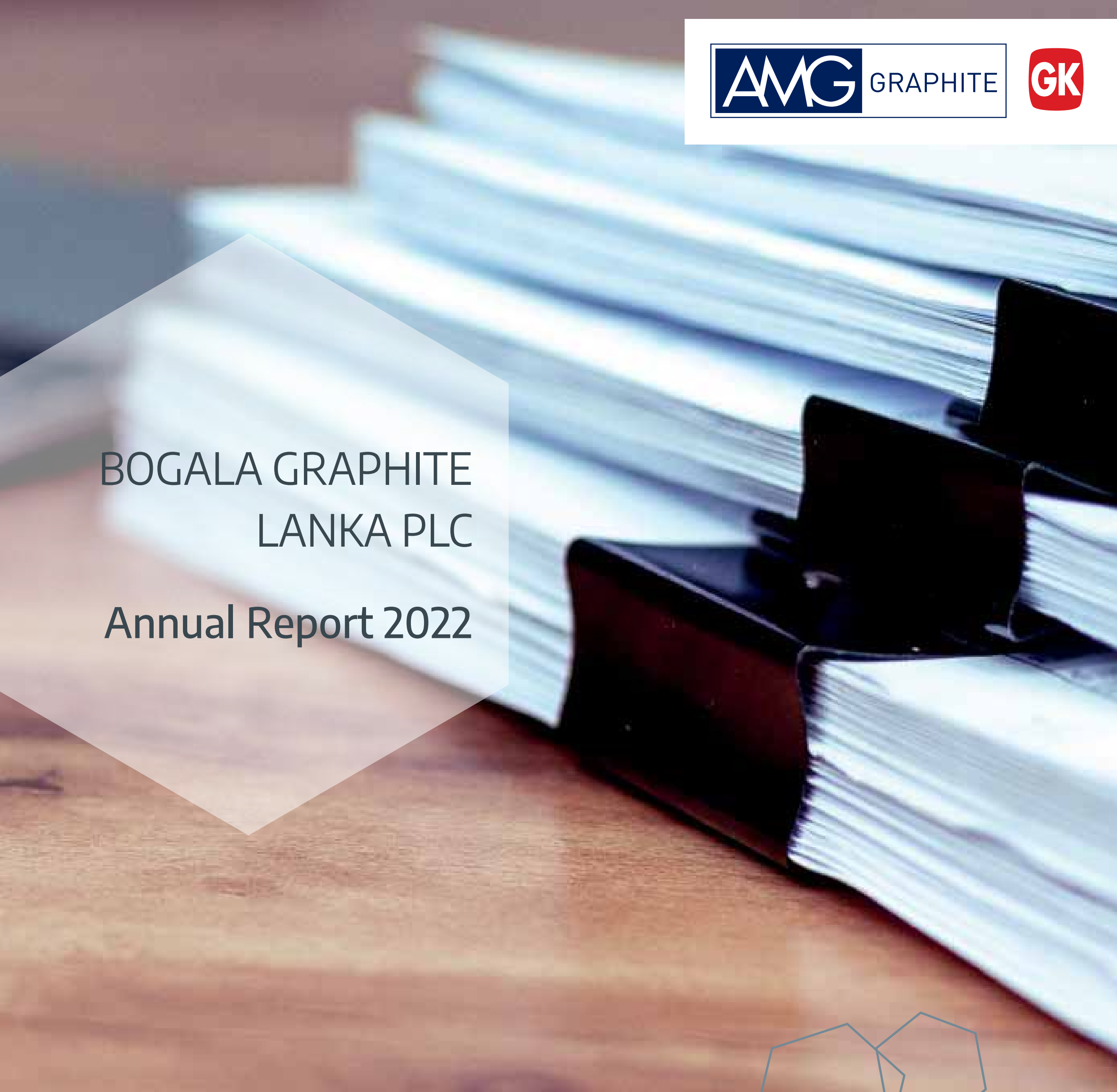


BOGALA GRAPHITE LANKA PLC

Annual Report 2022

INTELLIGENCE IN GRAPHITE

BOGALA GRAPHITE LANKA PLC

Annual Report 2022

CONTENTS

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Year Ended 31st December

Earnings Highlights and Ratios		**2022**	**2021**	**% Change**
Revenue	Rs.million	1,699.9	1,126.3	50.9
Gross profit	Rs.million	905.0	536.3	68.7
Profit/(Loss) from operations	Rs.million	789.3	276.1	185.9
Profit/(Loss) before tax	Rs.million	806.7	279.8	188.3
Profit / (Loss)after tax	Rs.million	664.3	239.4	177.5
EBITDA	Rs.million	827.2	317.5	160.5
Cash from operating activities	Rs.million	609.7	345.6	76.4
Gross profit to turnover	%	53.2	47.6	
Net income to turnover	%	39.1	21.3	
Interest Cover	%	998.3	176.32	
Return on equity (ROE)	%	43.8	27.7	

Balance Sheet Highlights & Ratios				
Total assets	Rs.million	1,853.6	1,072.9	72.8
Total debt	Rs.million	336.1	210.2	59.9
Total shareholders' funds	Rs.million	1,517.5	862.7	75.9
No of shares in issue	million	94.6	94.6	-
Net assets	Rs.million	1,517.5	862.7	75.9
Net assets per share	Rs.	16.0	9.1	75.9
Debt/equity (book value)	%	22.1	24.4	(9.1)

Operational Highlights				
Lost-time accident rate	%	Zero	Zero	-
Accident severity rate	%	Zero	Zero	-
Earnings per share	Rs.	7.02	2.53	177.5

CHAIRPERSON'S REVIEW

It is my pleasure to welcome you all on behalf of the Board to the 32nd Annual General Meeting of our Company.

2022 - the year under review, was a year of unprecedented turmoil for Sri Lanka, facing its toughest ever economic crisis since independence. This was even harder to take as we had already suffered much in the three previous years – with the Easter attacks in 2019, and the Covid-19 global pandemic in 2020 and 2021. However, our unwavering commitment and sheer determination enabled us to overcome every challenge we faced and achieve a successful year despite the turmoil that plagued the country. During the year under review, your Company recorded a turnover of Rs. 1,699.9 million and Rs. 806.7 million profit before taxation including an exchange gain of Rs. 293.3 million. This achievement is a testament to the remarkable resilience of your Company as we withstood what was perhaps one of the darkest years in our nation's recent history.

The Sri Lankan economy is estimated to have witnessed a y-o-y contraction of 4.8% during the first half of 2022, compared to the growth of 9.3% in the corresponding period of 2021. The gradual recovery in economic activity, which was observed with the abating of the COVID-19 pandemic, reversed at the beginning of 2022, aligning with the deepening of the economic crisis and heightened uncertainties caused by the dearth of foreign exchange liquidity, resulted in a contraction of the real economy during the first half of 2022. Frequent power outages, prolonged fuel shortage that hampered supply channels, scarcity of raw materials, and the soaring cost of production, amidst price escalations in both domestic and global markets, significantly dampened economic activity across all sectors of the economy.

The y-o-y contraction of 7.1% recorded by the Industry sector was driven by the subdued performance of construction and manufacturing activities. On a y-o-y basis, the construction, mining and quarrying subsectors contracted by 8.9% and 13.1%, respectively, while the manufacture of coke and refined petroleum products and manufacture of food, beverages, and tobacco products registered notable contractions of 56.6% and 9.9%, respectively.

Considering the progress that has been made thus far in relation to the IMF-EFF programme and debt restructuring negotiations, and the reforms that have already been undertaken and those that are to be implemented in the period ahead, the economy is expected to transition onto the path to recovery from the latter part of 2023.

The global economy is facing several significant challenges, including high inflation, tightening financial conditions, adverse spill over effects of geopolitical tensions, the persistent effects of the COVID-19 pandemic, and emerging concerns about a possible global recession and food insecurity. According to the World Economic Overview of the IMF, global growth is anticipated to decline from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. Growth in emerging and developing Asia, which stood at 7.2% in 2021, is projected to be 4.4% in 2022 and 4.9% in 2023.

Global inflation is at the highest level seen in the past two decades, increasing faster and steadier than expected since 2021. Inflation in emerging markets and developing economies, which stood at 5.9% in 2021 is estimated to have accelerated to 9.9% in 2022 and is expected to decelerate slightly to 8.1% in 2023. Although the impact of these high inflationary levels is felt worldwide by all economic stakeholders, the impact of these developments on low income countries will be more severe and weaken macroeconomic stability of those countries even further.

Risk Management is a fundamental component of our processes and, aligned with this principle, thorough reviews are conducted to identify and analyse risks to the business. We continued to align our systems and policies to comply with changing regulatory requirements and have established effective mechanisms to ensure compliance.

We can, I believe, be assured of the resolve and the inner strength we possess as a company. While we

CHAIRPERSON'S REVIEW

should not rest on our laurels, we can be proud of what we have accomplished. These are achievements to be remembered and draw strength from, in the face of future uncertainties. Your Company has never been afraid of setbacks and we remain confident of our ability to achieve continued success.

Acknowledgement

In conclusion, on behalf of the Board of Directors and the employees of the Company, I extend my deepest appreciation to our valued shareholders, including our major shareholder and Parent Company, Graphit Kropfmühl, for their steadfast support. I also thank our stakeholders for the confidence and trust they placed on the management of the Company as they overcame the dire challenges of a very troubled year.

I also express my sincere gratitude to my colleagues on the Board for their support and guidance and also to the Management team and all employees who, as always, carried out their duties with unwavering commitment, under challenging circumstances, to help us achieve another year of success. Your Company performed remarkably well during one of the worst times in the nation's history. Having done so, I firmly believe that we have the ability and the resilience to face the year ahead with great confidence.

Coralie Pietersz
Chairperson
3rd April 2023

CHIEF EXECUTIVE OFFICER'S REVIEW

For Sri Lanka, the year 2022 seemed to unfold like a tragic tale. It was the worst of times, a season of darkness and a winter of despair – all in one. Since 2019, our nation faced crisis after crisis, with the Covid-19 global pandemic crippling the already crumbling economy post Easter attacks. Just when our country, like the rest of the world, was returning to some semblance of normalcy in 2021, 2022 brought Sri Lanka down with more chaos – both economic and political. It was Sri Lanka's toughest economic setback since independence. Incredibly, while the country picked up the pieces, we as a company, once again kicked into survival mode, having learnt by now how to overcome the challenges we encountered, through hard experience. As in the previous year, we continued operations without loss of working days, despite fuel and gas shortages, mass protests, and curfews and were able to meet, even exceed, our production targets. The effective disaster management plan and the business continuity plan we followed in 2020 and 2021 proved vital in helping to maintain effective operations during the unprecedented crises of 2022.

As the danger of the pandemic is not yet completely past, we continue to align our policies to comply with the Covid-19 safety regulations as set by the Government of Sri Lanka, as the health of our employees is of highest priority. Maintaining strict compliance with all regulations, we promote full awareness of them through structured communication to all our valued employees at all times.

During 2022, a total of 1,088 hours were set aside for health and safety training for our employees. We also recorded another year of zero lost-time accidents reported, resulting in no working days lost due to accidents.

Corporate Performance

Considering how dire the state of the nation was during the year under review, recording another consecutive year of excellent performance – achieving increases over 100% in many aspects – is a feat our company can truly be proud of. Our total revenue for the year was Rs. 1,699.9 million in comparison to Rs. 1,126.3 million in 2021 – an increase of 50.9%. Exceeding expectations, we recorded Rs. 806.7 million in profit before taxation, including an exchange gain of Rs. 293.3 million, compared to Rs. 279.8 million in 2021, including an exchange gain of Rs. 5.4 million – an exceptional growth of 188.3%. Our Return on Equity (ROE) also increased from 27.7% in 2021 to 43.8%.

Health, Safety and Operations

With the post-pandemic easing up of health restrictions, normalcy returned to operation schedules. However, as the threat of Covid-19 was far from over, we continued to follow the guidelines and regulations stipulated by the Government, giving priority to health and safety as per our Company policy. As always, we are diligent in maintaining all safety procedures and improving our standards to safeguard the wellbeing of our employees and stakeholders. In the year under review, we resumed the health and safety training for the staff, contributing to zero lost-time accidents.

Our People

One of our biggest strengths is our people. Throughout all the crises we have had to face, they have extended their unstinted support to us. During the dark days after the Easter attacks, when a global pandemic caused the world to fall apart, and while the country descended into anarchy, it was their commitment and hard work that helped the company progress despite such adversities. In turn, we too have stood by our people throughout.

Achievements

The year under review was also one of several key achievements and accolades. We earned Gold at the National Chamber of Exporters of Sri Lanka, 30th Annual Export Awards 2022, for Other Mineral Based Products Sector in the Large category. We were presented with the Silver Award at the Industrial Development Board Ceylon's National Industry Excellence Awards 2022, for Minerals and Allied Industries, in the Medium and Large category. We also won the Gold award for Minerals and Allied Industries in the Small and Medium categories at the Industrial Development Board Ceylon's Kegalle Business Excellence Awards 2022.

CHIEF EXECUTIVE OFFICER'S REVIEW

In April 2022, we supplied the first two tonnes of Graphite to Ceylon Graphene Technologies - the only company which manufactures Multilayer Graphene in Sri Lanka. The achievement of 1500 days without Lost Time Accidents was celebrated in July 2022. We opened a new dispersion plant in August 2022 in order to increase efficiency and enhance production capacity.

Appreciation

2022 was a year like no other for our country, but our company weathered that storm too. What kept us afloat and sailing forward was our own team of heroes, and I hereby extend my heartfelt appreciation to them. To all our faithful employees and the Managers who stood by the Company, thank you. Regardless of the chaos, they kept the company operational as well as profitable. Without them, our outstanding performance during 2022 would not have been possible. As always, the police, the armed forces, and the medical authorities extended their selfless service and support to us, and I take this opportunity to thank them too.

Our parent company, Graphit Kropfmühl GmbH, the Chairperson, and the Board of Directors never wavered in the trust and confidence they placed upon me and I express my deepest gratitude for their unfailing support and guidance throughout.

In conclusion, my sincere appreciation is hereby extended to all our shareholders, employees, the management team, and staff for their steadfast support. During the past four years, our country faced challenge after challenge without respite but our company was able to overcome the adversities the years threw at us. We did not just survive; we succeeded and progressed. Let 2023 bring us hope, and in the knowledge that we can overcome whatever trials the days may bring. Let us strive towards achieving another record year of success.

Amila Jayasinghe
Chief Executive Officer
3rd April 2023

DIRECTORS' PROFILES

Ms. M. C. Pietersz (Non-Executive Independent Director)

Ms. M. C. Pietersz was appointed a Director on 14th May 2013. She is an Associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Institute of Chartered Accountants of Sri Lanka, and a fellow member of the Institute of Certified Management Accountants of Sri Lanka. She holds a B.Sc. (Honours) degree in Physics from the University of Sussex and an MBA from Heriot-Watt University, Edinburgh. She is an Independent Non-Executive Director at People's Leasing & Finance PLC, RIL Properties PLC, United Motors Lanka PLC, Panasian Power PLC, and Hemas Pharmaceuticals (Pvt) Ltd.

Ms. Pietersz has over 25 years of experience at senior levels in both private and public sectors. Her experience includes the role of Chief Financial Officer (CFO) at Nations Trust Bank and Group CFO at Richard Pieris and Co PLC. Her last role was as Finance Director of Finlays Colombo Ltd, Hapugastenne Plantations PLC, and Udapussellawa Plantations PLC.

