Annual Report 2012

Bogala Graphite Lanka PLC

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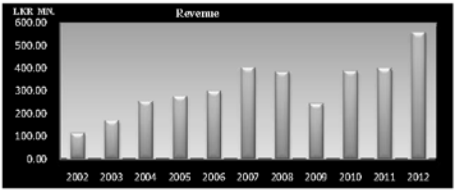
Contents

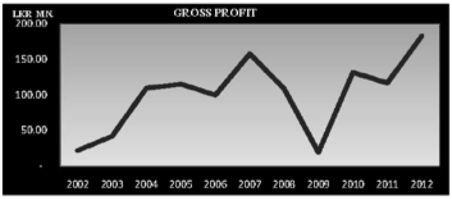
Revenue

Rs.
556 million
39% YOY Growth



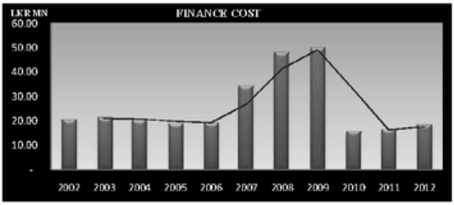
Gross Profit

Rs.
183 million
Gross Profit Margin 32.9%



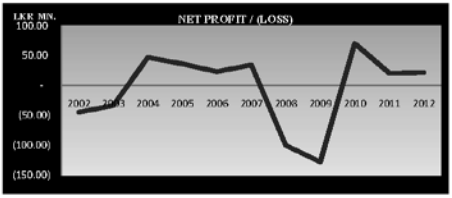
Finance Cost

Rs.
18.6 million
12% YOY Increase



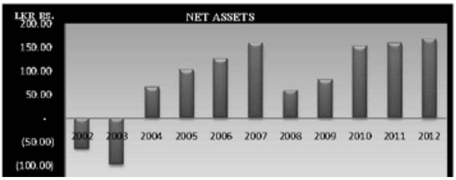
Profit After Tax

Rs.
21.6 million
Net Profit Margin 3.9%



Net Assets

Rs.
168.7million
6% YOY Growth
Net Assets per Share Rs.3.57



Chairman's Message

On behalf of the Board of Directors, I welcome you to the 22nd Annual General Meeting of the Company and take pleasure in presenting the Annual Report and the Audited Financial Statements for the financial year ended 31st December 2012.

The Economy witnessed a major growth momentum in the aftermath of the conflict recording growth rates of above 8 per cent for two consecutive years for the first time ever in 2010 and 2011. While the policymakers allowed for this rapid expansion to carry on during these two years, a mix of stringent policy measures aimed at Macroeconomic stabilisation was adopted in early 2012. These measures were needed to face the challenges of a protracted recovery in the global economy as well as the rapidly rising domestic credit, which fuelled a higher than desired import demand. Additionally adverse weather conditions also hindered economic performance. Consequently, economic growth declined to some extent, as expected, and it is projected that the overall economic growth in 2012 would be about 6.5 percent.

Inflation moved upwards during the year due to several reasons including supply disruptions on account of drought conditions and the one-off direct impact of some of the policy measures taken. Nevertheless, prudent conduct of monetary policy enabled inflation to remain at single digit levels during the year, and in December 2012, year-on-year inflation was at 9.2 percent while annual average inflation was 7.6 percent. By end 2012, both headline and core inflation has remained at single digit levels continuously for 47 months.

As a result of Central Bank easing their hold on the Rupee to be market driven the Rupee became highly volatile due to market speculation. Further the continuation of Euro zone crisis, whilst the United States was battling with its own economic woes also affected the Rupee being not able to stabilize. As our revenues are earned in foreign currency, Rupee depreciation around 12 percent during the first half of the year helped to boost our revenue performance compared to the last year by 39 percent.

Nevertheless, we were unable to extend this benefit towards the PBT (profit before tax) due to the negative impact that arose from the Rupee depreciation mentioned above which amounted to Rs.31million by way of exchange loss on the restatement of foreing borrowing. Further, the early retirement scheme offered to employees with a view to optimizing employee utilisation together with other write-offs amounted to Rs.13 million also affected the PBT.

I wish to mention that your company is among the first few companies in the country to produce their financials in accordance with Sri Lanka Financial Reporting Standards (SLFRS) adopted by The Institute of Chartered Accountants of Sri Lanka in 2012.

We achieved a commendable revenue growth both in quantity and value for the Lubricant operations which increased by 123 percent and 129 percent respectively. Despite these increases we were not able to translate this in to a larger net profit in view of the R & D expenses that were incurred in developing the Lubricant to the required quality level for exports.

The future appears to be challenging due to the emerging competition from within the country and the region. Additionally, the slow demand from existing markets would curtail our export orders.

It is commendable the support we receive from our Parent Company towards our marketing efforts despite these adverse conditions. Their continued support for the Management Team has been an inspiration to us all.

I wish to thank Mr.Martin Ebeling who was the Vice Chairman since April 2000 when AMG Mining AG (Legal Successor of Graphit Kropfmühl AG) took over the control of Bogala Graphite Lanka PLC for the remarkable services he rendered to the Company. He retired from office with effect from 31st December 2011.

I wish to welcome Mr. Frank E. Berger who was appointed Vice Chairman on 1st January 2012 to the Board.

I wish to thank Mr.G.M.Popescu for the invaluable services he rendered as Director Operations since April 2000 to 31st July 2012. He moved out of Bogala to take over a new Project in Mozambique that has been entrusted to him by the Parent Company Board. We wish him success in his new Project.

Further, I wish to thank Mr.C.W.Frey who was appointed to the Board as Director Technical representing AMG Mining AG (Legal Successor of Graphit Kropfmühl AG) on 18th March 2010, resigned from the company effective 31st December 2012 whilst Mr.Torben Müller was appointed on the same day. We wish to welcome Mr.T. Müller to the Board.

In conclusion, on behalf of the Board of Directors and everyone at Bogala Graphite, I wish to thank all our stakeholders for the support extended during the past year. Whilst the future appears to be challenging we are confident that the steps we have taken are in the right direction which will lead us to perform better in the future.

Finally, I wish to thank my colleagues on the Board and all members of staff at Bogala for their support.

Vijaya Malalasekera
Chairman
18th February 2013

Chief Executive Officer's Review

The current year recorded the highest sales revenue at Bogala Graphite Lanka PLC, where the revenue achieved was Rs. 556 million which is an increase of 39 percent compared to the last year.

During the year, EBIT marginally increased compared to the last year. The "early retirement scheme" offered to the employees, cost the company Rs. 8.3 Million. Planned productivity improvements achieved during the year helped to reduce the work force, and we hope that would improve the future earnings enabling a higher return to shareholder.

We could not take the full benefit of the depreciating LKR towards lubricant operations due to the teething issues such as increasing R & D costs incurred during the year. We are confident that the product development activities that we are engaged in now, would reap benefits in the near future and the R & D costs associated will not carry over to 2013.

This year, as always we concentrated on Health and Safety. I'm happy to say that the accident rate for the year dropped by 63 percent, while the lost time accident rate reduced by 64 percent compared to the last year. Continuous training and awareness building programs conducted have improved the employee commitment to achieve the above status. We are well on our way towards obtaining the OSHAS 18001certification.

With three new players entering the Graphite mining business in Sri Lanka, the year ahead looks to be very competitive. We have increased training and exploration activities to make sure the new entrants do not compromise our strategic advantage.

I wish to thank the Parent company AMG Mining AG (Legal Successor of Graphit Kropfmühl AG) and my board and the management team for all the support given to me during the year under review.

I especially, wish to thank our auditors whose tireless efforts made the implementation of SLFRS smooth.

Amila Jayasinghe
Chief Executive Officer
18th February 2013

Director's Profile

Vijaya Malalasekera
MA(Cantab). Barrister-at-Law (Inner Temple)
Attorney-at-Law
(Non Executive /Independent Director)
He was appointed Chairman of Bogala Graphite Lanka PLC in April 2000. He is currently the Chairman of ASCOT Holdings PLC, Boston Capital (Private) Limited, Sky Homes (Privatet) Limited. He also serves on the Boards of Carson Cumberbatch PLC, and Pasikudah Resorts (Private) Limited

Frank E.Berger
(Non Executive Director)
Mr.Frank E.Berger has graduated in Business Administration from University of Stuttgart and possesses expertise in Business Economics and Process Engineering was appointed Vice Chairman of Bogala Graphite Lanka PLC in 1st January 2012. He serves AMG Mining AG, Germany as a Member of the Executive Board, Graphite Segment since January 2013 and served Graphit Kropfmuhl AG as a Member of the Executive Board, Chief Financial Officer up to December 2012.

