ decrease in basis points	Effect on profit before tax
2018	+50 -50	(501,536) 501,536
2017	+50 -50	(762,221) 762,221

27. CAPITAL COMMITMENTS

There were no contracts for capital expenditure of material amounts approved or contracted for as at the reporting date.

28. CONTINGENT LIABILITES

No cases have been filed against the Company nor claims made in reconvention. Accordingly, no provision has been made in the Financial Statements.

29. EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the Financial Statements.

30. COMPARATIVE FIGURES

30.1 Changes in significant accounting policies

The Company initially applied SLFRS 15 **(30.1.1)** and SLFRS 9 **(30.1.2)** from 1 January 2018. However there was no significant impact on Financial Statements on adoption. Due to the transition methods chosen by the Company in applying these standards and immateriality of the implication, comparative information throughout these Financial Statements has not been restated to reflect the impact of the new standards on adoption.

Year ended 31st December

30. COMPARATIVE FIGURES (Cont.)

30.1 Changes in significant accounting policies (Cont.)

30.1.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The adoption of SLFRS 15 did not have any significant effect on the Company's Financial Statements.

30.1.2 SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell nonfinancial items. The standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial asset under SLFRS 9 is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held-to-maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SLFRS 9 did not have significant effect on the Company's Financial Statements.

Further to the above, the previous year's figures have been reclassified where necessary to conform to the current year's presentation.

31. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors is responsible for the preparation and presentation of the Financial Statements in accordance with Sri Lanka Accounting Standards.

TEN-YEAR FINANCIAL SUMMARY
(In Rupees '000)

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Trading Results											
Turnover		877,761	732,888	702,454	582,861	607,425	535,758	556,226	399,324	386,373	241,382
Gross Profit		389,472	255,039	270,374	186,600	239,628	177,488	184,222	115,004	130,098	19,319
Other Income		14,079	7,773	14,127	3,287	9,440	7,718	13,813	6,925	36,132	6,926
Profit/(Loss) Before Interest		182,372	(12,971)	88,249	16,538	92,223	47,757	40,741	38,069	88,405	(76,387)
Interest Cost		(6,836)	(8,015)	8,931	10,232	13,796	17,928	18,548	16,406	15,144	47,630
Profit/(Loss) After Interest Before Tax		175,536	(20,986)	79,318	6,306	78,426	29,829	22,193	21,663	73,261	(124,017)
Taxation		(23,314)	1,332	5,512	6,150	3,968	5,072	1,652	(1,552)	(2,844)	-
Net Profit/(Loss)		152,222	(19,653)	73,806	156	74,459	24,757	23,845	20,111	70,417	(124,017)
Other Comprehensive Income/(Loss), Net of Tax		4,641	(5,877)	610	1,554	2,075	126	1,738	-		
Total Comprehensive Income for the Year		156,863	(25,531)	73,196	(1,398)	72,384	24,656	22,108	-		
Balance Sheet											
Stated Capital		102,074	102,074	102,074	80,074	80,074	80,074	80,074	80,074	80,074	547,142
Reserves		378,561	221,698	247,229	198,233	189,328	116,944	92,313	82,009	76,135	(461,350)
Shareholders' Funds		480,635	323,772	349,303	278,307	269,402	197,018	172,362	162,083	156,209	85,792
Property, Plant & Equipment		304,570	265,539	259,841	253,503	270,451	297,136	282,859	275,276	242,700	262,043
Current & Non-Current Assets		411,161	343,188	319,844	271,116	263,130	238,042	241,997	227,833	255,636	205,422
Current Liabilities		105,473	138,871	69,395	66,717	61,645	86,875	81,542	80,198	40,674	47,200
Non-Current Liabilities		138,775	146,083	160,987	179,595	203,389	253,684	270,952	260,827	301,453	334,471
Net Assets		480,635	323,772	349,303	278,307	269,402	197,018	172,362	162,083	156,209	85,792
Key Indicators											
Gross Profit to Turnover	%	44%	35%	38%	32%	39%	33%	33%	29%	33.67%	8.00%
Net Profit to Turnover	%	17.34%	-2.68%	10.51%	0.03%	12.26%	4.62%	4.29%	5.04%	18.23%	-51.38%
Earnings per Share	Rupees	1.61	-0.21	0.78	0.00	1.57	0.52	0.50	0.43	1.49	(2.62)
Price Earnings Ratio	Times	8	(64)	18	9,839	19.89	35.17	47.03	91.76	39.31	(6.87)
Market Value per Share as at 31st December	Rupees	13.30	13.30	14.40	32.40	31.30	18.40	23.70	39.00	58.50	18.00
Return on Equity	%	31.67%	-6.07%	21.13%	0.06%	27.64%	12.57%	13.83%	12.41%	45.08%	-144.55%
Net Assets per Share	Rupees	5.08	3.42	3.69	5.88	5.69	4.16	3.64	3.43	3.30	1.81
No. of Shares in Issue	Nos	94,632,904	94,632,904	94,632,904	47,316,452	47,316,452	47,316,452	47,316,452	47,316,452	47,316,452	47,316,452