Thomas A. Junker (Non-Executive Director)

Mr. Junker is a graduate in Civil Engineering from the University of Applied Science in Aalen, Germany. He served the Board as a Director of Bogala Graphite Lanka PLC from 26th March 2010 to 29th April 2016. He was re-appointed to the Board on 2nd January 2017. He has been with Graphit Kropfmühl since April 2008 and currently serves as the Managing Director/CEO of AMG Graphite Group. He is also the Managing Director of Qingdao Kropfmühl Graphite Co., Ltd and a Board Director since 2011. He also serves as the Chairman of the Board at GK Ancuabe Graphite Mine, S.A.

J. C. P. Jayasinghe (Non-Executive Director)
B.Com (Ceylon)

Mr. Jayasinghe 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 served the Board up to 4th April 2020. Mr. Jayasinghe was re-appointed to the Board on 22nd August 2020.

Roger P. Miller (Non-Executive Director)

Mr. Miller served the Board as a Director of Bogala Graphite Lanka PLC from 25th April 2016 to 4th April 2020. He was re-appointed to the Board on 22nd August 2020. He is a founder and Managing Partner of Alterna Capital Partners (a private investment manager 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.

* Mr. Roger Miller ceased to be a Director effective 31st March, 2023.

A. P. Jayasinghe (Executive Director)
B.Bus (Monash), CPA

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

Sugath Amarasinghe (Executive Director)
ACA, ASCMA

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 has worked over 30 years in the mercantile sector at senior level, and possesses experience in the Manufacturing FMCG (Foods & Beverages), Automobile, Services (Corporate and Management Consultancy), Information Technology, Garment Manufacturing, and Garment Processing industries.

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, holds a Bachelors in Law (LL.B.) with Honours from the University of Colombo, and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, UK. Mr. Adamaly is a Senior Legal Counsel, operating his own legal Chambers that specialises in Commercial law litigation, labour and public law, and investment consultancy. He is also a resource person for Director Training, a Senior Lecturer in Marketing, and serves on the Board of Amana Bank PLC and the David Pieris Group, and of several public and private companies in the hospitality and leisure, education, fine arts, and property sectors.

Ulla Neunzert (Non-Executive Director)

Ms. Neunzert was appointed a Director of Bogala Graphite Lanka PLC on 15th August 2019. She joined Graphit Kropfmühl GmbH in May 2019 as CFO for the AMG Graphite Group and currently serves the Company as Managing Director/CFO. Ms. Neunzert holds a Master of Arts degree from Freie University of Berlin, Germany.

CORPORATE GOVERNANCE REPORT

The Board provides strategic direction to the Company, adopting a sound governance framework and setting in place proper risk management and internal control systems to ensure compliance with specific mandatory requirements set out in Section 7.10 of the Listing Rules of the Colombo Stock Exchange 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.

The Board also provides clear directions on the decision-making process, promoting a culture of openness, productive dialogue, constructive dissent, employee empowerment and engagement, and creating value to all stakeholders.

Board Composition and Skills

The Board of Directors consists of eight members, of whom six are Non-Executive Directors. Two of them are independent Non-Executive Directors, of whom one is the Chairman. Company policy is to maintain a sufficient balance of power that minimises the tendency for one or a few members of the Board to dominate its decision-making process whilst meeting the guidelines issued to listed companies. The Directors' profiles are given on page 9.

As required by the Listing Rules of the Colombo Stock Exchange, each Non-Executive Director submitted a declaration of their independence or non-independence for the year under review. Non-Executive Directors do not have any business interest except what is stated under note 26, Related Party Disclosure on page 76 and Director's interest in Annual Report of the Board of Directors on page 29 of the Annual Report.

The Board places a strong emphasis on transparency, accountability, and integrity of transactions.

Whilst the Board is responsible for guiding the overall direction, strategies, and financial objectives, and for overseeing systems of internal control, risk management, and strategic plans, it is the responsibility of the management to ensure their implementation.

Board Meetings

The Board held four meetings during the year, one per quarter. The Directors were provided with relevant information and background material as per the agenda, prior to every meeting to enable them to engage in informed deliberations and effective decision-making. Board papers were submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval.

Independent Non-Executive Directors	Non-Executive Directors	Executive Directors
Coralie Pietersz	Thomas A. Junker	Amila Jayasinghe
Mohamed Adamaly	J. C. P. Jayasinghe	Sugath Amarasinghe
	Roger Miller*	
	Ulla Neunzert	

* Mr. Roger Miller ceased to be a Director effective 31st March, 2023.

The Board brings in a wealth of diverse exposure in the fields of management, business administration, economics, and human resources, contribute varied perspectives to boardroom deliberations and bring independent judgement to bear on matters set before them.

The attendance at the Board meetings and Sub-Committee meetings is summarised below.

Director		Board Meetings	Audit Committee	Related Party Transaction Review Committee	Remuneration Committee
Coralie Pietersz	INED	4/4	6/6	4/4	3/3
Mohamed Adamaly	INED	4/4	4/6	3/4	3/3
Thomas A. Junker	NED	4/4	6/6	4/4	3/3
J. C. P. Jayasinghe	NED	4/4			
Roger Miller*	NED	3/4			
Ulla Neunzert	NED	3/4			
Amila Jayasinghe	ED	4/4			
Sugath Amarasinghe	ED	4/4			
NED - Non-Executive Director; ED - Executive Director; INED - Independent NED					

* Mr. Roger Miller ceased to be a Director effective 31st March, 2023.

Board Sub-Committees

The Board has delegated some of its functions to the Sub-Committees, whilst retaining the rights of final decision. Members of these Sub-Committees are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. The Committee Chairperson reports to the Board on the activities of the respective Committees at each Board meeting, highlighting matters for the Board's attention.

The Board Sub-Committees comprise mainly 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 serves as secretary in these committees. The minutes of each committee meeting are circulated to all Directors on completion.

The membership and duties of the three Board Sub-Committees is as follows:

Board Committee	Areas of Oversight	Composition
Audit Committee	Financial Reporting	Independent Non-Executive Directors - 2 Non-Independent Non-Executive Directors - 1
Report of the Audit Committee is given on page 20	Internal Controls	
	Internal Audit	
	External Audit	
Related Party Transaction Review Committee	Related party transaction policy/ code	Independent Non-Executive Directors - 2 Non-Independent Non-Executive Directors - 1
Report of the RPTRC Committee is given on page 25	Review of related party transactions for regulatory compliance	
	Disclosure of related party transactions	
Remuneration Committee	Remuneration policy and practices	Independent Non-Executive Directors - 2 Non-Independent Non-Executive Directors - 1
Report of the Remuneration Committee is given on page 23	Recommend Executive Directors' remuneration	

CORPORATE GOVERNANCE REPORT

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 the responsibility of the Chairman to ensure that views of all Board members 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, to ensure appropriate balance of power.

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 also 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 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 Company objectives. In exercising its business judgement, the Board acts as an advisor and counsellor to the CEO/Managing Director who defines and enforces standards of accountability, with a view to enable senior management to execute their responsibilities fully in the interests of the Company and its shareholders.

Audit Committee

The Board has appointed an Audit Committee which has oversight responsibility for considering how the Company should select and apply accounting policies, financial reporting, and internal control principles whilst maintaining an appropriate relationship with the external auditors. The roles and responsibilities are given in the Audit Committee Report on pages 20 to 22.

Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors of whom two are Independent. The remuneration policy and its roles are discussed in the report of the Remuneration Committee given on pages 23 to 24.

Related Party Transaction Review Committee

The Committee comprises three Non-Executive Directors; two of them are Independent Directors. The Report of the Related Party Transaction Review Committee is given on pages 25 to 26.

Accountability and Audit

The Board has taken necessary steps to recognise its responsibility to present a balanced and understandable assessment of the Company's financial position in accordance with the Requirements of Companies Act No. 7 of 2007. The Financial Statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. Further, the Company has complied with the reporting requirements prescribed by the Colombo Stock Exchange.

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 by reviewing and monitoring such systems on a periodic basis.

The Board has taken steps to obtain reasonable assurance that the systems designed to safeguard Company assets, maintain proper accounting records, and provide management information, are in place and functioning as planned.

Internal and External Audit

The internal audit function is outsourced to Messrs. B. R. De Silva & Company, Chartered Accountants. The Audit Committee reviews the audit observations arising from the internal audits and monitors corrective action. The Audit Committee evaluates the appropriateness of the internal audit function and reviews the internal audit plan to ensure it 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. Messrs. KPMG, Chartered Accountants, was re-appointed at the AGM in 2021 as external auditors of the Company for the financial year 2022.

Risk Management and Internal Control

Risk management is an essential element of our corporate governance structure and strategic development process. Appropriate systems, policies, and procedures are in place in all areas of operations and are periodically reviewed to ensure adequacy and adherence. The Company has established an integrated risk management process as part of management system to identify the types of risks specific to the industry in which we operate and to measure those potential risks in order to develop mitigatory strategies. This process facilitates informed decision-making and a conscious evaluation of opportunities and risks.

The Board is responsible for the Company's internal control and its effectiveness. Internal controls are established with emphasis on safeguarding assets, making available accurate and timely information, and imposing greater discipline on decision-making. 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 Company conducts regular reviews of the major risks such as regulatory, political, and environment changes that could affect business and financial performance. The Company also evaluates the potential threats that could be posed from possible competitors. The Company analyses exposure to business risks by identifying vulnerability and probability of occurrence in order to determine how best to handle such exposure.

However, the Company recognises that risk management is a shared responsibility of all employees of the Company in an integrated management system, 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 success in the emerging diverse 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 also engages consistently in new exploration techniques and processing methods, focusing on overall efficiency improvement and to be more attractive in terms of pricing and improved product quality, for the Company's strategic advantage.

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

Investment risks are hedged through close monitoring and compliance with agreed production and quality parameters. Periodic review and implementation of customer feedback ensures sustainable product quality.

CORPORATE GOVERNANCE REPORT

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 Reference	Disclosure Requirement	Compliance Status	Reference to Annual Report 2022
7.6 (i)	Names of persons who were Directors of the Entity	Complied	Directors' Profiles, page 9
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein	Complied	Annual Report of the Board of Directors, pages 27-33
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	Investor Information, pages 87-88
7.6 (iv)	The public holding percentage	Complied	
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Complied	Annual Report of the Board of Directors, pages 27-33
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 number of buildings of the Entity's land holdings and investment properties	Complied	Notes to the Financial Statements, page 66
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied	Investor Information, pages 87-88
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 at the end of the year	Complied	Company has no subsidiaries. Notes to the Financial Statements, page 66
7.6 (xiii)	Details of funds raised through a public issue, rights issue, and a private placement during the year	Complied	Company had no public issue, rights issue or private placement during the year under review
7.6 (xiv)	Information in respect of Employee Share Option Scheme or Employee Share Purchase Scheme	Complied	As at date, the Company has no share option/purchase scheme made available to its Directors or employees

CORPORATE GOVERNANCE REPORT

CSE Rule Reference	Disclosure Requirement	Compliance Status	Reference to Annual Report 2022
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	Refer to pages 15 and 16 of this Annual Report
7.6 (xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity per audited Financial Statements, whichever is lower	Complied	Note 26 to the Financial Statements, page 76

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 that was issued by the Colombo Stock Exchange (CSE) as set out below.

CSE Rule Reference	Corporate Governance Principle	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	Two 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 requirements
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 29 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 resumes
7.10.4 (a to h)	Criteria for Defining Independence – requirements for meeting criteria to be an independent Director	Complied	The Company has established criteria through its Independence statement

CORPORATE GOVERNANCE REPORT

CSE Rule Reference	Corporate Governance Principle	Compliance Status	Bogala extent of adoption
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 Team	Complied	The Committee has recommended the remuneration of the Chief Executive Officer, Finance Director, and Management Team
7.10.5 (c)	Disclosure in Annual Report relating to Remuneration Committee – names of the Directors comprising the RC, statement of policy, aggregated remuneration paid to ED and NED	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 26.1.1 to the Financial Statements, page 76
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 CFO 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 CFO 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, making recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors	Complied	Please refer to Audit Committee Report, pages 20-22
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 pages 20-22

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 Reference	Disclosure Requirement	Compliance Status	Reference to Annual Report 2022
9.3.2 (a)	Details pertaining to Non-Recurrent Related Party Transactions	Complied	Notes to the Financial Statements, page 77
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

Company Act Section	Companies Act Requirement	Compliance Status	Reference to Annual Report 2022
168 (1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Complied	Annual Report of the Board of Directors, pages 27-33
168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed - section 151	Complied	Financial Statements, page 42
168 (1) (c)	Auditors' Report on Financial Statements of the Company	Complied	Independent Auditors' Report, pages 36-40
168 (1) (d)	Accounting policies and any changes therein	Complied	Notes to the Financial Statements, page 48
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Complied	Annual Report of the Board of Directors, pages 27-33
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Notes to the Financial Statements, page 76
168 (1) (g)	Corporate donations made by the Company during the accounting period	Complied	Notes to the Financial Statements, page 62
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, pages 27-33
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 62

CORPORATE GOVERNANCE REPORT

Company Act Section	Companies Act Requirement	Compliance Status	Reference to Annual Report 2022
168 (1) (j)	Auditors' relationship or any interest with the Company	Complied	Audit Committee Report, pages 20-22
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Complied	Annual Report of the Board of Directors, pages 27-33

Going Concern, Financial Reporting, and Transparency

The Board of Directors, after reviewing the Company's business plans, capital expenditure requirements, prospects and risks, cash flows, and ability to raise funds for the ensuring year 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 the Financial Statements presented in this Annual Report.

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.

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. Whilst the Board members are free to express their own opinion on matters of importance to the Company and its operation, the Board reviews such potential conflicts from time to time. Related Party Disclosure note 26 of the Annual Report on page 76 and the Directors' interest in Annual Report of the Board of Directors 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 to ensure 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 support and human resource management software upgrade.
- Specific technical knowledge and domain knowledge required for new developments.
- Salary survey for all the employee categories in the Company.

Investor Relations

The Company encourages communication with shareholders through Annual General Meetings, the Annual Report, interim Financial Statements, and announcements to the Colombo Stock Exchange. Shareholders are encouraged to be present, participate, and vote at the Annual General Meeting.

Annual General Meeting

Information is provided to the shareholders prior to the AGM to give them an opportunity to raise any issues relating to the business of the Company. Shareholders are provided with the details through a circular to download Company Annual Report from the CSE website. Shareholders may at any time elect to receive an Annual Report in printed form by submitting the request form circulated along with the notice of the AGM.

The Chairman, Board members, key management personnel, and external auditors are present at the Annual General Meeting and available to answer questions posed by shareholders.

Release of Information to the Public and CSE

The Board of Directors is responsible for ensuring the accuracy and timeliness of published information and for presenting a true and fair view of financial results in the interim and annual Financial Statements.

Employee Participation and Industrial Relations

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

The Company considers its employees to be 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 maintains constant dialogue 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 a safe secure environment for its employees that is conducive to freedom of association and collective bargaining, prohibiting child labour, forced or compulsory labour, and any discrimination based on gender, race, or religion, while promoting a workplace that is free from physical, verbal or sexual harassment, all of which complement effective Corporate Governance.