J.C.P.Jayasinghe
B.Com (Ceylon)
(Non Executive Director)
He was appointed Vice Chairman/CEO of Bogala Graphite Lanka PLC in April 2000. Upon his retirement from the position of CEO he was invited to the Board of the company as a Consultant/Director in January 2008 and holds the position to date.

N.A. De Mel
(Non Executive /Independent Director)
Mr De Mel is an Associate Member of the Institute of Chartered Accountants of England & Wales. He also holds a B.Sc (Hons) degree in Mechanical Engineering from Imperial College of Science & Technology UK. Mr De Mel currently serves on the Board of Bogala Graphite Lanka PLC and Siyaka (Pvt) Ltd. He possess over 26 years of professional working experience in the Public and Private sector.

C.W.Frey
(Non Executive Director)
Mr Frey was appointed to the Board of Bogala Graphite Lanka PLC on 18th March 2010. He served as a director of Quingdao Kropfmuhl Graphite Ltd and also is on the board of Zimbabwe German Graphite Mines and Graphite Kropfmuhl Asia Ltd. He has obtained a M.Sc. degree from the faculty of Mining Engineering at the Technical University of Berlin. Mr.Frey resigned from the Board with effect from 31st December 2012.

T.Junker
(Non Executive Director)
Mr.Junker is a graduate in Civil Engineering from the University of Applied Science in Aalen was appointed a Director of Bogala Graphite Lanka PLC on 26th March 2010. He serves AMG Mining AG, Germany as the Director Sales & Marketing since April 2008 and Quingdao Kropfmuhl Graphite Ltd as the Board Chairman since 2012.

G.M.Popescu
(Executive Director)
Mr Popescu was appointed as a Director Operations of Bogala Graphite Lanka PLC in April 2000. He is a Mining Engineer and has obtained a Degree in Bachelor of Mining Engineering (Hons) from Institute of Mines Petrosani Romania. He was appointed to the Board of Bogala Graphite Lanka PLC in April 2004. Mr.Popescu resigned from the Board with effect from 31st July 2012.

Torben Muller
(Non Executive Director)
Mr.Muller was appointed a Director of Bogala Graphite Lanka PLC on 31st December 2012. He serves as a Director of Graphite Kropfmuhl de Mozambique Lda since June 2012, and as a Head of Business Development of AMG Mining AG Munich since January 2012. He holds a MBA and a Bachelor of Arts Degree from University of Applied Science Ludwigshafen.

J.J.Ambani
(Non Executive /Independent Director)
He is a member of the Institute of Chartered Accountants of Sri Lanka. He was appointed to the Board of Bogala Graphite Lanka PLC in June 2008. Mr Ambani is the Chairman of Metropolitan Group of Companies and of its subsidiaries.

A.P. Jayasinghe B.Bus, CPA
(Executive Director)
Mr Jayasinghe was appointed to Board of Bogala Graphite Lanka PLC in April 2004. He has worked in the capacity of Executive Director of the company from April 2000 to August 2005. Mr Jayasinghe was appointed Chief Executive Officer in January 2008.

Corporate Governance at Bogala Graphite Lanka PLC has been designed to create and enhance shareholder wealth on a sustainable basis, whilst safeguarding the rights of multiple stakeholders. The company firmly believes that the professionalism, integrity and commitment of its Board members and employees, supported by a sound system of policies, practices and internal controls in pursuing strategic objectives will enable to preserve the long-term value and returns for its shareholders.

The Board of Directors

The Company is governed by its Board of Directors who represents all shareholders and they are accountable for proper stewardship of Company affairs and share responsibility in ensuring the highest standard of information, particularly financial information, business ethics and integrity. The Board comprises of eight Directors, of which seven are Non Executive Directors and one Executive Director

Name	Executive	Non-Executive	Independent
Mr.V.P.Malalasekera		√	√
Mr.Frank Berger (effective 01st January 2012)		√	
Mr.J.C.P. Jayasinghe		√	
Mr.N.A.De Mel		√	√
Mr.J.J.Ambani		√	√
Mr.M.J.Popescu (up to 31st July 2012)	√		
Mr.Thomas Junker		√	
Mr.C.W.Frey (up to 31st December 2012)		√	
Mr.Torben Müller (effective 31st December 2012)		√	
Mr.A.P.Jayasinghe	√		

The Board members are professionals and eminent persons from private sector who have a wide range of expertise as well as significant experience in commercial and financial activities enabling them to discharge their governance duties in an effective manner. The Board lays strong emphasis on transparency, accountability, and integrity of transactions, in line with the code of corporate governance. Whilst the Board is responsible for guiding the overall direction, strategies and financial objectives, overseeing systems of internal control, risk management, and approving of annual budgets and strategic plans, it is the responsibility of the corporate management team to ensure its implementation.

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

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

The Board having considered these factors is of the opinion that Mr. V.P. Malalasekera and Mr.N.A.De Mel should continue to serve on the board as independent directors notwithstanding the fact that they have served on the board for more than nine years and should continue in office as it is beneficial to the Company and its shareholders.

During the year the Board met on three (3) occasions. Prior to every meeting, the directors are provided with the relevant information and background material relevant to the agenda to enable them to make informed decisions. Board papers are submitted in advance on group performance, new investment, capital projects and other issues which require specific Board approval.

To ensure the efficient discharge of its responsibilities and to provide independent oversight of Management, the Board has established a number of Board Sub-Committees, including the Audit Committee and the Remuneration Committee. The respective roles and responsibilities of each Board sub Committees are included in the report.

Name	Audit Committee	Remuneration Committee
Mr. V.P.Malalasekera	Member	Chairman
Mr. Frank Berger	Member	Member
Mr. N.A.De Mel	Chairman	Member
Mr. J.J.Ambani	Member	-

Delegation of Authority

The Board delegates its executive authority subject to pre-defined limits to the CEO/Managing Director who exercise this authority through a corporate management team with clearly defined limits. The Board ensures the efficient implementation of its strategic business goals through the management team whose performance is reviewed monthly. Through a sound process of internal controls the Board assesses the effectiveness of the management team, its compliance to best business practices on a regular basis and makes necessary suggestions based on best practices.

The Role of the Chairman

The Chairman is a non-executive and an independent Director who satisfies himself that appropriate information is available to the Board to make an informed assessment of the Company's affairs. Chairman ensures that Board procedures are followed and Directors receive timely, accurate and clear information, before Board meetings and updates on matters arising between meetings.

The Chairman conducts Board meetings ensuring effective participation from all Directors. Their individual contribution and concerns are assessed prior to making key decisions.

The Chairman is responsible for providing leadership to the Board in ensuring that proper order and effective discharge of Board functions are carried out at all times by its members. He also ensures that constructive working relations are maintained between the Executive and Non-Executive Directors of the Board so that every member is able to contribute effectively within their respective competencies. The Chairman sets the tone for the governance and ethical framework of the group and ensures that the Board is in control of the Company.

Accountability and Audit

The Board takes necessary steps to ensure the integrity of the accounting and financial reporting systems and internal control processors which are subject to periodic reviews. The Board employs a Senior Chartered Accountant to provide the required knowledge and guidance in finance matters to ensure the financial and operational controls, ethical conduct and compliance with legal and regulatory requirements are maintained at all times.

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

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

Risk Management

The Company views Risk Management as an important factor in the day to day business activities. Nevertheless, with three new players entering the Graphite mining business in Sri Lanka, the year ahead looks to be very competitive. We have increased training and exploration activities to make sure the new entrants do not compromise our strategic advantage.

Interest rate risks of the Company are managed through structuring the long term debt at competitively controlled interest rates based on EURO LIBOR.

Foreign currency risk of the Company affect substantially both revenue and costs. Risk emanating from oparations is hedged as long-term debt and substantial sales are denominated in Euro.

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

Going Concern and Financial Reporting

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. The going concern principle has been adopted in preparing the financial statements. Financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and all statutory and material declarations are highlighted in the Annual Report of the Board of Directors. The Directors have taken reasonable steps to ensure the accuracy and timeliness of information in the annual financial statements.