Notes:

1) In Year 2004 a loan of Euro 1,000,000 obtained from GK was converted to 11,768,000 shares
2) In year 2009, a further 7,587,452 shares were issued by capitalising Euro loan due to GK.
3) In year 2010 BGL reduced its stated capital to Rs.80,074,201 by setting off the accumulated losses as at 31/12/2009 of Rs.467,067,988 against the stated capital of Rs.547,142,189 without affecting the number of shares in issue.

Year ended 31st December

TOP 20 SHAREHOLDERS OF THE COMPANY

	Name of Shareholders	No. of shares	%
1	GRAPHIT KROPFMÜHL GMBH	75,310,068	79.58
2	ALTERNA GK LLC	9,775,580	10.33
3	SECRETARY TO THE TREASURY	509,000	0.54
4	MRS. N. TIRIMANNE	374,200	0.40
5	PEOPLES LEASING & FINANCE PLC/L. P. HAPANGAMA	284,367	0.30
6	MR. W. A. DE SILVA (DECEASED)	181,800	0.19
7	MR. A. J. M. JINADASA	127,000	0.13
8	MR. D. M. KODIKARA	121,386	0.13
9	UNIVOGUE GARMENTS (PVT) LIMITED.	99,000	0.10
10	BANSEI SECURITIES CAPITAL (PVT) LTD/ DAWI INVESTMENT TRUST (PVT) LTD	93,416	0.10
11	LIFE INSURANCE CORPORATION (LANKA) LTD	80,000	0.08
12	BIMPUTH FINANCE PLC	79,092	0.08
13	PEOPLES LEASING & FINANCE PLC/DR. H. S. D. SOYSA & MRS. G. SOYSA	70,750	0.07
14	MRS. N. MULJIE	69,902	0.07
15	ASHA FINANCIAL SERVICES LIMITED/MR. C. N. PAKIANATHAN	63,400	0.07
16	MBSL/G. S. P. GUNASENA	61,600	0.07
17	MR. N. A. WITHANA	56,774	0.06
18	MR. M. S. HIRIPITIYA	53,026	0.06
19	MR. K. S. M. RODRIGO	50,999	0.05
20	MR. M. N. JAMAAL	50,250	0.05

SHARES NOT TAKEN INTO ACCOUNT TO COMPUTE PUBLIC HOLDING

Name	Shares	%
GRAPHIT KROPFMÜHL GMBH	75,310,068	79.58
ALTERNA GK LLC	9,775,580	10.33
TOTAL	**85,085,648**	**89.91**

Number of shares held by Public		9,547,256
Number of shareholders holding the Public Shares		9,403
Percentage		10.09
Number of shares representing stated capital		94,632,904
Total number of shareholders		9,405
Net Assets Value per Share as at 31st December 2018 (2017 – Rs.3.42)	Rs.	5.08

As at 31st December

SHAREHOLDERS DISTRIBUTION SHEDULE

Shareholding	No. of Shareholders	Total No. of Shares	Percentage %
1-1000	8,370	2,849,792	3.01
1001-5000	820	1,884,635	1.99
5001-10000	125	960,183	1.01
10001-50000	70	1,426,684	1.51
50001-100000	12	828,209	0.88
100001-500000	5	1,088,753	1.15
500001-1000000	1	509,000	0.54
OVER 1000000	2	85,085,648	89.91
TOTAL	**9,405**	**94,632,904**	**100.00**

SHARE TRADING DETAILS FOR THE YEAR 2017

Highest Market Price (24-04-2018)	Rs. 15.70
Lowest Market Price (25-10-2018)	Rs. 12.00
Market Price as at 31st December 2018	Rs. 13.30
Traded Share Volume	1,250,539
No. of Trades	1,197
Trading Turnover	17,660,979.80

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Eighth Annual General Meeting of the Company will be held at 10.30 a.m. on Saturday the 06th April 2019 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 2018 together with the Auditors' Report thereon.