AUDIT COMMITTEE REPORT

Role of the Committee

The Audit Committee Terms of Reference defines the role and responsibilities of the Audit Committee and is reviewed annually to ensure new developments and other issues are properly addressed. The Terms of Reference of the Committee was last reviewed and approved by the Board in March 2023. The role of the Audit Committee is to monitor and review:

- the integrity of Financial Statements in accordance with Sri Lanka Financial Reporting Standards.
- compliance with legal and regulatory requirements of the Companies Act and other relevant financial reporting regulations and requirements.
- appointment or re-appoinment of external auditors, their independence, and performance.
- the adequacy and effectiveness of the Company's Internal Control and Risk Management systems.

In discharging its duties, the Audit Committee seeks to balance independent oversight of the matters within its remit by providing support and guidance to the management. The Committee, supported by the members of senior management and the external and internal auditors, has carried out its duties effectively in the year under review. The Company secretary functioned as the secretary to the Committee during the year.

Composition of the Committee and Meetings

The Committee consists of two Independent Non-Executive Directors and one Non-Executive Director. The Committee is chaired by Ms. Coralie Pietersz, a fellow of the Institute of Chartered Accountants of Sri Lanka, is an Independent Non-Executive Director.

Audit Committee Members	Independent/Executive/ Non-Executive
Coralie Pietersz (Chairperson)	Independent Non-Executive Director
Mohamed Adamaly	Independent Non-Executive Director
Thomas A. Junker	Non-Executive Director
Secretary to the Committee	Corporate Services (Private) Limited

The Audit Committee held six meetings during the year under review. The Chief Executive Officer, the Finance Director of the Company, other members of the Board, Partner of KPMG responsible for the audit, and Partner of B. R. De Silva, responsible for the internal audit, attended the meetings when required by invitation.

Attendance at Audit Committee Meetings

Audit Committee Members	Attended
Coralie Pietersz (Chairperson)	4/4
Mohamed Adamaly	3/4
Thomas Junker	4/4

Financial Reporting System

The Audit Committee reviewed and discussed the quarterly and annual Financial Statements with management and the External Auditors prior to recommendation to the Board for approval for publication. The scope of the review included:

- Ascertaining the consistency and appropriateness of the Accounting Policies adopted, changes in accounting policies, and material judgemental matters.
- Ensuring adequacy of disclosures in line with the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, and Listing Rules of the Colombo Stock Exchange.

- Satisfying requirements of other regulatory bodies as applicable and relevant to the Company.

The Committee also discussed with the External Auditors and Management, any matters communicated to the Committee by the External Auditors in their reports on the audit for the year and monitored the progress made by the Management in resolving the issues raised by the Auditors.

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 Charter is reviewed annually and was last reviewed in March 2023.

During the year, the Audit Committee reviewed the adequacy of the Internal Audit coverage for the Company and the Internal Audit Plan. The Internal Audit function is outsourced to an independent and leading professional firm, Messrs. B. R. De Silva & Company, Chartered Accountants.

The Committee reviews the Internal Auditors' reports issued quarterly, along with the Management responses. The Committee ensures, through the quarterly review mechanism, that the Management takes ownership for effective implementation of the recommendations made by the Internal Auditors.

The Audit Committee evaluated the independence, effectiveness, and competency of the Internal Audit function and their resource requirements and made recommendations for any required changes.

External Audit

The Audit Committee held meetings with the 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 audit issues highlighted in the management letter and management response thereto. The Committee also met the External Auditors, without the presence of the management, prior to the finalisation of the Financial Statements, to ascertain whether they had any areas of concern. The Committee also held discussions to review and assess the impact of current developments and changes to the Accounting Standards and other relevant legislation.

The 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.

Appointment of External Auditors

The Committee, following the conclusion that no significant material transactions had occurred between the External Auditors and the Company, noted that Messrs. KPMG, Chartered Accountants, are eligible for re-appointment as the External Auditors of the Company.

Accordingly, the Committee recommends to the Board that Messrs. KPMG, Chartered Accountants, be re-appointed as the External Auditors of the Company for the year ending 31st December 2023, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Risk Management and Internal Control

The Internal Audit regularly reports to the Committee on the adequacy and effectiveness of internal control procedures and the risk management mechanism of the Company. The Committee ensures that the principal risks are monitored and controlled by the Management appropriately, and mitigating actions taken as and when required. The Committee obtained formal confirmations and assurance from the Management of the Company on a quarterly basis regarding the efficiency and status of the internal control systems and risk management systems.

AUDIT COMMITTEE REPORT

The Company functions in an environment where not all risks can be completely eliminated and in this context the Committee reviews remedial measures taken to manage risks that do materialise.

Regulatory Compliance

The Committee obtained representations on the adequacy of provisions made for possible liabilities and reviewed reports tabled by the Finance Director certifying compliance with relevant statutory requirements. The Committee obtains quarterly updates from the Finance Director regarding compliance with laws and regulations.

Evaluation of the Committee

The Committee undertook a self-evaluation and were satisfied that the Committee has carried out its responsibilities effectively during the year.

Conclusion

The Audit Committee is satisfied that the Company's accounting policies, operational controls, and risk management processes provide reasonable assurance that the affairs of the Company are managed in accordance with Company policies and that Company assets are properly accounted for and adequately safeguarded.

Coralie Pietersz
Chairperson-Audit Committee
3rd April 2023

REMUNERATION COMMITTEE REPORT

Role of the Committee

The Remuneration Committee is responsible for setting the remuneration policy by establishing broad parameters of remuneration across the Company and recommending the remuneration of the Executive Directors. The Committee is responsible for determining, reviewing, and evaluating the performance of the Chief Executive Officer and Chief Financial Officer and makes recommendations to the Board on their remuneration.

The Committee also lays down guidelines and parameters for Management's development of a succession plan.

Composition of the Committee and Meetings

The Remuneration Committee comprises three Non-Executive Directors of whom two are independent. The Committee is chaired by Independent Non-Executive Director, Ms. Coralie Pietersz.

Composition of the Committee

REMCO Members	Independent Non-Executive/ Non-Executive
Coralie Pietersz (Chairperson)	Independent Non Executive Director
Mohamed Adamaly	Independent Non Executive Director
Thomas Junker	Non-Executive Director
Secretary to the Committee	Corporate Services (Private) Limited

The Remuneration Committee held three meetings during the year under review. 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 are discussed. The Chief Financial Officer of the Company attended the meetings when required by invitation.

Attendance at Committee Meetings

Name of the Director	Attendance
Coralie Pietersz (Chairperson)	3/3
Mohamed Adamaly	3/3
Thomas A. Junker	3/3

Remuneration Policy

The remuneration policy of the Company is to attract, motivate, and retain a qualified and experienced workforce to achieve the objectives of the Company and to reward performance accordingly. The Committee focuses on and is responsible for developing the Company's remuneration policy to ensure that the total package is competitive and attracts the best talent.

Directors' Remuneration

The Committee is not responsible for determining the remuneration of Independent Non-Executive Directors; this is determined by the Board.

All Non-Executive Independent Directors receive a fee for serving on the Board and Sub- Committees. They do not receive any performance or incentive payments. The aggregate remuneration paid to Executive and Independent Non-Executive Directors is given in note 26.1.1 to the Financial Statements on page 76.

Activities of the Committee in 2022

The Committee reviews all significant changes in the corporate sector in determining salary structures, terms, and conditions. During the year under review, the Committee reviewed the remuneration of the senior management taking into consideration job roles and responsibilities, the market, and macro-economic factors. The Committee has the authority to seek external professional advice on matters within its purview. Accordingly, the Committee obtained the service of Ernst & Young, Chartered Accountants, to carry out a salary survey for the Company.

REMUNERATION COMMITTEE REPORT

The Committee reviewed the succession plan to ensure that the best talent is in place for future leadership in critical roles and to mitigate the risk of future talent shortages.

The Committee evaluated the performance of the Chief Executive Officer and the Chief Financial Officer based on the targets set and determined the bonus payable for the year.

Coralie Pietersz
Chairperson – Remuneration Committee
3rd April 2023

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

The Board of Directors of the Company formed a Related Party Transaction Review Committee (RPTRC) in November 2014, in accordance with the Code of Best Practices on Related Party Transaction issued by the Securities Exchange Commission of Sri Lanka (SEC) and under Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval, and oversight of related party transactions of the Company.

Composition of the Committee

The following Directors served as members of the Committee during the financial year.

Related Party Transactions Reveiw Committee Members	
Mohamed Adamaly (Chairman)	Independent Non-Executive Director
Coralie Pietersz	Independent Non-Executive Director
Thomas A. Junker	Non-Executive Director

Purpose of the Committee

The purpose of the RPTRC of the Company is to exercise oversight on behalf of the Board, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ("the Code") and under 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 preserved 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 purpose, 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 in respect of each category of related party transactions, classifying them into recurrent and non-recurrent transactions. Moreover, on a quarterly basis, the CEO and CFO are required to report to the Committee on the approved related party transactions entered into by the Company.

The Committee 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 transactions at the end of every quarter. The Committee met four times during the financial year.

The meeting attendance of the Committee members was as follows:

Members of the Committee	10/02/2022	02/06/2022	02/08/2022	01/11/2022
Mohamed Adamaly Chairman	✓	✓	Excused	✓
Coralie Pietersz	✓	✓	✓	✓
Thomas A. Junker	✓	✓	✓	✓

The Duties of the Related Party Transactions Committee

The Committee's focus is to review all proposed related party transactions prior to entering into or on completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange. The duties of the Committee are as follows:

- 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 with a related party.

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

- To obtain expertise to assess all aspects of related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.

- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.

- To ensure that all related party transactions of the Company are transacted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

- To meet with the management, and Internal Auditors/ External Auditors as necessary to carry out the assigned duties.

- To review the transfer of resources, services, or obligations between related parties to ascertain the reasonableness regardless of whether a price/fee is charged.

- To review the economic and commercial substance of both recurrent and non-recurrent related party transactions.

- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining competent independent advice from independent professional experts regarding the value of the substantial assets of the related party transaction.

Activities during the Year 2022

The Committee reviewed all related party transactions for the financial year ended 31st December 2022 on a quarterly basis to ensure the terms of these transactions were not more favourable to the related parties than those generally available to the public. The Committee, in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the Management in compliance with Section 9 of the CSE Listing Rules. The Committee further communicated its activities to the Board quarterly through tabling the minutes of the Committee meetings at the Board meetings.

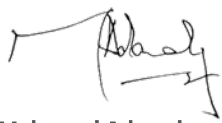
Key Management Personnel

The Board of Directors of the Company is considered to be the Key Management Personnel (KMPs) of the Company. Further, CEO, CFO, and all Assistant General Managers are considered KMPs of the Company to establish greater transparency and governance.

Declarations are obtained from each KMP of the Company for the purpose of identifying related party transactions on a quarterly and annual basis to determine RPTs and to comply with the disclosure requirements, if any.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears in the Report of the Board of Directors on page 27 of this Annual Report.



Mohamed Adamaly

Chairman-Related Party Transaction Review Committee

3rd April 2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in presenting their 32nd Annual Report of your Company together with the Audited Financial Statements for the year ended 31st December 2022. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange and are guided by the recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 3rd April 2023.

Principal Activity

The principal activity of the Company is mining, processing and preparation of graphite, producing Lubricant, and the sale of Graphite and Lubricants. There were no significant changes in the activities of the Company during the year under review.

Review of Operations

A review of the Company's financial performance is described in the Chairperson's Review on pages 5-6 and the CEO's Review on pages 7-8. These reports, together with the audited Financial Statements, reflect the state of affairs of the Company.

Financial Statements

The Financial Statements of the Company for the year ended 31st December 2022 have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, and the requirements of Section 151 and 168 of the Companies Act No. 7 of 2007, with the inclusion of the signatures of the Chairman, Managing Director and Finance Director. The Financial Statements are given from pages 41 to 85 of the Annual Report.

Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 36 to 40.

Financial Results and Appropriation

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 48 to 61. The Board of Directors wishes to confirm that there were no significant changes to the accounting policies used by the Company during the year under review compared to those used in the previous financial year.

During the year, the Company reviewed the capitalisation of Drilling expenses classified as Capital Work-in-Progress based on the project status. The Company continues to recognise and disclose the exploration, evaluation, and development expenditure, in consistent with its ultimate Parent Company.

Revenue, Profit and Appropriations

Revenue generated by the Company amounted to Rs. 1,699.9 million (2021 – Rs. 1,126.3 million)

The Company's profit before tax was at Rs. 806.7 million (2021 – profit before tax Rs. 279.8 million). The Company's total comprehensive income net of tax was Rs. 654.8 million (2021 – Rs. 237.1 million). Details of financial results of the Company are given in the statement of profit or loss and other comprehensive income on page 41. A brief description of the results and appropriations is given below:

ANNUAL REPORT OF THE BOARD OF DIRECTORS

For the year ended 31st December in Rs. '000s	2022	2021
Operating Profit/(Loss) after providing for all expenses, known liabilities, depreciation on property, plant, and equipment, and slow-moving stock	789,299	276,116
Finance Cost	(809)	(1,596)
Finance Income	18,184	5,287
Profit before tax	**806,675**	**279,806**
Provision for taxation including deferred tax	(142,339)	(40,410)
Net profit after tax	**644,335**	**239,396**
Other comprehensive income/(expense) net of tax	(7,615)	(2,311)
Total Comprehensive Income attributable to shareholders	**656,721**	**237,085**
Balance brought forward from the previous year	750,386	513,301
Amount available for appropriation	**1,407,106**	**750,386**
Final Dividend Paid	-	-
Balance to be carried forward to next year	**1,407,106**	**750,386**

Corporate Donations

During the year, donations amounting to Rs. 1.9 million were made by the Company, which is given in note 7 to the Financial Statements on page 62 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 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 23 of the Financial Statements.

Financial Position of the Company

Stated Capital and Reserves

The stated capital of the Company as at 31st December 2022 was Rs. 102.1 million (2021 – Rs. 102.1 million) consisting of 94,632,904 Ordinary Shares as given in note 18 of the Financial Statements on page 70.

Total reserves of the Company as at 31st December 2022 amount to Rs. 1,415.4 million (2021 – Rs. 760.6 million) and the movement and composition are given in the Statement of Changes in Equity on page 43 of the Financial Statements.

Property, Plant, and Equipment

The carrying value of property, plant, and equipment as at the reporting date amounted to Rs 315.2 million compared to Rs. 280.0 million for 2021. Land recognised as property, plant, and equipment of the Company in the Financial Statements is recorded at revalued amounts. The land was reassessed by a professionally qualified independent valuer during the financial year 2022.

The total expenditure incurred during 2022 on acquisition of property, plant, and equipment for the Company amounted to Rs. 77.7 million (2021 – Rs. 26.8 million).

Details of property, plant, and equipment and their movements are given in note 11 of the Financial Statements on page 65. Information in respect of extent, location, and valuation of land and buildings held by the Company is detailed in note 11.1 of the Financial Statements on page 66.

Contingent Liabilities

There have been no material Contingent liabilities outstanding as at the reporting date except what is disclosed in Note 30 of the Financial Statements on page 84.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Shareholder Information

There were 10,644 registered shareholders as at 31st December 2022. The distribution and composition of shareholders and the information relating to earnings, net assets per share, market value per share, and share trading is given in the Investor Information section on pages 87 and 88 of the Annual Report. Additional disclosures, market capitalisation, public holding percentage, and the number of public shareholders are given in the Investor Information section of the Annual Report.

Major Shareholders

Details of the 20 largest shareholders of the Company and the percentage held by each of them are disclosed in the Investor information on page 87 of the Annual Report.