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 judgment. Board reviews such potential conflicts from time to time.

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 following matters:

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

Employee participation and Industrial Relations

The company considers its employees as its greatest asset and embraces them at various levels within its internal governance structure. In recognizing that 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.

Functions of HR division are designed in a manner that enables accessibility by an employee to every level of management. Constant dialogue and facilitation are also maintained, relating to work related issues as well as matters pertaining to general interest that could affect employees and their families. Hence the company follows open door policies for its employees and key stakeholders and this is promoted at all levels of the company.

The company provides safe, secure and conducive environment for its employees, that allow freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race or religion and promotes workplaces that are free from physical, verbal or sexual harassment, all of which compliment effective corporate governance.

Remuneration Committee Report

The Remuneration Committee comprising three (3) Non-Executive Directors appointed by the Board is responsible to the Board of Directors. The Committee is headed by Mr.V.P.Malalasekera and the members include Mr.N.A.De Mel and Mr.Frank E.Berger.

The Committee is responsible for setting the remuneration policy of the Company which is to, provide competitive rewards to attract executives of the highest calibre who are willing to work with positive attitudes. Employee Performance is linked to meeting pre-agreed objectives. This method has helped in achieving to raise the sales and earnings at all levels of performance.

The Committee is confident that these policies that were applied in the year will continue to be applied in the future and will contribute in meeting the Company objectives.

Vijaya Malalasekera
Chairman
18th February 2013

Composition of the Committee

The Audit Committee comprises Four (4) Non Executive Directors namely Mr.N.A.de Mel a member of the Institute of Chartered Accountants of England and Wales, who functions in the capacity of Chairman, Mr.V.P.Malalasekera, Mr.J.J.Ambani, and Mr.Frank E. Berger. The composition of the members of the Audit Committee satisfies the criteria specified in the standards of Corporate Governance for listed companies:

Name	Non-Executive Directors
Mr. N.A.De Mel	Independent
Mr. V.Malalasekera	Independent
Mr. J.J.Ambani	Independent
Mr. Frank E.Berger	

The Audit Committee held three (3) meetings during the financial year. The Chief Executive Officer and Chief Financial Officer attend the meeting by invitation. The outsourced Internal Auditors and other officials of the company attended these meetings on a needs basis.

The activities and the views of the Committee have been communicated to the Board of Directors through papers tabled and verbal discussions, as well as by tabling the minutes of the Committee meetings.

Role of Committee

In terms of the listing rules of the Colombo Stock Exchange, the Audit Committee will assist the Board to improve the existing system to be more transparent. The Committee among other functions reviews the operation and effectiveness of Internal Control Systems, ensuring that a good financial reporting system is in place, is well-managed and oversees the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007 and other relevant financial reporting regulations. The internal controls within the company are designed to provide reasonable but not absolute assurance to the Directors and assist them to monitor the financial position of the Group.

The Committee defines the responsibility for the internal audit function, considers recommendations made by the Internal and External Auditors, reviews their report and takes necessary re-action.

The Committee makes recommendations to the Board on appointment, re-appointment and removal of External Auditors and approval of terms of engagement and remuneration.

Financial Reporting

The Audit Committee has reviewed and discussed the Group's quarterly and annual financial statements prior to the publication with management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of its accounting policies and material judgmental matters.

The Committee also discussed with management and External Auditors the commitment required for the convergence of Sri Lanka Accounting Standards with International Financial Reporting Standards (SLFRS) which impacts the financial statements of the Group for the financial year ended 31st December 2012. The External Auditors were consulted and engaged to assist and advise on this exercise to ensure that there are no difference of opinion between management and themselves on the implementation.

External Audit

The External Auditors' engagement, including scope of work was reviewed and discussed by the Committee with the External Auditors prior to the commencement of the audit. The External Auditors kept the Committee informed on an on-going basis regarding any matters of significance.

The Committee is satisfied that the independence of the External Auditors have not been impaired by any event or service that gives rise to a conflict of interest.

The performance of the External Auditors has been evaluated and discussed with the senior management of the company and the Committee has recommended to the Board that Ernst & Young be re-appointed as Auditors of the Group for the financial year ending 31^{st} December 2013, subject to approval by the shareholders at the Annual General Meeting.

N.A.De Mel
Chairman Audit Committee
18th February 2013

The Directors have pleasure in presenting their report to the members, together with the audited financial statements of Bogala Graphite Lanka PLC for the year ended 31st December 2012.

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

Review of Business
A review of the Company's performance during the year with a brief of financial results and future developments is included in the Chairman's Review (Page 04) and CEO's Review (Page 05).

Results and Appropriations
The Group Net Profit Before Tax was at Rs. 19.9 million (2011 – Rs.22.5 million). Results of the company are given in the income statement. Detailed description of the results and appropriations are given below.

For the year ended 31st December in Rs.'000s	**2012**	**2011**
Profit earned before Interest after providing for all known liabilities, bad and doubtful debts, cost of VRS, and depreciation on property, plant and equipment	38,462	39,139
Interest Paid	(18,551)	(16,631)
Profit before tax	**19,911**	**22,508**
Provision for taxation including deferred tax	1,693	(1,740)
Amount available to the shareholders (Net Profit)	21,604	20,768
Balance brought forward from the previous year	73,138	52,370
Amount available for appropriation	**94,742**	**73,138**
Final Dividend Paid	(11,829)	-
Balance to be carried forward to next year	**82,913**	**73,138**

Accounting Policies
Details of accounting policies have been discussed in Note 2.3 of the financial statements. There have been no changes in the accounting policies adopted by the company during the year under review.

Donations
Total donations made by the company during the year amounted to Rs.1.19 million which is given on Note 9 (b) to the Financial Statements on page 43 of the Annual Report.

Property, Plant and Equipment

The book value of property, plant and equipment as at the balance sheet date amounted to Rs.281 million (2011 – Rs.276 million) and Rs.283 million (2011 – Rs.275 million) for the group and the company respectively.

Capital expenditure for the company amounted to Rs.63 million (2011 – Rs.81.5 million).

Details of property, plant and equipment and their movements are given in Note 12 (page 46 to 52) to the financial statements.

Stated Capital
The stated capital of the company as at 31st December 2012 was Rs.80.074 million (2011 – Rs.80.074 million) consisting of 47,316,452 Ordinary Shares as given in the Note 18 (Page 59) to the financial statements.

Share Information

Information relating to shareholding, earnings and net assets per share, market value of shares, and share trading are available on page 68 of the Annual Report.

There were 9,809 registered shareholders as at 31st December 2012. The 20 major shareholders and public shareholding as at 31st December 2012 and the number of shares held and the percentage shareholding are disclosed in the Share Information section of the Annual Report (Page 68).

Reserves

Total reserves for the Group and the Company as at 31st December 2012, amounts to Rs.88.6 million (2011 – Rs.78.8 million) and Rs.92.3 million (2011 – Rs.82.0 million) respectively.

The movement and composition of the capital and revenue reserves is disclosed in the statement of changes in equity (Page 22)

Directors
The Directors of the Company as at 31st December 2012 were:
Mr. V.P. Malalasekara
Mr. Frank E. Berger
Mr. J.C.P. Jayasinghe
Mr. N.A. De Mel
Mr. J.J. Ambani
Mr. T.A. Junker
Mr. T. Mueller
Mr. A.P. Jayasinghe

Resignation/New Appointments during the year
Mr. G.M. Popescu resigned from the Board with effect from 31st July 2012.

Mr. C.W. Frey resigned from the Board with effect from 31st December 2012.

Mr. F.E. Berger was appointed Vice Chairman with effect from 1st January 2012.

Mr. T. Mueller was appointed a Director with effect from 31st December 2012.

Board Committees

The Board of Directors of the Company has formed the following committees and the members serving the committees and the Reports of such committees are given on pages (10 to 11) of the Annual Report

Name	Audit Committee	Remuneration Committee
Mr.V.P.Malalasekera	Member	Chairman
Mr.Frank E.Berger	Member	Member
Mr.N.A.De Mel	Chairman	Member
Mr.J.J.Ambani	Member	-

Interest Register

The Company has maintained an Interest Register as required by the Companies Act No 7 of 2007. The following entries have been made in the Interest Register maintained by the Company.