2. To propose the following resolution as an ordinary resolution for the reappointment of Mr. J. C. P. Jayasinghe, who has reached the age of 75 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. J. C. P. Jayasinghe, who has reached the age of 75 years prior to this Annual General Meeting, and that he be reappointed as a Director of the Company".

3. To propose the following resolution as an ordinary resolution for the reappointment of Mr. V. P. Malalasekera, who has reached the age of 73 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. V. P. Malalasekera, who has reached the age of 73 years prior to this Annual General Meeting, and that he be reappointed as a Director of the Company".

4. To re-appoint KPMG, Chartered Accountants, 32 A, Sir Mohamed Macan Markar Mawatha, Colombo 03 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 2019.

5. To authorise the Directors to determine contributions to charities for the ensuing year.

By Order of the Board

CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries
BOGALA GRAPHITE LANKA PLC

Colombo on this 5th day of March 2019

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.

Form of Proxy

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. Roger Miller or failing him Mr. J. C. P. Jayasinghe or failing him Mr. A. P. Jayasinghe or failing him Mr. T. A. Junker or failing him Ms. M. C. Pietersz or failing her Mr. A. S. R. Amarasinghe or failing him Mr. M. Adamaly as my/our proxy to speak/vote for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to be held on the 6th day of April 2019 at 10.30 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 Nineteen.

…………………………
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 authorised in writing under the hands of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised 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.

Corporate Information

1. **Name of the Company** - Bogala Graphite Lanka PLC
2. **Legal Form** - A Public Quoted Company with limited liability incorporated under the provisions of Companies Act No. 07 of 2007
3. **Date of Incorporation** - 11th March 1991
4. **Company Registration Number** - PQ 218
5. **Nature of Business** - Mining, Separation, Refining, Treating, Processing and Preparation, and sale of Graphite, and production of Lubricants
6. **Board of Directors**

Mr. Vijaya Malalasekera	- Chairman
Mr. Thomas A. Junker	- Vice Chairman
Mr. J. C. P. Jayasinghe	
Mr. Roger Miller	
Mr. Amila Jayasinghe	- CEO/Managing Director
Ms. Coralie Pietersz	
Mr. Sugath Amarasinghe	- Finance Director
Mr. Mohamed Adamaly	

7. **Business Address**
Bogala Mines, 71041 Aruggammana
Website: www.gk-graphite.lk

8. **Secretaries**
Corporate Services (Private) Limited
216, De Saram Place, Colombo 10.
Tel: 004718200 Fax 004718220
email: csl@figdesaram.com

Lawyers
F J & G De Saram
216 De Saram Place, Colombo 10.
Tel: 0114605100 Fax 0112669769
email: fjgdesaram@fjgdesaram.com

9. **External Auditors**
KPMG,
Chartered Accountants
32A, Sir Mohamed Macan Marker Mw.,
Colombo 03.

Internal Auditors
B. R. De Silva & Company
Chartered Accountants
22/4, Vijaya Kumaranathunga Mawatha,
Colombo 05.

10. **Bankers**
Peoples Bank
Sampath Bank PLC
Union Bank

11. **Management Committee**

Assistant General Manager (Underground)	- Chaminda Ekanayake
Assistant General Manager (Processing)	- Anura Liyanage
Assistant General Manager (Engineering Services / Safety, Health & Environment)	- Saliya Gunasekara
Assistant General Manager (Finance)	- Ms. Devika Kumari
Manager Human Resources	- Kithsiri Muhandiram
Manager IT	- Ruwan Jayakody
Manager Mining	- I. V. Sunil
Deputy Processing Manager	- Nalin Samantha
Mine Service Manager / Geologist	- Kithsiri Palandagama
Manager Public Relations & Stores	- Hemantha Jayasinghe

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