The Board of Directors

The Board of Directors of the Company as at 31st December 2022 comprised:

Director	Independent/ Non-Executive/Executive
Coralie Pietersz (Chairman)	Independent Non-Executive
Mohamed Adamaly	Independent Non-Executive
Thomas A. Junker	Non-Executive
J. C. P. Jayasinghe	Non-Executive
Roger Miller*	Non-Executive
Ulla Neuzert	Non-Executive
Amila Jayasinghe	Executive
Sugath Amarasinghe	Executive

* Mr. Roger Miller ceased to be a Director effective 31st March, 2023.

Changes to the Directorate

There were no new appointments or resignations during the year.

The former Chairman and Independent Non-executive director, Mr. Vijaya Malalasekera, passed away on 5th February 2022. Ms. Coralie Pietersz, Independent Non-Executive Director, was appointed the Chairperson of the Company with effect from 10th February 2022.

Re-appointment of Directors who are over 70 years of age

In accordance with the provisions of the Companies Act No. 7 of 2007, section 210, the Company has received notice from Graphit Kropfmühl GmbH, the principal shareholder, notifying the Company of their intention to move a resolution to re-elect Mr. J. C. P. Jayasinghe, who reached the age of 79 years on 20th February 2022, for a further period of one year, until the conclusion of the next Annual General Meeting.

The Board has determined that Coralie Pietersz and Mohamed Adamaly, who have served the Board for more than nine years, are Independent Directors since they are not directly involved in the Management of the Company. The Board, having considered the said fact, believes that Coralie Pietersz and Mohamed Adamaly should continue to serve on the Board as it is beneficial to the Company and its shareholders.

Board Sub-Committees

Information relating to members of the Audit Committee, Related Party Transaction Review Committee, and Remuneration Committee, including attendance of Directors for each of the Committee meetings, is disclosed in the respective committee reports of the Annual Report.

Directors' Interest and Interests Register

The Company maintains an Interests Register as required by the Companies Act No. 7 of 2007. Any interest in transaction disclosed to the Board by a Director in accordance with Section 192 of the Companies Act No. 7 of 2007 is duly recorded in the Interests Register. The Interests Register is available for inspection in keeping with the requirements of section 119 (1) (d) of the Companies Act No. 7 of 2007.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have made a general disclosure relating to share dealings and interest in transactions as permitted by Section 192 (2) of the Companies Act No. 7 of 2007 together with the indemnities and remuneration to the Board of Directors; no additional interests have been disclosed by any Director except as stated in note 26 of the Financial Statements on page 76.

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

Mr. Thomas A. Junker, in addition to being the Managing Director/CEO Graphite of Graphit Kropfmuhl GmbH, which owns 79.58 percent of the shareholding of Bogala Graphite Lanka PLC, is also the Managing Director and a Board Director of Qingdao Kropfmuhl Graphite Ltd. He also serves as the Chairman of GK Ancuabe Graphite Mine, S.A.

Mr. Roger P. Miller is also the Founder and Managing Partner of Alterna Capital Partners and the Investment Manager of Alterna GK LLC, which owns 6.97 percent of the shareholding of Bogala Graphite Lanka PLC.

Related party disclosures in terms of section 192 of the Companies Act No. 7 of 2007 are given below and disclosed in note 26 of the Financial Statements on page 76.

Name of the Related Party	Director	Relationship	Nature of Transaction	Value Rs.
Graphit Kropfmühl GmbH	Thomas A. Junker	Managing Director/ CEO Graphite	Sale of Goods	291,893,237
			Purchase of Goods	305,944,790
			Technical Service Fees	84,997,202
	Ulla Neunzert	Managing Director/ CFO	Interest Paid	272,043
			Rental Paid	9,313,849
Qingdao Kropfmühl Graphite Co., Ltd.	Thomas A. Junker	Managing Director/ Board Director	Sale of Goods	5,633,362
			Purchase of Goods	2,398,962.5

Directors' Shareholding

The relevant interest of Directors in the shares of the Company as at 31st December 2022 and 31st December 2022 are as follows:

Director	31st December 2022	31st December 2021
Thomas Junker	Nil	Nil
J. C. P. Jayasinghe	Nil	Nil
Amila Jayasinghe	Nil	Nil
Coralie Pietersz	Nil	Nil
Sugath Amarasinghe	Nil	Nil
Mohamed Adamaly	Nil	Nil
Roger Miller*	Nil	Nil
Ulla Neunzert	Nil	Nil

* Mr. Roger Miller ceased to be a Director effective 31st March, 2023.

Directors' Remuneration

Details of the Directors' remuneration and other benefits for the financial year ended 31st December 2022 are stated below and are also given in note 26 of the Financial Statements on page 76.

Directors' Emoluments

Executive Directors	Rs. 49,986,675
Non-Executive Directors	Rs. 4,883,305

Related Party Transactions (RPTs)

The Company's recurrent and non-recurrent transactions with related parties, disclosed in note 26.2 of the Financial Statements in the Annual Report, have complied with the Colombo Stock Exchange Listing Rule 9.3.2 and the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures.

During the financial year, Related Party Transactions were reviewed by the Related Party Transaction Review Committee (RPTRC) and are in compliance with Section 9 of the CSE Listing Rules. The RPTRC communicated its affairs to the Board by tabling the minutes of the

Committee meetings quarterly. The Related Party Transaction Review Committee Report is given on pages 25-26 of the Annual Report whilst the related party transactions are given in note 26 of the Financial Statements on pages 76 and 77.

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 contracts involving the Company and refrained from voting on matters in which they were materially interested,

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

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

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

The table from pages 15 to 16 shows the manner in which the Company has complied with Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance. The Corporate Governance Report is given on pages 10 to 19 of the Annual Report.

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 41 to 85 have been prepared in conformity with Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and provide the information required by the Companies Act No. 7 of 2007, and the Listing Requirements of the Colombo Stock Exchange.

The Statement of Directors' Responsibilities is given on pages 34-35 of the Annual Report.

Statutory Payments

The Directors confirm that, to the best of their knowledge, all taxes, duties, and levies payable by the Company and all contributions, levies, and taxes payable on behalf of, and in respect of, the employees of the Company as well as all other known statutory dues as were due and payable by the Company, as at the reporting date, have been either duly paid or adequately provided for in the Financial Statements. A confirmation of same is included in the Statement of Directors' Responsibilities on pages 34-35.

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.

Ratios and Market Price Information

The ratios relating to equity and market price information as required by the listing requirements of the Colombo Stock Exchange are given under the Investor Information section of this Report.

Employees and Industrial Relations

The number of persons employed by the Company as at 31st December 2022 was 167 (2021 – 168). 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.

There have been no material issues pertaining to employees and industrial relations of the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 mitigatory actions in place are reviewed regularly by the Board and the Audit Committee.

The Board, through the involvement of 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 Reporting Period

There have been no events subsequent to the reporting period which would have material effect on the Company, requiring an adjustment to or a disclosure in the Financial Statements other than those disclosed above and in note 31 of the Financial Statements on page 84.

Going Concern

The Board of Directors, after considering the financial position, operating conditions, and regulatory and other factors including matters addressed in the Corporate Governance Report on page 10, has 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

Messrs. KPMG, Chartered Accountants, are willing to continue as Auditors of the Company, and a resolution proposing their reappointment will be tabled at the Annual General Meeting.

The Independent Auditors' Report is in the Financial Statements section of the Annual Report.

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

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 to the Financial Statements on page 62.

Annual Report

The Board of Directors approved the Company Financial Statements on 3rd April 2023. 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 REPORT OF THE BOARD OF DIRECTORS

Annual General Meeting

The Annual General Meeting will be held at the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02 on Saturday, 20th May 2023 at 10.45 a.m. The Notice of the Annual General Meeting is on page 89 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

Coralie Pietersz
Chairperson

Amila Jayasinghe
CEO/Managing Director

3rd April 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibility of the Directors in relation to the Financial Statements is set out in the following statement. The Companies Act No. 7 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. 7 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 enable the determination of financial position with reasonable accuracy and preparation of Financial Statements in accordance with the Companies Act No. 7 of 2007, the Sri Lankan Accounting and Auditing Standards Act No. 15 of 1995, and the Listing Rules of the Colombo Stock Exchange, and carry out the audit of such Statements readily and properly.

The Financial Statements comprise:

- Statement of Profit or Loss and Other Comprehensive Income, which presents a true and fair view of the financial performance of the Company for the financial year;
- 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 Changes in Equity, Statement of Cash Flow and 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 on a consistent basis and material departures, if any, are disclosed and explained, and
- 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, and
- providing the information required by, and otherwise comply with, the Companies Act No. 7 of 2007, and the Listing Rules of the Colombo Stock Exchange,
- using a financial reporting system that is directly reviewed by them at their quarterly meetings and also through the Audit Committee. The Board of Directors approves the Financial Statements following a review and recommendation by the Audit Committee, and
- accepting the responsibility for the integrity and objectivity of the Financial Statements presented in the 2022 Annual Report.

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 on a going concern basis. These Financial Statements have been prepared on that basis.

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 control systems with a view to prevent and detect fraud and other irregularities.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their duties and to form their audit opinion.

As required by Sections 166 (1) and 167 (1) of the Companies Act No. 7 of 2007, the Directors have prepared this Annual Report in time and ensured that the soft copy is published in the websites of the Company and the Colombo Stock Exchange. The Directors have taken the necessary steps to deliver a hard copy to shareholders who express a desire to receive such within the stipulated period of time as required by the Companies Act and Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 as at the balance sheet date have been duly paid, or where relevant provided for, except as specified in note 30 to the Financial Statements covering contingent liabilities.

By Order of the Board

Corporate Services (Private) Limited
Secretaries
3rd April 2023

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BOGALA GRAPHITE LANKA PLC

Report on the Audit of 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 31st December 2022, 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 41 to 85 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 31st December 2022, 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 judgement, 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, we do not provide a separate opinion on these matters.

***Revenue Recognition* -** Refer to Note 3.13 (page 58) - accounting policy and Note 5 (financial statement disclosures) of the financial statements.

The revenue of the Company for the year ended 31st December 2022 was Rs. 1,700 million.

Risk Description	Our Audit Responses
The timing of revenue recognition depends on the terms of individual sales transactions and revenue is generally recognised for graphite and	Our audit procedures included: • Obtaining an understanding of and assessing the design, implementation, and operating effectiveness of key controls in respect of the Company's revenue recognition process.

KPMG

Risk Description	Our Audit Responses
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 have been transferred to the customers and recognised during an incorrect reporting period.	• Inspecting invoices raised to customers on a sample basis, to ensure revenue is measured and recognised in accordance with the terms of the contracts and the Company's accounting policies. • Comparing on a sample basis, specific revenue transactions recorded before and after the financial year end date within underlying bill of lading and/or invoices to assess whether the related revenue had been recorded in the correct accounting period. • Assessing the adequacy of financial statements disclosures.

Carrying Value of Inventories - Refer to Note 3.7 (page 57) - accounting policy and Note 15 (financial statement disclosures) of the financial statements.

The Company carried inventories of Rs. 372 million as at 31st December 2022 at the lower of cost or net realisable value.

Risk Description	Our Audit Responses
Assessing net realisable value is an area which involves significant judgement, particularly with regards to the estimation of provisions for slow-moving and obsolete inventory. Therefore, there is a risk that slow-moving inventories have not been adequately provided for.	Our audit procedures included: • Obtaining an understanding of and assessing the design, implementation, and operating effectiveness of key controls that management has established to manage inventories including purchases, issuing inventories, and holding of inventories. • Assessing the valuation of inventories as at the reporting date, and inventory levels, including assessing the reasonableness 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 and accordance with the requirement of relevant accounting standards. • On a sample basis, comparing the carrying amounts of the Company's inventories with net realization value of those inventories subsequent to the end of reporting period. • On a sample basis, assessing the existence of inventories through physical verification as at year end. • On a sample basis, assessing whether items in the inventory ageing report were classified within the appropriate ageing buckets with the support of IT Audit Specialist.

KPMG

***Accounting for capitalisation of exploration, evaluation and development cost* -** Refer to Note 3.5 (page 52) - accounting policy and Note 12 (financial statement disclosures) of the financial statements.

As at reporting date, exploration, evaluation and development cost, capitalized under Property, Plant, and Equipment and Intangible Assets amounted to Rs. 44.3 million and Rs. 132.8 million.

Risk Description	Our Audit Responses
Capitalization of costs incurred on exploration and evaluation of potential mineral resources under Intangible Assets, transfer of such costs to Construction in Progress under Property, Plant, and Equipment when commercially recoverable reserves are determined, and finally transfer to Mining Assets under Property, Plant, and Equipment on completion of development and commencement of production, involves judgement and estimates. This area is a key audit matter due to the significant judgement involved in capitalization of cost incurred on exploration and evaluation of potential mineral resources and transfer of such cost to Construction in Progress under Property, Plant, and Equipment.	Our audit procedures included: • Understanding the cost allocation methodology applied by the Company (Mining cost capitalized and those expensed) and assessing whether the classification of such costs are compliant with the requirements of Sri Lanka Accounting Standards. • Testing a sample of cost capitalized by tracing to the underlying supporting documents in order to ensure the completeness, existence, and accuracy, with specific focus on major projects during the year. • Confirming whether the right to explore in the area of interest remained current as at reporting date with the renewal option to cover the proposed period of the projects. • Obtaining a status report from internal geologist specialist to understand the status of the ongoing exploration projects in relation to the existence of economically recoverable reserves. • Assessing the competency and qualification of the internal geologist. • Assessing whether any facts or circumstances indicate the need for impairment testing. • Assessing the appropriateness of the related financial statement disclosures.

Other Information

Management is responsible for the other information. The other information comprises that which is included in the Annual Report, but does not include the financial statement and our auditor's report there on.

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 in 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.

KPMG

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.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT

KPMG

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 what 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 2618.