Mr.Frank.E.Berger is also a Director of AMG Mining AG (Legal Successor of Graphit Kropfmühl AG), who owns 89.68 percent of the shareholding of Bogala Graphite Lanka PLC.

Related party disclosures in terms of the section 192 are given below.

Transactions with the parent and related entities

Name of the Company	Relationship	Name of Director	Nature of Transaction	Value
AMG Mining AG (Legal Successor of Graphit Kropfmühl AG)	Parent Entity	Mr.Frank E.Berger	Sale of Goods	106,825,225
			Purchase of Goods	36,729,492
			Technical Service Fees	27,811,180
			Interest Paid	14,711,122
			Loan Settlement	28,291,332
Qingdao Kropfmuhl Graphite Co. Ltd.	Affiliated	Mr.Frank E.Berger Mr.C.W.Frey	Sale of Goods	2,593,250
Graphite Týn , spolt s.r.o	Affiliated	Mr.Frank E.Berger	Sale of Goods	11,526,245
Fairdeal Trading Company (Pvt) Ltd	Subsidiary	Mr.A.P.Jayasinghe	Transport Services	4,210,000
			Purchase of Motor vehicle	1,800,000
Ansro Lanka (Pvt) Ltd.	Affiliated	Mr.J.C.P.Jayasinghe	Expense incurred to be re-imbursed	2,329,199

Corporate Governance

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

The Corporate Governance Report is given on pages 7 of the Annual Report.

Directors Interest in Contracts

The Directors of the Company were not directly or indirectly interested in any contracts/proposed contracts with the Company during the year ended 31st December 2012 except as stated in Note 22.1 to the financial statements.

Directors Remuneration
The Directors emoluments for the financial year ended 31st December 2012 are stated below and also given on Notes 22.2 to the Financial Statements on pages 63 of the Annual Report.

Directors Emoluments	- Executive Directors	- 3,930,747
	- Non-Excecutive Director	- 2,726,226

Directors' Responsibilities for Financial Statements
The financial statements of the company are prepared in conformity with Sri Lanka Financial Reporting Standards (SLFRS) and provide information required by the Companies Act No 7 of 2007, and the Listing Rules of the Colombo Stock Exchange. Statement of Directors' Responsibilities for the Financial Statements is given on page 18 of the Annual Report.

Directors' Shareholding
Shareholding of the Directors and the CEO/ Managing director as at 01st January 2012 and 31st December 2012 is as follows.

Name	01st January 2012	31st December 2012
Mr. V.P. Malalasekara- Chairman	Nil	Nil
Mr. Frank E. Berger	Nil	Nil
Mr. J.C.P. Jayasinghe	Nil	Nil
Mr. N.A. De Mel	Nil	Nil
Mr. J.J. Ambani	Nil	Nil
Mr. T.A. Junker	Nil	Nil
Mr. T. Mueller	Nil	Nil
Mr. A.P. Jayasinghe-CEO/MD	Nil	30,369

Statutory Payments
The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company and its subsidiary, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the company and its subsidiary, and all other known statutory dues as were due and payable by the company as at the balance sheet date have been paid or, where relevant provided for..

Internal Control
The Board through the Internal Audit function takes steps to gain an assurance on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal control in the Company, compliance with laws and regulations and established policies and procedures of the Company.

Events Occurring After the Balance Sheet Date

There have been no events subsequent to the balance sheet date, which would have any material effect on the company other than those disclosed in Note 26 to the financial statements.

Going Concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

Auditors

Messrs. Ernst & Young, Chartered Accountants, have expressed their willingness to continue as Auditors of the Company, until the next Annual General Meeting at a remuneration to be agreed.

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

Based on the declaration made by Messrs. Ernst & Young, Chartered Accountants and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company. Details of the Auditors Remuneration are set out in Note 9 (b) of the financial statements.

Annual General Meeting

The annual general meeting will be held at the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 02 on Saturday the 23rd March 2013 at 10.30a.m. The notice of meeting appears in the Annual Report (Page 70).

By Order of the Board

Corporate Services (Private) Limited
Secretaries
BOGALA GRAPHITE LANKA PLC

Vijaya Malalasekera
Chairman

Amila Jayasinghe
Managing Director

18th February 2013

Directors Responsibility for Financial Reporting

The Directors responsibility in relation to the financial statements is set out below. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provisions of the Companies Act No 7of 2007, is set out in the Report of the Auditors.

The financial statements comprise of:

- Balance Sheet, which presents a true and fair view of the state of affairs of the Company and its subsidiary as at the end of the financial year, and
- Income Statement, which presents a true and fair view of the profits and loss of the Company and its subsidiary for the financial year,
- Statement of changes in Equity, Statement of Cash Flow and summary of significant accounting policies and other explanatory notes.

In preparing these financial statements the Directors are required to ensure that;

- Appropriate accounting policies have been selected and applied on a consistent basis. Material departures, if any, are disclosed and explained.
- Applicable Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, as relevant, have been followed.
- Use of judgments and estimates that are reasonable and prudent.
- The information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have a reasonable expectation that the Company has adequate resources to continue operational existence for a foreseeable future as a going concern. Accordingly, they continue to adopt Going Concern Basis in preparing the Annual Report and accounts.

The Directors have a responsibility to ensure that the Company maintains proper accounting records to disclose, with reasonable accuracy, the financial position of the Company and its subsidiaries.

The Directors also have taken reasonable measures to safeguard the assets of the Company and its subsidiaries to prevent and detect frauds and other irregularities. In this regard the Directors have established appropriate system of internal control, which provide reasonable though not absolute assurance that assets are safeguarded to carry on the business in an orderly manner.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider appropriate for the purpose of enabling them to give their independent audit opinion.

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

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiary, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiary, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the balance sheet date have been paid, or where relevant provided for.

By Order of the Board

Director
Corporate Services (Private) Limited
Secretaries
18th February 2013

ERNST & YOUNG

Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Telephone : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
E-Mail : eysl@lk.ey.com

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bogala Graphite Lanka PLC ("Company"), the consolidated financial statements of the Company and its subsidiary which comprise the statement of financial position as at 31 December 2012, and the Statement of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31 December 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young

18th February 2013
Colombo

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

Balance Sheet

BOGALA GRAPHITE LANKA PLC

As at 31st December

	Note	Group 2012 Rs.	Group 2011 Rs.	Group As at 1 January 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.	Company As at 1 January 2011 Rs.
ASSETS							
Non-current Assets							
Property, Plant and Equipment	12	281,408,750	276,229,736	243,499,440	282,858,735	275,275,531	241,842,921
Intangible Assets	13	3,333,284	77,065	484,691	3,333,284	77,065	484,691
Other Non Current Financial Assets	14	11,201,433	7,981,642	4,700,994	11,201,433	7,981,642	4,700,994
Deferred Tax Assets	10	2,948,298	1,269,989	1,533,293	2,948,298	1,269,989	1,533,293
		298,891,765	285,558,431	250,218,417	300,341,750	284,604,227	248,561,899
Current Assets							
Inventories	15	88,441,421	96,099,466	78,856,201	88,441,421	96,099,466	78,856,201
Trade and Other Receivables	16	63,517,993	62,050,924	69,455,006	65,773,449	65,846,744	73,577,871
Advances and Prepayments		5,592,248	11,873,491	23,605,398	5,592,248	11,873,491	23,605,398
Income Tax Receivables		1,124,764	-	-	1,124,764	-	-
Other Current Financial Assets	14	24,459,049	22,785,495	21,647,965	24,459,049	22,810,495	21,672,965
Cash and Cash Equivalents	17	39,417,633	22,152,017	37,827,287	39,123,405	21,874,429	37,824,677
		222,553,108	214,961,393	231,391,856	224,514,336	218,504,625	235,537,111
Total Assets		521,444,873	500,519,824	481,610,274	524,856,086	503,108,852	484,099,010
EQUITY AND LIABILITIES							
Capital and Reserves							
Stated Capital	18	80,074,201	80,074,201	80,074,201	80,074,201	80,074,201	80,074,201
Reserves	19	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298
Retained Earnings		82,913,527	73,138,462	52,370,128	86,594,450	76,290,952	56,180,254
Other Componants of Equity		-	-	-	(25,000)	-	-
Total Equity		168,706,026	158,930,961	138,162,627	172,361,949	162,083,451	141,972,753
Non-current Liabilities							
Interest Bearing Loans and Borrowings	14	245,944,315	237,268,394	281,738,809	245,944,315	237,268,394	281,634,816
Employee Benefit Liability	20	25,007,559	23,558,682	19,817,816	25,007,559	23,558,682	19,817,816
		270,951,874	260,827,076	301,556,625	270,951,874	260,827,076	301,452,632
Current Liabilities							
Trade and Other Payables	21	27,890,058	31,210,963	29,400,741	27,890,058	30,887,312	29,239,398
Income Tax Payables		244,711	1,577,098	747,190	-	1,441,283	747,190
Interest Bearing Loans and Borrowings	14	53,652,204	47,973,725	11,743,091	53,652,204	47,869,730	10,687,037
		81,786,973	80,761,786	41,891,022	81,542,262	80,198,325	40,673,625
Total Equity and Liabilities		521,444,873	500,519,823	481,610,274	524,856,085	503,108,852	484,099,010