Colombo, Sri Lanka
3rd April 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31st December

	Note	2022 Rs.	2021 Rs.
Revenue	5	1,699,944,048	1,126,263,192
Cost of sales		(794,972,718)	(589,934,148)
Gross profit		**904,971,330**	**536,329,044**
Other income	6	2,965,048	3,727,495
Net exchange gain	28.5.1	293,317,990	5,463,265
Administrative expenses		(144,074,438)	(98,138,623)
Selling and distribution expenses		(267,880,602)	(171,265,327)
Profit from operations	7	**789,299,328**	**276,115,854**
Finance income		18,184,240	5,286,537
Finance expense		(808,840)	(1,596,060)
Net finance income	**8**	**17,375,400**	**3,690,477**
Profit before tax		806,674,728	279,806,331
Income tax expense	9	(142,339,439)	(40,410,256)
Profit for the year		**664,335,289**	**239,396,075**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	22.2.2	(10,878,165)	(2,687,750)
- Related tax	9.2	3,263,449	376,285
Deferred tax on revaluation surplus as freehold land	9.2	(1,903,407)	-
Other comprehensive expense for the year, net of tax		**(9,518,123)**	**(2,311,465)**
Total comprehensive income		**654,817,166**	**237,084,610**
Basic earnings per share (Rs.)	10	**7.02**	**2.53**

The notes to the Financial Statements on pages 45 to 85 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st December

	Note	2022 Rs.	2021 Rs.
Assets			
Property, plant, and equipment	11	315,160,814	280,022,027
Intangible assets	12	137,410,622	97,957,083
Consumable biological assets	13	6,639,483	6,639,483
Other financial assets	14	945,530	3,999,355
Non-current assets		**460,156,449**	**388,617,948**
Inventories	15	372,191,784	117,229,075
Trade and other receivables	16	165,042,032	163,762,807
Advance and prepayments		23,631,143	6,955,131
Other financial assets	14	3,481,710	5,768,332
Cash and cash equivalents	17	829,078,866	390,530,947
Current assets		**1,393,425,535**	**684,246,292**
Total assets		**1,853,581,984**	**1,072,864,240**
Equity			
Stated capital	18	102,074,201	102,074,201
Reserves	19	8,327,409	10,230,816
Retained earnings		1,407,106,150	750,385,577
Total equity		**1,517,507,760**	**862,690,594**
Liabilities			
Loans and borrowings	20	2,008,882	4,293,464
Provision for restoration	21	1,984,501	1,266,335
Employee benefits	22	93,431,430	74,254,917
Deferred tax liabilities	23	10,607,749	7,694,299
Non-current liabilities		**108,032,562**	**87,509,015**
Trade and other payables	24	123,072,800	86,859,884
Current Tax Liabilities	25	102,684,280	27,580,489
Loans and borrowings	20	2,284,582	8,224,258
Current liabilities		**228,041,662**	**122,664,630**
Total liabilities		**336,074,224**	**210,173,645**
Total equity and liabilities		**1,853,581,984**	**1,072,864,240**

The notes to the Financial Statements on pages 45 to 85 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

Chief Financial Officer

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

3rd April 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31st December

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1st January 2021	102,074,201	10,230,816	513,300,967	625,605,984
Profit for the year	-	-	239,396,075	239,396,075
Other comprehensive income, net of income tax				
- Actuarial loss on defined benefit plan, net of tax	-	-	(2,311,465)	(2,311,465)
Total comprehensive income for the year	**-**	**-**	**237,084,610**	**237,084,610**
Balance as at 31st December 2021	**102,074,201**	**10,230,816**	**750,385,577**	**862,690,594**
Balance as at 1st January 2022	102,074,201	10,230,816	750,385,577	862,690,594
Profit for the year	-	-	664,335,289	664,335,289
Other comprehensive income, net of income tax				
-Actuarial gain/(loss) on defined benefit plan, net of tax	-	-	(7,614,716)	(7,614,716)
- Deferred tax on revaluation surplus as freehold land		(1,903,407)	-	(1,903,407)
Total comprehensive income for the year	**-**	**(1,903,407)**	**656,720,573**	**654,817,166**
Balance as at 31st December 2022	**102,074,201**	**8,327,409**	**1,407,106,150**	**1,517,507,760**

The notes to the Financial Statements on pages 45 to 85 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

Year ended 31st December

	Note	2022 Rs.	2021 Rs.
Cash flows from operating activities			
Profit before taxation		806,674,728	279,806,331
Adjustments for:			
Property, plant, and equipment depreciation	11	37,873,100	41,319,085
Intangible asset amortisation	12	575,293	77,296
Effect on exchange loss on borrowings	20	-	643,743
Gain on sale of property, plant, and equipment	6	(911,604)	(481,481)
Interest expense	8	808,840	1,596,060
Interest income	8	(18,184,240)	(5,286,537)
Provision for slow moving inventories	15	2,024,095	2,695,500
Property, plant, and equipment written off	11	128,200	-
Provision for employee benefits	22	14,081,109	3,262,086
Changes in working capital			
Inventories		(256,986,804)	(14,902,239)
Trade and other receivables		(1,279,225)	(10,668,381)
Advance and prepayments		(16,676,012)	(688,188)
Other financial assets		5,340,447	6,881,852
Trade and other payables		36,212,916	41,373,552
Cash generated from operating activities		**609,680,843**	**345,628,679**
Current taxes paid	25	(62,962,156)	(28,701,495)
Interest paid	8	-	(569,893)
Gratuity paid	22	(5,782,761)	(2,078,515)
Net cash generated from operating activities		**540,935,926**	**314,278,776**
Cash flows from investing activities			
Interest received	8	18,184,252	5,286,537
Proceeds from sale of property, plant, and equipment		911,604	481,481
Acquisition of property, plant, and equipment	11	(77,727,322)	(26,834,277)
Acquisition of intangible assets	12	(34,584,365)	(21,345,805)
Net cash used in investing activities		**(93,215,831)**	**(42,412,064)**
Cash flows from financing activities			
Repayment of borrowings	20	-	(30,535,231)
Repayment of lease liabilities	20	(9,172,176)	(9,169,268)
Net cash used in financing activities		**(9,172,176)**	**(39,704,499)**
Net increase in cash and cash equivalents		438,547,919	232,162,214
Cash and cash equivalents at 1st January	17	390,530,947	158,368,733
Cash and cash equivalents at 31st December	17	**829,078,866**	**390,530,947**

The notes to the Financial Statements on pages 45 to 85 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

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 in Colombo Stock Exchange. The registered office and the principal place of business are located at Bogala Mines, Aruggammana.

1.2 Principal activities and nature of operations

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

1.3 Parent enterprise and Ultimate parent enterprise

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

The number of persons employed by the Company as at 31st December 2022 was 167 (2021 – 168).

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 as 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 page 41;
- a Statement of Financial Position providing the information on the financial position of the Company as at the year-end. Refer page 42;
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company. Refer page 43;
- 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 page 44.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information. Refer pages 45 to 85.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements for year ended 31st December 2022 were authorised for issue by the Company's Board of Directors on 3rd April 2023.

2.4 Basis of measurement

The Financial Statements of the Company have been prepared on the historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Basis of Measurement	Note No.
Freehold Land	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	11
Provision for Restoration cost	Present value of estimated cost.	21
Net Defined Benefit Obligation	Measured at the present value of the defined benefit obligation	22

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. Refer Note 33 of the Financial Statements for impact of current economic condition on the Financial Statements of the Company.

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 realise 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' and amendments to the LKAS 1 on 'Disclosure Initiative'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

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 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.

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the financial statements is amended, comparative amounts is reclassified unless they are impractical and immaterial.

2.9 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Accordingly, these Financial Statements are presented in Sri Lankan Rupees (LKR), the Company's functional and presentation currency.

There was no change in the Company's presentation and functional currency during the year under review.

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.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements:

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 31st December 2022 is included in the following notes:

Note 3.12	measurement of defined benefit obligations: key actuarial assumptions
Note 3.14.2	recognition of deferred tax assets:
Note 3.2	revaluation of freehold land and useful lives of PPE
Note 3.11	estimation of provision for restoration cost
Note 3.15	recognition and measurement of provisions and contingencies
Note 33	impact of current Economic conditions to the Company

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 to sell 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 as mentioned in note 11.1 of the Financial Statements.

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 as per the Company's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

A number of new standards are effective from 1st January 2022, but they do not have a material effect on the Financial Statements.

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 Foreign Currency

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 Property, plant, and equipment

a) 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.

b) Basis of measurement

All property, plant, and equipment are initially measured at its 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 includes 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 capitalized as part of that equipment.

c) 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.

d) 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.

e) Subsequent costs

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

f) De-recognition

An item of property, plant, and equipment is derecognized 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 derecognized.

g) 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 of useful life
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	4 - 5
Right-of-use asset – Motor Vehicle	over the lease period
Right-of-use asset – Machinery	4
Restoration Cost	45

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

h) 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 recognised in the Income Statement unless it reverses a previous revaluation surplus for the same asset.

i) 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.

j) Mining assets

a) Recognition of mining assets

Costs 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 Exploration and Evaluation expenditure under Intangible Assets during the exploration and evaluation phase of the mine development.

b) Exploration, evaluation and development expenditures

When commercially recoverable reserves are determined, and such development receives the appropriate approvals, exploration and evaluation expenditures are transferred to Construction in Progress under Property, Plant, and Equipment. Upon completion of development and commencement of production, 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 five to twenty years.

Further, the capitalization of development expenditure is related only to the expenditure incurred on developing Access Tunnels. The costs incurred on Drives and Winzes are recognised in the Profit or Loss as and when they are incurred under Development activities.

3.3 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those as property, plant, and equipment (Refer note 3.2). In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in property, plant, and equipment and lease liabilities in loans and borrowings in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.4 Biological assets

Biological assets are classified as Consumable biological assets. Consumable biological assets include managed timber trees those that are to be sold as biological assets.

Biological assets are further classified into mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications.

Recognition and Measurement

The Company recognises the Biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of reporting date.

The managed timber trees are measured on initial recognition and at the end of each reporting period at cost in terms of LKAS 41 - Agriculture. The cost is treated as approximation to fair value of young plants (age below five years) as the impact on biological transformation of such plants to price during this period is immaterial.

3.5 Intangible assets

Recognition and measurement

(a) Exploration and evaluation expenditure

Assets which are included in intangible assets include exploration and evaluation expenditures incurred on finding potential graphite reserves. 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, exploration and evaluation expenditures are transferred to construction in progress under Property, Plant, and Equipment. Exploration and evaluation expenditure are 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 capitalized 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 asset 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 three years.

3.6 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 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

On initial recognition, a financial asset is classified as measured at: amortised cost; 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 of 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 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 Company'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:

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 Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole 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

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	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 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 derecognizes 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

Non-derivative financial assets - Financial instruments and contract assets

Loss allowances for local trade receivables are always measured at an amount equal to lifetime 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 60 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 90 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 twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- probability that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market or a security because of financial difficulties.

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: 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.

3.7 Inventories

Inventories are valued at the lower of cost or 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.

3.8 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.

3.9 Stated Capital

As per the Companies Act No 07 of 2007, section 58 (1), stated capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of call-in arrears. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

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 Provision for restoration cost

The amount presented in the financial statement is estimated using the expected cost that would be incurred after 45 years from the date of the statement of financial position. The estimated cost expected to incur is derived from the current cost to restore the mining land inflated using the rates publicly available. The inflated cost is discounted using a suitable discount rate to arrive at the present value. The key assumption used in estimating the amount presented is mentioned in Note 21 of this financial statement.

The mining land is expected to be restored after 45 years as the resources (i.e graphite) can be extracted over the particular period. The cost is capitalised to the Mining asset because the cost incurred on developing the land for production purpose and cost related to the initial exploration activities on the land have been capitalised as mentioned in Note 3.2.

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 for Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions as per the respective statutes. These obligations come within the scope of a defined contribution plan as 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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognised gains and losses on the settlement on defined benefit plan when the settlement occurs.

The liability is not externally funded.

3.13 Revenue

3.13.1 Revenue recognition

Revenue from Contract with Customers

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to the customer.

SLFRS 15 establishes a comprehensive framework for determining 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.

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.

3.14 Income tax expense

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the Statement of Comprehensive Income or Statement of Changes in Equity in which case it is recognised directly in the respective statements.

The Company determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.14.1 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, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto, at the rates specified in Note 09 on page 63. 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'.

3.14.2 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.

3.14.3 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
- When receivables and payables that are stated with the amount of sales tax included
- When 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.

3.15 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.

3.16 Events after Reporting Period

The materiality of the events after the reporting date has been considered and, where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.17 Earnings Per Share

The Company presents basic earnings per share for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

3.18 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

The relevant details are disclosed in the respective notes to the financial statements.

3.19 Statement of Cash Flows

The cash flow statement has been prepared using the indirect method in accordance with Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows'. Interest received and dividends received are classified as investing cash flows, while dividend paid is classified as financing cash flows and interest paid is classified under the operating cash flows for the purpose of presentation of Cash flow statement.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning on or after 1st January 2023 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

A. Deferred Tax related to Assets and Liabilities arising from a single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

B. Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1)

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1st January 2023. However, the IASB has subsequently proposed further amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1st January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Company is closely monitoring the developments.

C. Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1st January 2023.

The key amendments include,

- requiring companies to disclose their material accounting policies rather than their significant accounting policies.
- clarifying that accounting policies related to immaterial transactions, other events, or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events, or conditions are themselves material to a company's financial statements. The Company does not anticipate this amendment to have a significant impact.

D. Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1st January 2023.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

	2022 Rs.	2021 Rs.
5. REVENUE		
The Company generates revenue primarily from the sales of graphite and lubricants.		
Revenue from Contracts with Customers		
Export sales	1,683,649,549	1,115,922,362
Local sales	16,294,499	10,340,830
	1,699,944,048	**1,126,263,192**
Timing of Revenue Recognition		
Products and services transferred at a point in time	1,699,944,048	1,126,263,192
	1,699,944,048	**1,126,263,192**
6. OTHER INCOME		
Income from sales of obsolete items	601,937	432,691
Gain from disposal of property, plant, and equipment	911,604	481,481
Miscellaneous income (Note 6.1)	1,436,372	2,797,434
Estate income (Note 6.2)	15,135	15,889
	2,965,048	**3,727,495**

6.1 Miscellaneous income mainly consists of rental income and income received from sale of discarded stone

6.2 Estate income includes mainly two sources of income, which are generated from selling trees in the mining area (risk-area trees) and cinnamon cultivation income

7. PROFIT FROM OPERATIONS

Profit from operations is stated after charging all expenses including the following:

	2022 Rs.	2021 Rs.
Directors' remuneration	54,869,980	43,607,900
Auditors' remuneration		
Audit and audit-related fees	1,025,000	900,000
Professional charges	2,524,682	815,403
Depreciation of property, plant, and equipment (note 11)	37,873,100	41,319,085
Amortisation of intangible assets (note 12)	575,293	77,296
Impairment Provision for Inventories (note 15.1)	2,024,095	2,695,500
Royalty charges (note 7.1)	82,427,117	57,841,277
Technical service fees (note 7.2)	84,997,202	56,313,160
Donations	1,927,349	1,120,678
Legal charges	1,494,023	1,129,433
Death compensation cost (note 7.3)	460,000	67,600
Staff costs (note 7.4)	287,912,572	219,869,979

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 fees are paid to Graphite 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 28th January 2017. Consequently, the Company decided to pay the salary of the deceased employee until his retirement age to the

Year ended 31st December

7. PROFIT FROM OPERATIONS (Cont.)

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 year 2017. The current year provision includes the increment for the employee.

7.4 Staff costs

	2022 Rs.	2021 Rs.
Salaries and wages	172,427,723	138,086,527
Defined contribution plan cost - EPF and ETF	29,356,959	23,147,354
Defined benefit plan cost - retiring gratuity (note 22.2.1)	14,081,109	3,262,086
Performance bonuses (note 7.4.1)	30,026,000	19,874,390
Overtime	8,004,828	5,780,988
Other staff expenses	34,015,953	29,718,634
	287,912,572	**219,869,979**

Staff costs reported above include benefits paid to the Executive Directors during the year as disclosed in note 26.

7.4.1 Performance bonuses relate to the bonuses paid by the Company to Executive and Non-executive staff based on their individual and Company performance during the year.

8. NET FINANCE INCOME

	2022 Rs.	2021 Rs.
Interest income from staff loans	587,162	1,034,483
Interest income from savings deposits	17,597,078	4,252,054
Finance income	**18,184,240**	**5,286,537**
Interest expense on interest bearing borrowings	-	(569,893)
Interest expense on Mine Restoration Provision	(132,965)	(114,387)
Interest expense on lease liabilities	(675,875)	(911,779)
Finance expense	**(808,840)**	**(1,596,060)**
Net finance income recognised in profit or loss	**17,375,400**	**3,690,477**

9 INCOME TAX EXPENSE

9.1 Amounts recognised in Profit or Loss

Current tax expense		
Income tax on current year's profits (note 9.1)	138,462,738	43,321,545
Income tax (over)/ under provision for prior years	(396,791)	(383,062)
	138,065,947	**42,938,483**
Deferred tax expense		
(Origination)/ Reversal of Deferred Tax Assets	(1,287,134)	-
Origination/ (Reversal) of Deferred Tax Liability	(1,329,450)	(2,528,227)
Increment of Tax Rate	6,890,076	- -
	4,273,492	(2,528,227)
	142,339,439	**40,410,256**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

9. INCOME TAX EXPENSE (Cont.)

9.1 Reconciliation of accounting profit to income tax expense

	2022 Rs.	2021 Rs.
Accounting profit before tax from continuing operations	806,674,728	279,806,331
Aggregated other source of income	(6,080,030)	(4,057,209)
Aggregated other source of exempt amount	(179,919,854)	-
Aggregated disallowable expenses	77,760,655	57,764,164
Aggregated allowable expenses	(50,023,754)	(26,512,254)
Total Taxable Income	**648,411,745**	**307,001,032**
Statutory tax rate		
- Tax rate 14% (on export income)	48,521,520	42,229,609
- Tax rate 18% (on manufacturing income)	876,905	583,878
- Tax rate 24% (on balance taxable income)	92,067	508,058
- Tax rate 30% (on balance taxable income)	88,972,246	-
Total Current tax expense	**138,462,738**	**43,321,545**

9.2 Amounts recognised in OCI

	2022 Rs.	2021 Rs.
Deferred tax reversal on Remeasurement of defined benefit liability	3,263,449	376,285
Deferred tax on revaluation surplus of freehold land due to rate change	(1,903,407)	-
	1,360,042	**376,285**

9.3 Applicable income tax rates as per the Department of Inland Revenue

In accordance with the provisions of the Inland Revenue (Amendment) Act No 10 of 2021, the Company is liable for Income Tax at the rate of 14% on Export Income, 18% on Manufacturing Income. Income Tax for any other income is computed at 24%.

According to the the Inland Revenue Amended Act No 45 of 2022, the tax rate of the Company is increased to 30% with effect from 1st October 2022.

10 BASIC EARNINGS PER SHARE

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

	2022	2021
Profit attributable to ordinary shareholders (Rs.)	664,335,289	239,396,075
Weighted average number of ordinary shares	94,632,904	94,632,904
Basic earnings per share (Rs.)	**7.02**	**2.53**

10.1 Diluted earnings per share

There were no potentially diluted ordinary shares as at 31st December 2022 and there have been no transactions involving ordinary shares or potential ordinary shares at the reporting date which would require restatement of EPS. Therefore, diluted Earnings Per Share is the same as Basic Earnings Per Share shown above.

As at 31st December

11. PROPERTY, PLANT, AND EQUIPMENT

In Rs.	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	Right-of-Use Asset Machinery	Capital WIP		Total 2022	Total 2021
												Mining costs	Others		
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January 2022	17,600,000	55,998,845	12,807,789	178,990,222	329,514,737	69,945,329	10,457,296	2,456,863	6,272,066	47,859,213	20,689,744	33,668,315	12,493,460	798,753,879	778,759,511
Additions during the year	-	-	-	-	5,189,451	1,209,839	-	-	-	4,670,000	-	10,642,746	56,015,286	77,727,322	26,834,277
Disposals during the year	-	-	-	-	-	-	(90,859)	(71,391)	-	(2,381,860)	-	-	-	(2,544,110)	(208,500)
Transfers from CWIP - Others	-	33,511,529	2,295,915	-	11,762,460	2,002,886	-	-	10,370,623	-	-	-	(59,943,413)	-	(6,639,483)
Restoration cost capitalised (note 21)	-	-	-	585,201	-	-	-	-	-	-	-	-	-	585,201	8,074
Write-offs during the year	-	(1,450,036)	-	-	-	-	-	-	-	-	(128,200)	-	-	(1,578,236)	-
Balance as at 31st December 2022	17,600,000	88,060,338	15,103,704	179,575,423	346,466,648	73,158,054	10,366,437	2,385,472	16,642,689	50,147,353	20,561,544	44,311,061	8,565,333	872,944,056	798,753,879
Accumulated depreciation and impairment losses															
Balance as at 1st January 2022	-	32,345,956	9,435,482	116,258,182	244,752,530	47,975,105	9,276,738	2,456,623	6,142,538	34,699,590	15,389,108	-	-	518,731,852	472,448,831
Depreciation charged to profit or loss	-	2,017,142	765,681	9,800,867	15,331,687	3,666,662	270,397	-	82,592	5,938,072	-	-	-	37,873,100	41,319,085
Depreciation capitalised to exploration and evaluation asset (note 11.7)	-	-	-	-	-	-	-	-	-	-	5,172,436	-	-	5,172,436	5,172,436
Disposals during the year	-	-	-	-	-	-	(90,859)	(71,391)	-	(2,381,860)	-	-	-	(2,544,110)	(208,500)
Write-off during the year	-	(1,450,036)	-	-	-	-	-	-	-	-	-	-	-	(1,450,036)	-
Balance as at 31st December 2022	-	32,913,062	10,201,163	126,059,049	260,084,217	51,641,767	9,456,276	2,385,232	6,225,130	38,255,802	20,561,544	-	-	557,783,242	518,731,852
Carrying amount															
Balance as at 31st December 2022	17,600,000	55,147,276	4,902,541	53,516,374	86,382,431	21,516,287	910,161	240	10,417,559	11,891,551	-	44,311,061	8,565,333	315,160,814	
Balance as at 31st December 2021	17,600,000	23,652,889	3,372,307	62,732,040	84,762,207	21,970,224	1,180,558	240	129,528	13,159,623	5,300,636	33,668,315	12,493,460		280,022,027

As at 31st December 2022

11. PROPERTY, PLANT, AND EQUIPMENT (CONT.)

11.1 Revaluation of freehold land

Freehold land was last revalued as at 31st 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 under ground works. There is no major change in value especially as confirmed by the independent valuer on 31st December 2022.

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	No. of buildings
Welathuduwa village, Kotiyakumbura	13.2268 hectares	5,703,702	9,600,000	100,000-800,000	No	44
Welathuduwa village, Kotiyakumbura	9.7159 hectares		4,900,000		No	
Kendawa village, Bulathkohupitiya	7.2361 hectares		3,100,000	150,000-600,000	No	4
		5,703,702	**17,600,000**			

Description of the valuation technique used together with the narrative description on sensitivity of the fair value measurement to changes in significant unobservable inputs is as follows:

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 measurements, based on the inputs to the valuation technique used.

Significant increases/(decreases) in estimated price per square meter and 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 setout in Note 3.2(j)(b), the Company has Rs. 44.3 million relating to a major drilling program. The results of the drilling program was then used by an internal Geologist to calculate the estimated resouces. The three-to-four-year development program is ongoing. Cost amounting to Rs. 10.6 million was incurred on development activities which includes activities related to the preparation of the mine before commencement of extraction of graphite.

As at 31st December

11.2.1 Capital WIP -Other

Capital work in progress - Other represents the amount of expenditure recognised under property, plant, and equipment during the construction of Buildings on freehold land.

11.3 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. 297,834,559/- as at 31st December 2022. (2021 - Rs. 232,112,091/-).

11.4 Permanent fall in value of property, plant, and equipment

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

11.5 Title restriction on property, plant, and equipment

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

11.6 Assets pledged as collaterals

There were no assets pledged under collaterals as at the reporting date.

11.7 Right of use asset

The right of use asset relating to the machinery has been recognised on 1 January 2019. The depreciation charge of right of use asset has been capitalised in exploration and evaluation expenditure under Intangibe Asset.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

12. INTANGIBLE ASSETS	Software and licenses Rs.	Exploration and Evaluation Expenditure Rs.	Total 2022 Rs.	Total 2021 Rs.
Cost				
Balance as at 1st January	8,238,328	97,957,083	106,195,411	79,143,714
Additions during the year (note 12.1)	5,177,635	29,406,730	34,584,365	21,345,805
Interest expense capitalised (note 20.2)	-	272,043	272,043	533,456
Depreciation charge capitalised (note 11.7)	-	5,172,424	5,172,424	5,172,436
Balance as at 31st December	**13,415,963**	**132,808,280**	**146,224,243**	**106,195,411**
Amortisation				
Balance as at 1st January	8,238,328	-	8,238,328	8,161,032
Charge for the year	575,293	-	575,293	77,296
Balance as at 31st December	**8,813,621**	**-**	**8,813,621**	**8,238,328**
Carrying value as at 31st December	**4,602,342**	**132,808,280**	**137,410,622**	**97,957,083**

12.1 Exploration and evaluation expenditure recorded under intangible assets above refers to the expenditure associated with exploration of potential graphite resources in Rangala mine, Pankohena mine and Pankohena abandon area which are owned by the Company. The exploration project continues further as the technical and commercial viabilities were not been demonstrable as at the reporting date. Refer Note 3.5.

13. CONSUMABLE BIOLOGICAL ASSETS

13.1 Immature plantations

	2022 Rs.	2021 Rs.
Cost:		
At the beginning of the year	6,639,483	-
Additions during the year	-	6,639,483
At the end of the year	6,639,483	6,639,483

13.1.1 The managed trees which are less than five (05) years old are considered to be immature consumable biological assets.

As at 31st December

14. OTHER FINANCIAL ASSETS	2022 Rs.	2021 Rs.
Loans to Company Officers	4,427,240	9,767,687

14.1 The movement of loans are as follows;

	2022 Rs.	2021 Rs.
Balance as at 1st January	9,767,687	16,649,539
Loans granted during the year	4,338,976	6,091,500
Loan repayments during the year	(9,679,423)	(12,973,352)
Balance as at 31st December	**4,427,240**	**9,767,687**
Non-current	945,530	3,999,355
Current	3,481,710	5,768,332
	4,427,240	**9,767,687**

The Company charged interest at 10% -15% on receivable balances from Loans to Company Officers. These balances are payable in installment plan together with the interest.

15. INVENTORIES	2022 Rs.	2021 Rs.
Raw materials - Lubricants	120,333,973	12,565,911
Raw materials - Graphite	84,963,457	30,247,223
Work-In-Progress - Graphite	31,075,770	9,059,530
Finished goods - Graphite	21,977,744	13,582,145
Consumables and spares	102,139,682	54,231,124
	360,490,626	119,685,933
Impairment for slow moving stocks (note 15.1)	(4,719,595)	(2,695,500)
	355,771,031	116,990,433
Goods-in-transit	16,420,753	238,642
	372,191,784	117,229,075

15.1 Impairment for slow-moving stocks	2022 Rs.	2021 Rs.
Balance as at 1st January	2,695,500	-
Provision for the year	2,024,095	2,695,500
Balance as at 31st December	**4,719,595**	**2,695,500**

As at 31st December

	2022 Rs.	2021 Rs.
16. TRADE AND OTHER RECEIVABLES		
Trade receivables	119,438,228	89,720,818
Trade receivables due from related companies (note 26)	17,947,400	17,586,092
Total trade receivables (note 16.1)	137,385,628	107,306,910
VAT receivables	26,913,666	44,761,893
Other receivables	742,738	11,694,004
	165,042,032	**163,762,807**

16.1 Age analysis of total trade receivables

	2022 Rs.	2021 Rs.
Neither past due nor impaired	131,066,289	98,625,042
Past due but not impaired		
0-30 days	-	8,681,868
31-60 days	-	-
61-90 days	-	-
Over 90 days	6,319,339	-
	137,385,628	**107,306,910**

17. CASH AND CASH EQUIVALENTS

	2022 Rs.	2021 Rs.
Cash in hand	351,294	216,113
Cash at bank	828,727,572	390,314,834
Cash and cash equivalents per statement of cash flows	**829,078,866**	**390,530,947**

	2022		2021	
18. STATED CAPITAL	**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**

The Company does not have a par value for its shares.

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. There were no dividends declared during the year (2021 - Nil).

As at 31st December

19. RESERVES

	2022 Rs.	2021 Rs.
Revaluation reserve	**8,327,409**	**10,230,816**
19.1 The movement is as follows:		
Balance as at 1st January	10,230,816	10,230,816
Deferred tax on revaluation surplus as freehold land due to change of tax rate	(1,903,407)	-
Balance as at 31st December	**8,327,409**	**10,230,816**

The revaluation reserve relates to the revaluation of freehold land which was revalued by the Company based on its policy. It will be ultimately utilised when the land is sold.

20. LOANS AND BORROWINGS

	2022 Rs.	2021 Rs.
Non-current		
Lease Liability (note 20.2)	2,008,882	4,293,464
	2,008,882	**4,293,464**
Current		
Lease Liability (note 20.2)	2,284,582	8,224,258
Loan from Graphit Kropfmühl GmbH (note 20.1)	-	-
	2,284,582	**8,224,258**
	4,293,464	**12,517,722**

20.1 The movement of the loan is as follows:		
Balance as at the beginning of the year	-	30,034,180
Repayments during the year	-	(30,535,231)
Effect on exchange loss	-	501,051
Balance as at the end of the year	-	-

During the financial year 2021, the loan was fully settled.

20.2 Lease liabilities		
Balance as at 1st January	12,517,722	20,099,031
Interest expense recognised in finance expense	675,875	911,811
Interest expense capitalised (note 20.2.2)	272,043	533,456
Exchange loss (note 20.2.1)	-	142,692
Repayment during the year	(9,172,176)	(9,169,268)
Balance as at 31st December	**4,293,464**	**12,517,722**

As at 31st December

20.2.1 Exchange gain/loss relates to revaluation of lease liability payable in Euro as at reporting date at closing exchange rate. During the financial year, the lease was fully settled.

20.2.2 The interest charge on lease liability relating to drilling machinery has been capitalised in exploration and evaluation expenditure under Intangible Asset.

20.2.3 These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exercisable by both the Company and by the respective lessor.

20.2.4 Undiscounted lease cash flow

The following table sets out a maturity analysis lease payments showing the undiscounted lease payment after the reporting date.

	2022 Rs.	2021 Rs.
Less than one year	2,693,316	8,439,481
One to two years	2,120,185	2,693,316
Two to three years	-	2,120,185
Total	**4,813,501**	**13,252,982**

20.2.5 Amounts recognised in statement of profit or loss

	2022 Rs.	2021 Rs.
Interest expense recognised in finance expense	675,875	911,811
Exchange loss	-	142,692
	675,875	**1,054,503**

20.2.6 Amounts recognised in statement of cash flows

	2022 Rs.	2021 Rs.
Repayment during the year	9,172,176	9,169,268
	9,172,176	**9,169,268**

21. PROVISION FOR RESTORATION

	2022 Rs.	2021 Rs.
Balance at 1st January	1,266,335	1,143,874
Provision made during the year	585,201	8,074
Interest expense charged during the year	132,965	114,387
Balance as at 31st December	**1,984,501**	**1,266,335**

The provison reflects the present value of future estimated cost of restoration of the land once the Company extracts graphite through its activities over 45 years. The Company does not plan to shut down the mine after 45 years, but the number of years is estimated based on the period over which the estimated resources are expected to be extracted. The cost will be estimated annually to reflect the best estimate and, at each reporting date, a year will be roll-forwarded and included in the estimate to continue the plan for the next 45 years. The plan will be roll-forwarded until the earliest date of the resources being completely extracted in the particular property, or the company actually incurs cost on restoration and completes its restoration activities.