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

S.Amarasinghe
……………………..……….
Sugath Amarasinghe
Chief Financial Officer

……………………..……….
Vijaya Malalasekera
Chairman

……………………..……….
Amila Jayasinghe
CEO/ Managing Director

The accounting policies and notes on pages 25 through 66 form an integral part of the Financial Statements.

18th February 2013
Colombo

For the year ended 31st December

	Note	Group		Company	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Revenue	6	556,226,483	399,323,637	556,226,483	399,323,637
Cost of Sales		(373,385,823)	(282,758,115)	(373,950,753)	(284,319,161)
Gross Profit		182,840,660	116,565,522	182,275,730	115,004,476
Other Income and Gains	7	10,546,922	4,053,407	10,546,922	4,012,847
Selling and Distribution Costs		(66,371,184)	(45,789,775)	(66,371,184)	(45,789,775)
Administrative Expenses		(91,856,384)	(38,601,225)	(90,922,722)	(38,070,953)
Operating Profit		35,160,013	36,227,929	35,528,745	35,156,595
Finance Cost	8	(18,551,038)	(16,631,414)	(18,548,232)	(16,405,868)
Finance Income	7.1	3,301,792	2,912,131	3,266,394	2,912,131
Profit Before Tax	9	19,910,767	22,508,646	20,246,907	21,662,858
Income Tax (Expenses)/ Reversals	10	1,693,411	(1,740,312)	1,885,705	(1,552,161)
Net Profit for the Year		21,604,178	20,768,334	22,132,612	20,110,697
Other Comprehensive Income					
Loss on Available-for-sale Financial Assets		-	-	(25,000)	-
Income Tax Effect		-	-	-	-
Total Comprehensive Income for the Year, net of tax		21,604,178	20,768,334	22,107,612	20,110,697
Earnings Per Share	11	0.46	0.44	0.47	0.43

The accounting policies and notes on pages 25 through 66 form an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31st December

Group	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1 January 2011 -Prior to Remeasurement	80,074,201	5,718,298	66,606,677	152,399,176
Adjustments on the transition date	-	-	(14,236,549)	(14,236,549)
As at 1 January 2011	80,074,201	5,718,298	52,370,128	138,162,627
Profit for the period	-	-	20,768,334	20,768,334
Balance as at 31 December 2011	80,074,201	5,718,298	73,138,462	158,930,961
Profit for the period	-	-	21,604,178	21,604,178
Dividends - Final	-	-	(11,829,113)	(11,829,113)
Balance as at 31 December 2012	80,074,201	5,718,298	82,913,527	168,706,026

Company	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Available for sale Reserve Rs.	Total Equity Rs.
Balance as at 1 January 2011 -Prior to Remeasurement	80,074,201	5,718,298	70,416,803	-	156,209,302
Adjustments on the transition date	-	-	(14,236,549)	-	(14,236,549)
As at 1 January 2011	80,074,201	5,718,298	56,180,254	-	141,972,753
Profit for the period	-	-	20,110,697	-	20,110,697
Balance as at 31 December 2011	80,074,201	5,718,298	76,290,952	-	162,083,451
Profit for the period	-	-	22,132,612	-	22,132,612
Other Comprehensive income	-	-	-	(25,000)	(25,000)
Dividends - Final	-	-	(11,829,113)	-	(11,829,113)
Balance as at 31 December 2012	80,074,201	5,718,298	86,594,450	(25,000)	172,361,949

The accounting policies and notes on pages 25 through 66 form an integral part of the Financial Statements.

For the year ended 31st December

	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Cash Flows From Operating Activities					
Profit Before Tax		19,910,767	22,508,646	20,246,907	21,662,858
Adjustments for					
Depreciation	12	48,901,658	44,891,478	48,766,537	44,183,172
Amortization and Impairment of Intangible Assets	13	455,827	407,626	455,827	407,626
Foreign Currency Exchange Loss/(Gains)	9	30,608,470	(174,671)	30,608,470	(174,671)
Profit on disposal of Property, Plant and Equipment	7	(8,243,373)	(1,789,686)	(8,243,373)	(1,789,686)
Finance Income	7.1	(3,301,792)	(2,936,743)	(3,266,394)	(2,912,131)
Finance Costs	8	18,551,038	16,631,414	18,548,232	16,405,868
Provision for Defined Benefit Obligation	20	6,605,774	4,683,049	6,605,774	4,683,049
Operating Profit before Working Capital Changes		113,488,370	84,221,114	113,721,981	82,466,085
(Increase)/ Decrease in Inventories		7,658,046	(17,243,266)	7,658,046	(17,243,266)
(Increase) / Decrease in Trade and Other Receivables and Prepayments		(79,171)	14,717,812	1,461,194	15,044,855
Increase / (Decrease) in Trade and Other Payables		(3,320,905)	1,810,222	(2,997,254)	1,647,914
Cash Generated from Operations		117,746,339	83,505,882	119,843,967	81,915,588
Income Tax Paid		(2,358,655)	(647,100)	(2,358,655)	(594,761)
Interest Received		3,301,792	2,936,743	3,266,394	2,912,131
Defined Benefit Obligation Paid	20	(5,156,898)	(942,183)	(5,156,898)	(942,183)
Net Cash From Operating Activities		113,532,578	84,853,342	115,594,808	83,290,775
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant and Equipment	12	(36,433,831)	(69,833,431)	(38,619,503)	(69,827,440)
Acquisition of Intangible Assets	13	(3,712,046)	-	(3,712,046)	-
Proceeds from Sale of Property, Plant and Equipment		11,066,507	5,901,343	11,066,507	5,901,343
Net Cash Flows from Investing Activities		(29,079,370)	(63,932,088)	(31,265,042)	(63,926,097)
Cash Flows from / (Used in) Financing Activities					
Repayment of Interest Bearing Loans and Borrowings		(32,798,281)	(24,552,304)	(32,798,281)	(24,552,304)
Principal Payment under Finance Lease Liabilities		(6,120,338)	(6,403,409)	(6,016,342)	(5,347,358)
Finance Cost Paid		(18,551,038)	(16,631,414)	(18,548,232)	(16,405,868)
Dividend Payments	18.2	(11,829,113)	-	(11,829,113)	-
Net Cash Flows used in Financing Activities		(69,298,770)	(47,587,127)	(69,191,968)	(46,305,530)
Net Increase/(Decrease) in Cash and Cash Equivalents		15,154,438	(26,665,873)	15,137,798	(26,940,852)
Net foreign exchange difference		3,725,587	174,671	3,725,587	174,671
Cash and Cash Equivalents at the Beginning of the Year	17	6,697,056	33,188,258	6,419,467	33,185,648
Cash and Cash Equivalents at the End of the Year	17	25,577,080	6,697,056	25,282,852	6,419,467

The accounting policies and notes on pages 25 through 66 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

1.1 General

The consolidated financial statements of the Group for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 18th February 2013. The Bogala Graphite Lanka PLC is a limited company incorporated and domiciled in Sri Lanka and whose shares are publicly traded in Colombo Stock Exchange. The registered office of the Company is located at 216, De Saram Place, Colombo 10 and the principal place of business is situated at Bogala Mine in Aruggammana.

1.2 Principal Activities and Nature of Operations

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

The principal activity of the subsidiary is to provide transport services to the parent and external parties. However commencing on October 2012 the entire operations of the subsidiary were transferred to its parent Company and as the balance sheet date Fairdeal Trading (Private) Limited was a non operating Company.