As at 31st December

21. PROVISION FOR RESTORATION (CONT.)

The following assumptions and data were used in estimating the provision for restoration as at 31st December 2022.

	2022	2021
Discount Rate	10.5%	10.5%
Inflation Rate (based on available public information)	65%	12.1%

21.1 Sensitivity analysis

If there is a change in the assumption by 1%, the following would be the impact on provision for estimation.

	2022		2021	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Discount rate	(661,425)	1,003,071	(398,934)	588,782
Inflation Rate	482,451	(904,576)	633,642	(425,578)

22. EMPLOYEE BENEFITS

22.1 Defined contribution plans

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

	2022 Rs.	2021 Rs.
Employees' Provident Fund		
Employers' contribution	23,485,573	19,573,431
Employees' contribution	19,571,310	16,311,192
Employees' Trust Fund	5,871,386	4,893,351

22.2 Defined benefit plan

	2022 Rs.	2021 Rs.
Balance at the beginning of the year	74,254,917	70,383,596
Provision recognised during the year (note 22.2.1)	14,081,109	3,262,086
Actuarial loss during the year (note 22.2.2)	10,878,165	2,687,750
	99,214,191	76,333,432
Payments made during the year	(5,782,761)	(2,078,515)
Balance at the end of the year	**93,431,430**	**74,254,917**

22.2.1 Amounts recognised in the profit or loss

	2022	2021
Current service cost	6,284,343	4,406,927
Interest on obligation	7,796,766	5,630,688
Past service Cost	-	(6,775,529)
	14,081,109	**3,262,086**

As at 31st December

22. EMPLOYEE BENEFITS (CONT.)

22.2.2 Amounts recognised in the other comprehensive income

	2022 Rs.	2021 Rs.
Actuarial loss for the year	10,878,165	2,687,750
	10,878,165	**2,687,750**

The provision for retirement benefits obligations as at 31st December 2022 is based on the actuarial valuation carried out by independent professionally qualified actuaries, Mr. M. Poopalanathan, AIA of Messers Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries, using "Projected Unit Credit" (PUC) method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

22.2.3 Actuarial assumptions

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

	2022	2021
Discount rate	18.5%	10.5%
Salary increment rate	15%	13%
Staff turnover rate	1%	1%
Weighted average retirement age	9.69 years	13.4 years

The gratuity liability is not externally funded.
It is also assumed that the company will continue in business as a going concern.

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

The normal retirement age of an individual is assumed to be 60 years and employees over 60 years are assumed to retire on their 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 five years of continuous service.

22.2.4 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

	2022		2021	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Discount rate	(7,260,181)	8,166,703	(6,278,942)	7,147,872
Salary increment rate	8,841,209	(7,941,296)	7,600,819	(6,761,053)

As at 31st December

23. DEFERRED TAXATION

	2022 Rs.	2021 Rs.
Deferred tax liabilities (note 23.1)	42,655,120	20,526,133
Deferred tax assets (note 23.2)	(32,047,371)	(12,831,834)
Net deferred tax liabilities	**10,607,749**	**7,694,299**
23.1 Deferred tax liabilities		
Balance as at 1st January	20,526,133	23,428,716
Reversed during the year through profit or loss	(1,329,450)	(2,902,583)
Effect of change in tax rates charged to Profit or Loss	21,555,030	-
Effect of change in tax rates charged to Other Comprehensive Income	1,903,407	-
Balance as at 31st December	**42,655,120**	**20,526,133**
23.2 Deferred tax assets		
Balance as at 1st January	12,831,834	12,829,906
(Reversed)/Originated during the year through profit or loss	1,287,134	(374,357)
Provision/(Reversal) during the year - Other Comprehensive Income	3,263,449	376,285
Effect of change in tax rates charged to Profit or Loss	14,664,954	-
Balance as at 31st December	**32,047,371**	**12,831,834**

23.3 Reconciliation of Deffered tax effect on temporary differences

Deferred tax assets and liabilities are attributable to the following:

	2022		2021	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Deferred tax liabilities				
Property, plant, and equipment	129,136,848	38,741,055	129,418,299	18,118,562
Revaluation of freehold land	11,896,298	3,568,889	11,896,298	1,665,482
Intangible assets	1,150,585	345,176	-	-
Right-of-Use assets	-	-	5,300,636	742,089
	142,183,731	**42,655,120**	**146,615,233**	**20,526,133**
Deferred tax assets				
Employee benefits	(93,431,430)	(28,029,429)	(74,254,917)	(10,395,688)
Provision for death compensation	(6,689,044)	(2,006,713)	(7,232,393)	(1,012,535)
Provision for restoration	(1,984,501)	(595,350)	(1,266,335)	(177,287)
Impairment provision for inventories	(4,719,595)	(1,415,879)	(2,695,500)	(377,370)
Lease Liability	-	-	(6,206,817)	(868,954)
	(106,824,570)	**(32,047,371)**	**(91,655,962)**	**(12,831,834)**
Net deferred tax liabilities	**35,359,161**	**10,607,749**	**54,959,271**	**7,694,299**

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes based on the provision of the Inland Revenue Amendment act no 45 of 2022. The deferred tax liability is calculated at the rate of 30% (2021 – 14%) for the company as at 31st December

Year ended 31st December

2022. The Corporate tax rate increased from 14% to 30%. This change resulted in a loss of Rs. 8,793,482. related to the remeasurement of deferred tax liability of the Company.

24. TRADE AND OTHER PAYABLES

	2022 Rs.	2021 Rs.
Trade payables - Others	21,503,822	20,221,165
Trade payables - Related companies (note 26.2)	35,839,052	5,818,575
	57,342,874	**26,039,740**
Other Payables - Related companies (note 26.2)	4,996,301	3,956,300
Sundry creditors	4,409,534	1,487,664
Accrued expenses	56,324,091	55,376,180
	123,072,800	**86,859,884**

25. CURRENT TAXATION

	2022 Rs.	2021 Rs.
Balance as at 1st January	27,580,489	13,343,501
Provision for the year	138,462,738	43,321,545
Adjustments for prior years	(396,791)	(383,062)
Tax payments	(62,962,156)	(28,701,495)
Current tax liability	**102,684,280**	**27,580,489**

26. RELATED PARTY DISCLOSURES

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

26.1 Transactions with key management personnel

According to Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures', Key Management Personnel 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.

Graphite Kropfmuhl GmbH and AMG Advanced Metallurgical Group N.V (Netherlands) are the Companies parent and ultimate parent respectively as noted in Note 1.3. Accordingly, the Board of Directors of the parent companies are also classified as KMP.

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

	2022 Rs.	2021 Rs.
Short-term employee benefits		
Executive Directors - Emoluments	49,986,675	39,919,363
Non-Executive Directors - Fees and other benefits	4,883,305	3,688,537
	54,869,980	**43,607,900**
Post-employment benefits		
Executive Directors	7,959,475	5,422,001
Total compensation applicable to KMP	**62,829,455**	**49,029,901**

Year ended 31st December

26. RELATED PARTY DISCLOSURES (CONT.)

26.2 Transactions with related companies

Nature of transaction	Name of the company and its relationship				Total	
	Parent		Affiliate			
	Graphit Kropfmühl GmbH		Qingdao Kropfmühl Graphite (Co.)			
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Nature of recurrent transactions						
Balance receivable/(payable) as at 1st January	(594,063)	(34,680,160)	2,198,463	-	1,604,400	(34,680,161)
Sale of goods/services	291,893,237	279,484,082	5,663,362	8,127,840	297,556,599	287,611,922
Purchase of goods/services	(305,944,790)	(100,883,682)	(2,398,963)	(238,642)	(308,343,753)	(101,122,324)
Finance cost (interest expenses)	(272,043)	(1,103,339)	-	-	(272,043)	(1,103,339)
Technical service fee payments	(84,997,202)	(56,313,160)	-	-	(84,997,202)	(56,313,160)
Repayment of loans and borrowings	-	30,535,231	-	-	-	30,535,231
Payment of rental on hired machinery	9,313,849	6,475,952	-	-	9,313,849	6,475,952
Net settlements	70,548,046	(123,465,201)	(5,462,862)	-	65,085,184	(123,465,201)
Net exchange loss	(2,834,988)	(643,785)	-	(5,690,735)	(2,834,988)	(6,334,521)
Balance receivable/(payable) for recurrent transactions as at 31st December	**(22,887,954)**	**(594,063)**	**-**	**2,198,463**	**(22,887,954)**	**1,604,400**
Nature of the non-recurrent transactions						
Purchase of fixed assets	-	(2,500,645)	-	-	-	-
Net settlements	-	2,500,645	-	-	-	-
Balance receivable/(payable) for non-recurrent transactions as at 31st December	-	-	-	-	-	-
Balance receivable/(payable) for recurrent & non-recurrent transactions as at 31st December	**(22,887,954)**	**(594,063)**	**-**	**2,198,463**	**(22,887,954)**	**1,604,400**

Above balance included in	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**	**Total - 2022 Rs.**	**Total - 2021 Rs.**
Trade receivables	17,947,400	15,148,987	-	2,437,105	17,947,400	17,586,092
Trade payables	(35,839,052)	(5,579,932)	-	(238,642)	(35,839,052)	(5,818,574)
Other payables	(4,996,301)	(3,956,300)	-	-	(4,996,301)	(3,956,301)
Lease liability (SLFRS 16)		(6,206,817)	-	-	-	(6,206,817)
	(22,887,954)	**(594,063)**	**-**	**2,198,463**	**(22,887,954)**	**1,604,402**

26.2.1 Total aggregated value of the sales made to Graphite Kropfmühl and Qingdao Kropfmühl are 17.2% and 0.33% respectively from the total revenue of the Company. The Company has not had any special transactions with the parent or affiliate company which required specific agreements or arrangements to be made, prior to such transactions, other than what is listed above.

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

As at 31st December

27. 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:

	31st December 2022 Carrying value Rs.	31st December 2022 Fair value Rs.	31st December 2021 Carrying value Rs.	31st December 2021 Fair value Rs.
Assets carried at amortised cost				
Other financial assets	4,427,240	4,427,240	9,767,687	9,767,687
Trade receivables	137,385,628	137,385,628	107,306,910	107,306,910
	141,812,868	**141,812,868**	**117,074,597**	**117,074,597**
Cash and cash equivalents	829,078,866	829,078,866	390,530,947	390,530,947
	970,891,734	**970,891,734**	**507,605,544**	**507,605,544**
Liabilities carried at amortised cost				
Loans and borrowings	4,293,464	4,293,464	12,517,722	12,517,722
Trade payables	57,342,874	57,342,874	26,039,740	26,039,740
Other Payable -Related companies	4,996,301	4,996,301	3,956,300	3,956,300
	66,632,639	**66,632,639**	**42,513,762**	**42,513,762**

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.

28. FINANCIAL RISK MANAGEMENT

28.1 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 the financial statements.

Year ended 31st December

28. FINANCIAL RISK MANAGEMENT (Cont.)

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

28.3 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.

28.3.1 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:

As at 31st December,	2022 Rs.	2021 Rs.
Trade receivables	137,385,628	107,306,910
Other financial assets	4,427,240	9,767,687
Cash at bank	828,727,572	390,314,834
	970,540,440	**507,389,431**

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

The Management Committee has established a credit policy under which each new customer is analysed individually for 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 Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Companies of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Year ended 31st December

28. FINANCIAL RISK MANAGEMENT (Cont.)

The maximum exposure to credit risk for trade receivables at the end of the reporting period by type of counterparty was as follows:

	2022 Rs.	2021 Rs.
Trade debtors - Export sales	119,438,228	89,720,818
Trade debtors - local sales	-	-
Trade debtors - related companies	17,947,400	17,586,092
	137,385,628	**107,306,910**

The maximum exposure to credit risk for loans and receivables at the reporting date by currency:

	2022 Rs.	2021 Rs.
EUR	151,859	243,327
LKR	-	-
USD	213,468	258,899

Impairment losses

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

	2022 Rs.	2021 Rs.
Neither past due nor impaired	131,066,289	98,625,042
Past due not impaired	6,319,339	8,681,868
Due and impaired	-	-
	137,385,628	107,306,910

Based on the past due date, the Company believe that no provisions are required as at 31st December 2022.

Cash at bank

The Company is also exposed to credit risk through its cash at bank balances. The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each Bank. This rating provides the Company the indication of the financial stability of the investment. The ratings are based on Fitch Ratings.

Cash at Bank having credit ratings	2022 Rs.	2021 Rs.
A(lka)	821,291,545	384,621,640
BBB-(lka)	7,436,027	5,693,194
	828,727,572	390,314,834

The maximum exposure to credit risk for Cash at Bank balances at the reporting date by currency is as follows:

	2022 Rs.	2021 Rs.
EUR	826,406	723,590
USD	899,386	811,064
LKR	177,086,074	62,071,474

The Company considers that its cash and cash equivalents have low risk based on the external credit ratings of the counterparties.

Year ended 31st December

28. FINANCIAL RISK MANAGEMENT (Cont.)

28.4 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 uses activity-based costing to value its products and services, which assists it in monitoring cash flow requirements and optimizing 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.

28.4.1 Exposure to liquidity risk

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

As at 31st December 2022

		Contractual cash flows			
Non-derivative financial liabilities	**Carrying amount Rs.**	**Total Rs.**	**Less than 3 months Rs.**	**3 - 12 months Rs.**	**> 1 year Rs.**
Loans and borrowings	4,293,464	4,813,501	673,329	2,019,987	2,120,185
Trade payables	57,342,874	57,342,874	57,342,874	-	-
	61,636,338	**62,156,375**	**58,016,203**	**2,019,987**	**2,120,185**

As at 31st December 2021

		Contractual cash flows			
Non-derivative financial liabilities	**Carrying amount Rs.**	**Total Rs.**	**Less than 3 months Rs.**	**3 - 12 months Rs.**	**> 1 year Rs.**
Loans and borrowings	12,517,722	13,252,982	2,109,870	6,329,611	4,813,501
Trade payables	26,039,740	26,039,740	26,039,740	-	-
	38,557,462	**39,292,722**	**28,149,610**	**6,329,611**	**4,813,501**

28.4.2 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.

28.5 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 optimizing the return.

Year ended 31st December

28. FINANCIAL RISK MANAGEMENT (Cont.)

28.5 Market risk (Cont.)

28.5.1 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in 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 relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and loans and borrowings.

28.5.1.1 Exposure to currency risk

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

	31st December 2022		31st December 2021	
	EUR	USD	EUR	USD
Cash and cash equivalents	826,406	899,386	723,590	811,064
Trade receivables	151,859	213,468	243,327	258,899
Trade payables	(91,849)	-	(24,408)	(5,331)
Net statement of financial position exposure	**886,416**	**1,112,854**	**942,509**	**1,064,632**

The following significant exchange rates have been applied.

	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
EUR	341.71	226.86	390.19	228.61
USD	326.37	200.43	366.01	200.75
GBP	399.72	270.60	441.12	270.88

28.5.1.2 Sensitivity to foreign exchange risk

A reasonably possible strengthening (weakening) of the Euro and US dollar against all other currencies at 31st 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, particularly interest rates, remain constant and ignore any impact of forecast sales and purchases.