1.3 Parent Entity and Ultimate Parent

The Company's parent entity is AMG Mining AG of Germany (Legal Successor of Graphit Kropfmuhl AG).

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards as issued by the Institute of Chartered Accountants of Sri Lanka. For all periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards comprising LKAS and SLFRS's (hereafter SLFRS's). These financial statements for the year ended 31 December 2012 are the first the Group has prepared in accordance with SLFRS's. Refer to Note 5 for information on how the Group adopted SLFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for freehold land and available-for-sale financial assets that have been measured at fair value. The consolidated financial statements are presented in Sri Lanka Rupees.

2.1.1 Going Concern

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

2.1.2 Comparative Information

The accounting policies have been consistently applied by the Company and they are consistent with those used in the previous year except for the values described in Note 5.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2012.

Subsidiary are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3 Summary of significant accounting policies

a) Foreign currency translation

The Group's consolidated financial statements are presented in Sri Lankan Rupees. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

c) Taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- In respect of taxable temporary differences associated with investments in subsidiary when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- In respect of deductible temporary differences associated with investments in subsidiary deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax included

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

d) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of an asset begins when it is 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. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with SLFRS 5 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

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

Finance charges are recognised in finance costs in the income statement.

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

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

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

g) Intangible assets

An intangible asset acquired separately is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

h) Financial instruments – initial recognition and subsequent measurement

i) Financial assets
Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial investments
Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the income statement in finance costs.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) The Group has transferred substantially all the risks and rewards of the asset, or
  - (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement;

Increases in their fair value after impairment are recognised directly in other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

iii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:
- There is a currently enforceable legal 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

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:
- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 14.3.

i) Inventories

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

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

Raw materials – Direct cost incurred on excavation
Finished goods and work in progress – Cost of Raw materials.Processing, Finishing and Manufacturing Overheads (Based on normal operation capacity 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.

j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiary or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following asset has specific characteristics for impairment testing:

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

k) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

l) Provisions

General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Post Employment Benefits

i) Defined Benefit Plan - Gratuity

The Group operates a defined benefit plan as prescribed in Gratuity act No.12 of 1983. These benefits are unfunded. The cost of benefits under the defined benefit plans is determined using the projected unit credit method. Actuarial gains and losses for both defined benefit plans are recognised in full in the period in which they occur in the income statement. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on government bonds), less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled.

ii) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 14.

Taxes
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has tax losses carried forward amounting to Rs.205,001,859 (2011:Rs.240,064,645). These losses relate to subsidiary that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiary has no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by Rs.12,407,134/-. Further details on taxes are disclosed in Note 10.

Retirement Benefit Obligation
The cost of retirement benifit obligation and the present value of the retirement benifit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of long term government bonds, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Further details about the assumptions used are given in Note 20.

Fair value of financial instruments
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka.

- Sri Lanka Financial Reporting Standards (SLFRS) 10 – Consolidated Financial Statements
- Sri Lanka Financial Reporting Standards (SLFRS) 11 – Joint Arrangements
- Sri Lanka Financial Reporting Standards (SLFRS) 12 – Disclosure of Interest in Other Entities
- Sri Lanka Financial Reporting Standards (SLFRS) 13 – Fair Value measurement

The effective date of SLFRS 10, 11, 12 and 13 to be effective for financial periods beginning on or after 01 January 2013. These four standards have been amended and forms a part of the new set of financial reporting standards.

As at 31st December

5. First-time adoption of SLFRS's

These financial statements, for the year ended 31 December 2012, are the first the Group has prepared in accordance with SLFRS's. For periods up to and including the year ended 31 December 2011,the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Group has prepared financial statements which comply with SLFRS's applicable for periods begining on or after 01 January 2012, together with the comparative period data as at and for the year ended 31December 2011, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2011, the Group's date of transition to SLFRS's. This note explains the principal adjustments made by the Group in restating its Sri Lanka Accounting Standards (SLAS) statement of financial position as at 1 January 2011 and the financial statements as at and for the year ended 31 December 2011.

Reconciliation of equity as at 1 January 2011 (date of transition to SLFRS's)

		Group			Company		
	Notes	**SLAS Rs.**	**Remeasure-ments Rs.**	**SLFRS as at 01 January 2011 Rs.**	**SLAS Rs.**	**Remeasure-ments Rs.**	**SLFRS as at 01 January 2011 Rs.**
Assets							
Non-current assets							
Property, Plant and Equipment	A	244,356,414	(856,974)	243,499,440	242,699,894	(856,974)	241,842,921
Intangible Assets	A	-	484,691	484,691	-	484,691	484,691
Other Non Current Financial Assets	B	-	4,700,994	4,700,994	-	4,700,994	4,700,994
Investment in Subsidiary	C	-	-	-	25,000	(25,000)	-
Trade and Other Receivables	D	4,700,994	(4,700,994)	-	4,700,994	(4,700,994)	-
Deferred Tax Assets		1,533,292	-	1,533,292	1,533,292	-	1,533,292
		250,590,700	(372,283)	250,218,417	248,959,180	(397,283)	248,561,897
Current assets							
Inventories	D	92,720,467	(13,864,266)	78,856,201	92,720,467	(13,864,266)	78,856,201
Trade and Other Receivables	B	96,708,369	(27,253,363)	69,455,006	100,831,234	(27,253,363)	73,577,871
Advances and Prepayments	E	-	23,605,398	23,605,398	-	23,605,398	23,605,398
Other Current Financial Assets	B	-	21,672,965	21,672,965	-	21,672,965	21,672,965
Cash and Cash Equivalents	B	55,827,287	(18,000,000)	37,827,287	55,824,677	(18,000,000)	37,824,677
		245,256,123	(13,839,266)	231,416,857	249,376,378	(13,839,267)	235,537,111
Total assets		495,846,823	(14,211,550)	481,635,273	498,335,558	(14,236,550)	484,099,008

As at 31st December

5. First-time adoption of SLFRS's (Contd....)

Reconciliation of equity as at 1 January 2011

		Group			Company		
	Notes	SLAS Rs.	Remeasure-ments Rs.	SLFRS as at 01 January 2011 Rs.	SLAS Rs.	Remeasure-ments Rs.	SLFRS as at 01 January 2011 Rs.
Equity and liabilities							
Equity							
Stated Capital		80,074,201	-	80,074,201	80,074,201	-	80,074,201
Reserves		5,718,298	-	5,718,298	5,718,298	-	5,718,298
Retained Earnings	F	66,606,677	(14,236,550)	52,370,127	70,416,802	(14,236,550)	56,180,253
Total equity		152,399,176	(14,236,550)	138,162,626	156,209,301	(14,236,550)	141,972,752
Non-current liabilities							
Interest Bearing Loans and Borrowings		281,738,809	-	281,738,809	281,634,816	-	281,634,816
Retirement Benefit Obligations		19,817,816	-	19,817,816	19,817,816	-	19,817,816
		301,556,625	-	301,556,625	301,452,632	-	301,452,632
Current liabilities							
Trade and Other Payables		29,400,741	-	29,400,741	29,239,398	-	29,239,398
Income Tax Payables		747,190	-	747,190	747,190	-	747,190
Interest Bearing Loans and Borrowings		11,743,091	-	11,743,091	10,687,037	-	10,687,037
		41,891,022	-	41,891,022	40,673,625	-	40,673,625
Total liabilities		343,447,647	-	343,447,647	342,126,257	-	342,126,257
Total equity and liabilities		495,846,823	(14,236,550)	481,610,273	498,335,558	(14,236,550)	484,099,008

As at 31st December

5. First-time adoption of SLFRS's (Contd….)

Reconciliation of equity as at 31st December 2011

		Group			Company		
	Notes	SLAS Rs.	Remeasure-ments Rs.	SLFRS as at 31 December 2011 Rs.	SLAS Rs.	Remeasure-ments Rs.	SLFRS as at 31 December 2011 Rs.
Assets							
Non-current assets							
Property, Plant and Equipment	A	276,604,917	(375,181)	276,229,736	275,650,713	(375,181)	275,275,531
Intangible Assets	A	-	77,065	77,065	-	77,065	77,065
Other Non Current Financial Assets	B	-	7,981,642	7,981,642	-	7,981,642	7,981,642
Investment in Subsidiary	C	-	-	-	25,000	(25,000)	-
Trade and Other Receivables	B	7,981,642	(7,981,642)	-	7,981,642	(7,981,642)	-
Deferred Tax Assets		1,269,987	-	1,269,987	1,269,989	-	1,269,989
		285,856,545	(298,117)	285,558,429	284,927,344	(323,117)	284,604,227
Current assets							
Inventories	D	122,428,962	(26,329,496)	96,099,466	122,428,962	(26,329,496)	96,099,466
Trade and Other Receivables	B	78,709,909	(16,658,986)	62,050,924	82,505,730	(16,658,986)	65,846,744
Advances and Prepayments	E	-	11,873,491	11,873,491	-	11,873,491	11,873,491
Other Current Financial Assets	B	-	22,810,495	4,785,495	-	22,810,495	22,810,495
Cash and Cash Equivalents	B	40,152,017	(18,000,000)	40,152,017	39,874,429	(18,000,000)	21,874,429
		241,290,889	(26,304,496)	214,961,393	244,809,121	(26,304,496)	218,504,625
Total assets		527,147,434	(26,602,613)	500,519,821	529,736,465	(26,627,613)	503,108,852
Equity and liabilities							
Equity							
Stated Capital		80,074,201	-	80,074,201	80,074,201	-	80,074,201
Reserves		5,718,298	-	5,718,298	5,718,298	-	5,718,298
Retained Earnings	F	99,766,074	(26,627,613)	73,138,462	102,918,563	(26,627,613)	76,290,952
Total equity		185,558,573	(26,627,613)	158,930,961	188,711,062	(26,627,613)	162,083,451
Non-current liabilities							
Interest Bearing Loans and Borrowings		237,268,394	-	237,268,394	237,268,394	-	237,268,394
Retirement Benefit Obligations		23,558,682	-	23,558,682	23,558,682	-	23,558,682
		260,827,076	-	260,827,076	260,827,076	-	260,827,076
Current liabilities							
Trade and Other Payables		31,210,963	-	31,210,963	30,887,312	-	30,887,312
Income Tax Payables		1,577,098	-	1,577,098	1,441,283	-	1,441,283
Interest Bearing Loans and Borrowings		47,973,723	-	47,973,723	47,869,730	-	47,869,730
		80,761,784	-	80,761,784	80,198,325	-	80,198,325
Total liabilities		341,588,860	-	341,588,860	341,025,401	-	341,025,401
Total equity and liabilities		527,147,433	(26,627,613)	500,519,821	529,736,463	(26,627,613)	503,108,852

Year ended 31st December

5. First-time adoption of SLFRS's (Contd....)

Reconciliation of total comprehensive income for the year ended 31st December 2011

		Group			Company		
	Notes	SLAS Rs.	Remeasure-ments Rs.	SLFRS for the period 31.12.2011 Rs.	SLAS Rs.	Remeasure-ments Rs.	SLFRS for the period 31.12.2011 Rs.
Revenue		399,323,637	-	399,323,637	399,323,637	-	399,323,637
Cost of Sales	G	(270,367,051)	(12,391,064)	(282,758,115)	(271,928,097)	(12,391,064)	(284,319,161)
Gross Profit		128,956,586	(12,391,064)	116,565,522	127,395,540	(12,391,064)	115,004,476
Other Income and Gains	H	6,965,538	(2,912,131)	4,053,407	6,924,978	(2,912,131)	4,012,847
Selling and Distribution Costs		(45,789,775)	-	(45,789,775)	(45,789,775)	-	(45,789,775)
Administrative Expenses		(38,601,225)	-	(38,601,225)	(38,070,953)	-	(38,070,953)
Operating Profit		51,531,124	(15,303,195)	36,227,929	50,459,790	(15,303,195)	35,156,595
Finance Cost		(16,631,414)	-	(16,631,414)	(16,405,868)	-	(16,405,868)
Finance Income	H	-	2,912,131	2,912,131	-	2,912,131	2,912,131
Profit Before Tax		34,899,710	(12,391,064)	22,508,646	34,053,922	(12,391,064)	21,662,858
Income Tax Expenses/Reversals		(1,740,312)	-	(1,740,312)	(1,552,161)	-	(1,552,161)
Net Profit		33,159,398	(12,391,064)	20,768,334	32,501,761	(12,391,064)	20,110,697

Notes to the reconciliation of equity of the Group/Company as at 1 January 2011 and 31 December 2011 and total comprehensive income for the year ended 31 December 2011.

A Property, Plant and Equipment and Intangible Assets

The measurement changes for Property,Plant and Equipments and Intangible Assets are listed as follows;

Balance as at 01 January 2011

Gross Carrying Amount	Plant and Machinery Rs.	Other Equip-ments Rs.	Computer Equipments Rs.	Remeasure-ment to Property, Plant and Equipemnt Rs.	Intangible Assets Rs.
Asset Writeoff - Cost	(9,918,255)	(205,406)	-	(10,123,661)	-
Transfers	117,999	(117,999)	(4,128,741)	(4,128,741)	4,128,741
Total impact As at 01.01.2011	(9,800,255)	(323,405)	(4,128,741)	(14,252,402)	4,128,741
Transfers	-	-	-	-	-
Total impact As at 31.12.2011	(9,800,255)	(323,405)	(4,128,741)	(14,252,402)	4,128,741

As at 31st December

5. First-time adoption of SLFRS's (Contd....)

Reconciliation of total comprehensive income for the year ended 31st December 2011

Accumulated Depreciation	Plant and Machinery Rs.	Other Equipments Rs.	Computer Equipments Rs.	Remeasurement to Property, Plant and Equipemnt Rs.	Intangible Assets Rs.
Asset Writeoff - Cost	(9,599,197)	(152,181)	-	(9,751,388)	-
Transfers	82,600	(82,600)	(3,644,051)	(3,644,051)	3,644,051
Total impact As at 01.01.2011	(9,516,598)	(234,780)	(3,644,051)	(13,395,439)	3,644,051
Transfers	-	-	(407,626)	(407,626)	407,626
Depreciation on the impaired assets	(74,156)	-	-	(74,156)	-
Total impact As at 31.12.2011	(9,590,754)	(234,780)	(4,051,677)	(13,877,221)	4,051,677
Net effect to the net book value as at 01.01.2011	(283,658)	(88,625)	(484,691)	(856,964)	484,691
Net effect to the net book value as at 31.12.2011	(209,501)	(88,625)	(77,064)	(375,181)	77,064

B Other Financial Assets

B1 - Under SLAS, Loans and Receivable were accounted under Trade and Other Receivables, Under SLFRS, Loans and Receivables which falls in the definition of LKAS 39 need to be disclosed separately under Other Financial Assets which is permitted as in LKAS 01. Loans and Receivables has therefore been disclosed separately in the Statement of Financial Position under Other Finciancial Asssets as such presentation would facilitate a better understanding of the entity's financial position.

B2 - Under SLAS, Investement in fixed deposits which are for over three months were classified as "Cash and Cash equivalents", Under SLFRS, Investment in Fixed Deposits fall in the definition of LKAS 39 need to be disclosed separately under Other Financial Assets which is permitted as in LKAS 01.Therefore value of fixed deposits amounting to Rs.18,000,000/- has disclosed separately in the Statement of Financial Position under Other Finciancial Asssets as such presentation would facilitate a better understanding of the entity's financial position.

C Investment in Subsidiary

Under SLAS, the Company accounted for investments in quoted equity shares is measured at cost. Under SLFRS, the Company has designated such investments as available-for-sale investments. SLFRS requires available-for-sale investments to be measured at fair value. Therefore the Investment in equity shares has been recognised as a separate component of available-for-sale investments, in Other Financial Assets.

D Inventories

D 1 - Under SLAS, the Company had accounted inventories on a cost basis, Under SLFRS, the Group has re-assessed a slow moving Inventory of Rs. 7,258,090/-. Therefore the remeasurement in this regard resulted in the carrying amount of Inventory reduced by Rs. 7,258,090/- which has been recognized directly in Equity under the provisions of SLFRS 1.