31st December 2022	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
EUR (1% movement)	3,458,749	(3,458,749)	2,421,124	(2,421,124)
USD (1% movement)	4,073,129	(4,073,129)	2,851,190	(2,851,190)

Year ended 31st December

28. FINANCIAL RISK MANAGEMENT (Cont.)

28.5 Market risk (Cont.)

28.5.1.2 Sensitivity to foreign exchange risk

31st December 2022	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
EUR (1% movement)	2,010,932	(2,010,932)	1,729,402	(1,729,402)
USD (1% movement)	2,230,536	(2,230,536)	1,918,261	(1,918,261)

28.5.1.3 Following is the breakup of net exchange gain.

	2022 Rs.	2021 Rs.
Realized Gain/ (Loss)	113,398,136	9,524,473
Unrealized Gain/ (Loss)	179,919,854	(4,061,208)
Total	**293,317,990**	**5,463,265**

28.5.2 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.

As at 31st December 2021, the Company's long-term obligation has been fully settled. No new loans have been taken in the year 2022. Therefore, the Company does not have any long-term debt obligations as at 31st December 2022.

28.6 Capital Management

For the purpose of the Company's Capital Management, Capital includes the equity attributable to the equity holders. The Primary objective of the Company's capital management is to maximise the share value.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	2022 Rs.	2021 Rs.
Interest-bearing loans and borrowings	4,293,464	12,517,722
Trade and other payables	123,072,800	86,859,884
Less: cash and cash equivalents	(829,078,866)	(390,530,947)
Net debt	**(701,712,602)**	**(291,153,341)**
Equity	1,517,507,758	862,690,594
Capital and net debt	**815,795,156**	**571,537,253**
Gearing ratio	8%	12%

No changes were made in the objectives, policies, or processes for managing capital during the years ended 31st December 2022 and 31st December 2021.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

29. CAPITAL COMMITMENTS

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

30. CONTINGENT LIABILITIES

There have been no material contingent liabilities outstanding as at the reporting date except as stated below:

30.1 Case No. 10180M

A supplier/constructor filed a case against the Company on 21st February 2019 in relation to a road construction project undertaken by him, claiming the Company did not pay the due amount as per the agreement. The Company filed a counter claim stating that the work was not completed as per the contract. Based on the confirmation received from the company lawyer, the outcome of the case cannot be assessed as at reporting date. As such, a provision was not required in the financial statement as at reporting date.

31. EVENTS AFTER THE REPORTING DATE

Company held an Extraordinary General Meeting (EGM) on 31st March, 2023 to re-appoint Mr. J. C. P. Jayasinghe and Mr. Roger Miller, the Directors who are over 70 years of age. Mr. J. C. P. Jayasinghe was re-appointed as a Director of the Company.

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

32. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

33. IMPACT OF CURRENT ECONOMIC CONDITION

Current Economic Condition of the Country

During the first half of 2022 all key sectors contracted amid shortages of inputs and supply chain disruptions with the economic crisis. Year-on-year headline inflation reached an unprecedented 73.7 percent in September 2022, due largely to high food inflation of 93.7 percent. This reflects the impact of rising global commodity prices, monetization of the fiscal deficit, and currency depreciation. From October 2022 onwards, the year-on-year headline inflation rate started to drop slightly whereas, in December 2022, the year-on-year inflation rate was 59.2 percent.

Impact to the Company

The Management assessed the current economic conditions in preparation of financial statements and is of the view that the Company has appropriate systems in place to identify and take necessary actions to minimise any unfavourable business impact. Lack of foreign exchange liquidity in the banking sector has resulted in delayed foreign supplier payments for capital or consumable goods, creating challenges in sustaining the smooth business operations.

As per the accounting policies, the Company reviewed the carrying values of property, plant, and equipment, intangible assets, inventory, trade, and other receivables as at the reporting date, especially the impact the current economic condition could have on these assets concluded there is no impairment. Further, the Company also reviewed the medium term business plans and is satisfied that necessary procedures are in place to mitigate any adverse impact on the operations and to safeguard assets.

Hence, the Board of Directors is of the view that the economic conditions in the country have not significantly impacted Company performance for the year under review. The Board is satisfied that the Company has business plans with adequate resources to continue the business and mitigate the risks for the next 12 months from the date of approval of these financial statements.

Year ended 31st December

34. NET ASSETS PER SHARE

	2022	2021
Net Assets attributable to shareholders - Rs.	1,517,507,758	862,690,594
Number of shares	94,632,904	94,632,904
Net Assets per share - Rs.	16.04	9.12

TEN-YEAR FINANCIAL SUMMARY

TEN-YEAR FINANCIAL SUMMARY

(In Rupees '000)

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Trading Results												
Turnover		1,699,944	1,126,263	669,543	815,576	877,761	732,888	702,454	582,861	607,425	535,758	556,226
Gross Profit		904,971	536,329	212,818	322,972	389,472	255,039	270,374	186,600	239,628	177,488	184,222
Other Income		2,965	3,727	12,030	9,718	14,079	7,773	14,127	3,287	9,440	7,718	13,813
Profit/(Loss) before Interest		807,484	281,402	62,217	121,225	182,372	(12,971)	88,249	16,538	92,223	47,757	40,741
Interest Cost		(809)	(1,596)	(3,644)	(4,807)	(6,836)	(8,015)	8,931	10,232	13,796	17,928	18,548
Profit/(Loss) after interest before Tax		806,675	279,806	58,573	116,418	175,536	(20,986)	79,318	6,306	78,426	29,829	22,193
Taxation		(142,339)	(40,410)	(11,551)	(19,004)	(23,314)	1,332	(5,512)	(6,150)	(3,968)	(5,072)	1,652
Net Profit/(Loss)		664,335	239,396	47,022	97,414	152,222	(19,653)	73,806	156	74,459	24,757	23,845
Other comprehensive income/(loss), net of tax		(9,518)	(2,311)	202	332	4,641	(5,877)	610	1,554	2,075	126	1,738
Total Comprehensive Income for the Year		654,817	237,085	47,224	97,746	156,863	(25,531)	73,196	(1,398)	72,384	24,656	22,108
Balance Sheet												
Stated Capital		102,074	102,074	102,074	102,074	102,074	102,074	102,074	80,074	80,074	80,074	80,074
Reserves		1,415,434	760,616	523,532	476,307	378,561	221,698	247,229	198,233	189,328	116,944	92,313
Shareholders' Funds		1,517,508	862,691	625,606	578,382	480,635	323,772	349,303	278,307	269,402	197,018	172,362
Property, Plant & Equipment		315,161	280,022	306,311	312,772	304,570	265,539	259,841	253,503	270,451	297,136	282,859
Current & Non-current Assets		1,853,582	1,072,864	816,695	822,276	724,883	608,726	579,686	524,619	534,436	537,578	524,856
Current Liabilities		228,042	122,665	96,420	121,588	105,473	138,871	69,395	66,717	61,645	86,875	81,542
Non-current Liabilities		108,033	87,509	94,669	122,307	138,775	146,083	160,987	179,595	203,389	253,684	270,952
Net Assets		1,517,508	862,691	625,606	578,382	480,635	323,772	349,303	278,307	269,402	197,018	172,362
Key Indicators												
Gross Profit to Turnover	%	53%	47.6%	31.8%	39.6%	44%	35%	38%	32%	39%	33%	33%
Net Income to Turnover	%	39%	21.26%	7.02%	11.94%	17.34%	-2.68%	10.51%	0.03%	12.26%	4.62%	4.29%
Earnings per Share	Rupees	7.02	2.53	0.50	1.03	1.61	-0.21	0.78	0.00	1.57	0.52	0.50
Price Earnings Ratio	Times	6.52	40	55	16	8	(64)	18	9,839	19.89	35.17	47.03
Market Value per share as at 31st December	Rupees	45.80	101.75	27.4	16.00	13.30	13.30	14.40	32.40	31.30	18.40	23.70
Return on Equity	%	44%	27.75%	7.52%	16.84%	31.67%	-6.07%	21.13%	0.06%	27.64%	12.57%	13.83%
Net Assets per Share	Rupees	16.04	9.12	6.61	6.11	5.08	3.42	3.69	5.88	5.69	4.16	3.64
No. of Shares in Issue	Nos.	94,632,904	94,632,904	94,632,904	94,632,904	94,632,904	94,632,904	94,632,904	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, 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 31st December 2009 of Rs. 467,067,988 against the stated capital of Rs. 547,142,189 without affecting the number of shares in issue.
4) In year 2016, Company declared a bonus issue to shareholders at the rate of 1:1 by way of capitalising a sum of Rs. 22,000,000 of its retained earnigs.

INVESTOR INFORMATION

As at 31st December 2022

Top 20 shareholders of the Company

	Name of Shareholders	No. of Shares	%
1	GRAPHIT KROPFMUHL GMBH	75,310,068	79.58
2	ALTERNA GK LLC	6,591,397	6.97
3	SECRETARY TO THE TREASURY	509,000	0.54
4	LANKA ORIX FINANCE PLC/ L H M S LANSAKARA	200,824	0.21
5	HATTON NATIONAL BANK PLC/ DAWI INVESTMENT TRUST (PVT) LTD	185,210	0.20
6	MR WIMAL ASOKA DE SILVA (DECEASED)	181,800	0.19
7	MRS REJINOLD MELWILLAGE NIMALKA WIJESEKARA	172,500	0.18
8	MR JESUDASAN PEREEMBARAJAH PAUL	136,967	0.14
9	HATTON NATIONAL BANK PLC/ RAMARAJ KUHAN	112,500	0.12
10	PEOPLE'S LEASING & FINANCE PLC/ C D KOHOMBANWICKRAMAGE	106,998	0.11
11	DIALOG FINANCE PLC/ S A DE SILVA AND D R DE SILVA	101,842	0.11
12	MRS FATHIMA SARAH SABRY	101,005	0.11
13	MR ATHAUDA ARCHCHILAGE UDAYAKUMARA JAYASANKA WEERASINGHE	100,591	0.11
14	HATTON NATIONAL BANK PLC/ SENDANAYAKE ARACHCHIGE SURANGA PRASATH PERERA	100,000	0.11
15	RANFER TEAS PRIVATE LIMITED	100,000	0.11
16	MR TOSHIYA UEDA	100,000	0.11
17	MR ALLAN JAGATH MONESH JINADASA	100,000	0.11
18	MR LAHIRU SAMPATH WIMALASENA ABHARANA DEWAGE	94,217	0.10
19	MR DILIP MOHANLAL KODIKARA	85,236	0.09
20	MERCHANT BANK OF SRI LANKA & FINANCE PLC/ S H L S KUMARI	70,515	0.07

Shares not taken into account to compute public holding

GRAPHIT KROPFMUHL GMBH	75,310,068	79.58
ALTERNA GK LLC	6,591,397	6.97
TOTAL	**81,901,465**	**86.55**

Percentage of public holding as at 31st December 2022 was **13.45%**

Total number of Shareholders	10,644
Total number of Shareholders holding public shares	10,642
Number of Shares held by public	12,731,439
Market capitalisation of LKR	4,334,187,003
Float - adjusted market capitalisation of LKR	582,948,151.93

In terms of the rule 7.14.1(b) of the Listing Rules of the Colombo Stock Exchange, the Company qualifies under option two of the minimum public holding requirement

Number of shares representing stated capital	94,632,904
Total number of shareholders	10,644
Net Assets Value per Share as at 31st December 2022 (2021 - Rs.9.12) Rs.	16.04

INVESTOR INFORMATION

As at 31st December 2022

Shareholders' Distribution Schedule

Range of Shareholdings	Residents			Non-Residents			Total		
	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%
1-1,000	9,174	3,065,956	3.24	16	7,868	0.01	9,190	3,073,824	3.25
1,001-5,000	1,084	2,563,653	2.71	4	13,200	0.01	1,088	2,576,853	2.72
5,001-10,000	202	1,539,125	1.63	2	15,500	0.02	204	1,554,625	1.64
10,001-50,000	135	2,700,376	2.85	4	76,502	0.08	139	2,776,878	2.93
50,001-100,000	9	740,022	0.78	1	100,000	0.11	10	840,022	0.89
100,001-500,000	8	1,078,060	1.14	2	322,177	0.34	10	1,400,237	1.48
500,001-1,000,000	1	509,000	0.54	-	-	0.00	1	509,000	0.54
Over 1,000,000	-	-	0.00	2	81,901,465	86.55	2	81,901,465	86.55
Total	**10,613**	**12,196,192**	**12.89**	**31**	**82,436,712**	**87.11**	**10,644**	**94,632,904**	**100.00**

Categories of Shareholders	Share holders	No.of shares	%
Individuals	10,587	11,622,345	12.28
Institutions	57	83,010,559	87.72
Total	**10,644**	**94,632,904**	**100**

Share-trading details for the year 2022

Highest Market Price (03-01-2022)	Rs.	126.00
Lowest Market Price (27-04-2022)	Rs.	32.10
Market Price as at 31st December 2022	Rs.	45.80
Traded Share Volume		10,743,112
Number of Trades		19,172
Trading Turnover		**765,617,173**

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty Second Annual General Meeting of the Company will be held at 10.45 a.m. on Saturday the 20th May 2023 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 2022 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 79 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J. C. P. Jayasinghe, who has reached the age of 79 years prior to this Annual General Meeting, and that he be reappointed as a Director of the Company".

3. To reappoint 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 2023.

4. 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 24th day of April 2023

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 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, Ms. M. C. Pietersz or, failing her, Mr. J. C. P. Jayasinghe or, failing him, Mr. A. P. Jayasinghe or, failing him, Mr. T. A. Junker or, failing him, Mr. A. S. R. Amarasinghe or, failing him, Mr. M. Adamaly or, failing him, Ms. Ulla Neunzert as my/our proxy to speak/vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held on the 20th day of May 2023 at 10.45 a.m. and at any adjournment thereof and at every poll which may be taken in connection with such meeting.

As witness my/our hands this .... day of .... Two Thousand and Twenty-Three.

....

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 hand 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 the Companies Act No. 7 of 2007
3.	**Date of Incorporation**	11th March 1991
4.	**Company Registration Number**	PQ 218
5.	**Nature of Business**	Mining, processing and preparation, production of Lubricants, and sale of Graphite and Lubricants

6. Board of Directors

Ms. Coralie Pietersz	Chairperson
Mr. Thomas A. Junker	Vice Chairman
Mr. J. C. P. Jayasinghe	
Mr. Roger Miller*	
Mr. Amila Jayasinghe	Chief Executive Officer/Managing Director
Mr. Sugath Amarasinghe	Chief Financial Officer/Finance Director
Mr. Mohamed Adamaly	
Ms. Ulla Neunzert	

* Mr. Roger Miller ceased to be a Director effective 31st March, 2023.

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: +94112669771 Fax: +94114718220
Email: csl@fjgdesaram.com

Lawyers

F J & G De Saram
216 De Saram Place, Colombo 10.
Tel: +94114605100 Fax: +94112669769
Email: fjgdesaram@fjgdesaram.com

9. External Auditors

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mw.,
Colombo 03.

Internal Auditors

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

10. Bankers

People's Bank
Union Bank

11. Management Committee

General Manager	Saliya Gunasekara
Assistant General Manager (Underground)	Chaminda Ekanayake
Assistant General Manager (Processing)	Anura Liyanage
Assistant General Manager (Finance)	Ms. Devika Kumari
Assistant General Manager (Human Resources and Administration)	Kithsiri Muhandiram
Manager IT	Ruwan Jayakody
Manager Processing	Nalin Samantha
Senior Mine Geologist/Manager Mine Services	Kithsiri Palandagama
Manager Public Relations and Administration	Hemantha Jayasinghe

INTELLIGENCE IN GRAPHITE