As at 31st December

5. First-time adoption of SLFRS's (Contd….)

D 2 - Under SLAS, the Group had valued its Graphite stock based on all its cost pertaining to the business, Under SLFRS, the Group has valued its Inventories based on the directly attributable cost relating to escavation of Graphite in to a salable position. Therefore the remeasurement in this regard resulted in the carrying amount of Inventory reduced by Rs. 6,606,175/- (As at 31.12.2011 - Rs. 12,465,220/-) which has been recognized directly in Equity under the provisions of SLFRS 1.

E Advance and Prepayments

Under SLAS, the Group categorized Receivables, Advances and Prepayments as "Trade and Other Receivables". Under SLFRS, Advances and Prepayments do not fall within the definition of Financial Assets as defined in LKAS 39. Advances and prepayments has therefore been disclosed seperately in the Statement of Financial Position as such presentation would facilitate a better understanding of the entity's financial position.

F Retained Earning

The change in Retained Earnings is as follows;

		Group		Company	
		31.12.2011 Rs.	**01.01.2011 Rs.**	**31.12.2011 Rs.**	**01.01.2011 Rs.**
Re-assessed Inventory	D 1	(7,258,090)	(7,258,090)	(7,258,090)	(7,258,090)
Impact on the Change in valuation model of Inventory - 01.01.2011	D 2	(6,606,175)	(6,606,176)	(6,606,175)	(6,606,175)
Impact on the Change in valuation model of Inventory - 31.12.2011	D 2	(12,465,220)	-	(12,465,220)	-
Depreciation on the impaired assets	A	74,156	-	74,156	-
Asset Writeoff - Net book value	A	(372,283)	(372,284)	(372,283)	(372,283)
		(26,627,613)	(14,236,550)	(26,627,613)	(14,236,549)

G Cost of Sales

The change in Cost of Sales is as follows;		**Group**	**Company**
Impact on the Change in valuation model of Inventory - 31.12.2011	D 2	12,465,220	12,465,220
Depreciation on the impaired assets	A	(74,156)	(74,156)
		12,391,064	12,391,064

H Other Income and Gains

Under SLAS, the Group categorized Interest Income as "Other Income and Gains". Under SLFRS, Group has identified Interest income of Rs.2,912,231 separetely as Finance Income in the Income statement.

For the Year ended 31st December

6. REVENUE

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
6.1 Summary				
Export Sales	551,115,793	395,013,456	551,115,793	395,013,456
Local Sales	5,110,690	4,310,181	5,110,690	4,310,181
	556,226,483	399,323,637	556,226,483	399,323,637

7. OTHER INCOME AND GAINS

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Income from Sale of Obsolete Items	418,270	1,120,780	418,270	1,120,780
Profit on sales of Property, Plant and Equipment	8,243,373	1,789,686	8,243,373	1,789,686
Miscellaneous Income	1,885,279	1,118,329	1,885,279	1,102,381
	10,546,922	4,028,795	10,546,922	4,012,847

7.1 FINANCE INCOME

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Interest Income	3,301,792	2,936,743	3,266,394	2,912,131
	3,301,792	2,936,743	3,266,394	2,912,131

8 FINANCE COST

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Interest Expense on Overdrafts	1,516,088	463,615	1,516,088	463,615
Interest Expense on Interest Bearing Loans and Borrowings	15,199,528	14,988,499	15,199,528	14,988,499
Finance Charges on Lease Liabilities	1,835,422	1,179,300	1,832,617	953,754
	18,551,038	16,631,414	18,548,232	16,405,868

For the Year ended 31st December

9. PROFIT BEFORE TAX	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
(a) Included in Cost of Sales				
Depreciation	44,445,631	40,978,164	43,854,683	40,269,859
Staff Costs includes				
- Defined Benefit Plan Costs -Gratuity (included in staff cost)	6,030,863	4,492,068	6,030,863	4,492,068
- Defined Contribution Plan Costs - EPF and ETF(included in staff cost)	5,327,639	4,406,087	5,327,639	4,406,087
- Other staff Costs	61,476,873	52,074,040	61,476,873	51,139,358
Costs of inventories recognised as an expense				
Technical Services Fee	27,811,180	19,966,182	27,811,180	19,966,182
Legal Expenses	45,646	195,737	45,646	195,737
(b) Included in Administrative Expenses				
Depreciation	4,456,027	4,263,672	4,911,854	4,263,672
Amortisation of Intangible Assets	455,827	407,626	455,827	407,626
Staff Costs includes				
- Defined Benefit Plan Costs -Gratuity (included in staff cost)	570,374	190,981	570,374	190,981
- Defined Contribution Plan Costs - EPF and ETF(included in staff cost)	1,597,513	1,148,974	1,563,563	1,118,674
- Other staff Costs	16,847,288	12,521,092	16,086,748	12,168,717
- Compensation paid on Voluntary Retirement Scheme	8,299,685	-	8,299,685	-
Exchange Differences	30,608,470	-	30,608,470	-
Auditors Remuneration				
- Audit	931,926	780,000	881,658	720,000
- Nun Audit	1,140,000	-	1,140,000	-
Directors' Fees	810,000	1,020,000	810,000	1,020,000
Donations	1,193,419	55,050	1,193,419	55,050
(c) Included in Selling Distribution Expenses				
Transport Costs	5,716,676	4,845,000	5,716,676	4,845,000
Royalty paid to the Government	23,672,033	18,182,298	23,672,033	18,182,298

For the Year ended 31st December

10. INCOME TAX

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

Income Statement

	Group		Company	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Current Income Tax				
Current Income Tax charge (10.1)	1,638,812	659,805	1,290,207	523,988
Over Provision of current taxes in respect of prior years	(1,653,913)	(1,238,736)	(1,497,602)	(1,291,070)
Deemed Dividend Tax	-	2,055,939	-	2,055,939
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (10.2)	(1,678,310)	263,304	(1,678,310)	263,304
Income tax expense reported in the Income Statement	(1,693,411)	2,844,371	(1,885,705)	2,844,371

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

	Group		Company	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Accounting Profit Before Tax from Continuing Operations	19,910,767	34,899,710	20,246,907	34,053,922
Aggregate Disallowed Items	160,013,781	90,810,461	157,620,026	90,102,156
Aggregate Allowable Expenses	(82,504,872)	(61,660,447)	(80,937,689)	(61,660,447)
Aggregate Other Income	3,301,792	2,912,131	3,266,394	2,912,131
Deductions under Sec. 32	(88,773,517)	(61,041,197)	(89,443,912)	(61,041,197)
Accounting Profit before Income Tax	11,947,951	5,920,658	10,751,726	4,366,565
Statutory Tax Rate				
- Income Tax Rate 12% (2011 - 12%)	1,290,207	523,988	1,290,207	523,988
- Income Tax Rate 28% (2011 - 10%)	348,605	135,817	-	-
Income tax expense reported in the income statement	1,638,812	659,805	1,290,207	523,988

	2012 Rs.	**2011 Rs.**
10.1.1 Tax Losses Brought Forward	240,064,645	268,418,718
Set off against Current Years Profits	(35,062,786)	(28,354,073)
Tax Losses Carried Forward	205,001,859	240,064,645

As at 31st December

10. INCOME TAX (Contd....)

10.1.2 The Company is liable for Income Tax at the rate of 12% on profit derived from Export Sales. The profit derived from local sales is taxable at 28%. A provision has been made in these financial statements on account of income taxes in view of adjusted taxable profits of the Company.

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

	Statement of Financial Position		**Income Statement**	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Deferred Tax Liability				
Capital allowances for tax purposes	12,245,698	9,279,511	(2,975,188)	(1,870,162)
	12,245,698	9,279,511	(2,975,188)	(1,870,162)
Deferred Tax Assets				
Retirement Benefit Obligation	3,000,907	2,827,042	173,865	448,904
Brought forward Losses	12,193,089	7,713,456	4,479,633	1,157,953
	15,193,996	10,540,498	4,653,498	1,606,858
Deferred income tax income/ (expense)	-	-	1,678,310	(263,304)
Net Deferred Tax Liability/ (Assets)	(2,948,298)	(1,260,987)		

10.2.1 Deferred Tax Liability arising from temporary differences is set-off against the Deferred Tax Assets created by brought forward losses to the extent that it could be recovered in the future. Deferred Income Tax Asset arising from the remaining carried forward losses amounting to Rs. 205,001,859/- (2011 - Rs.240,064,645/-) have been recognized in the financial statements only to the extend that would be probable to realized in the next three financial years such losses considered for deferred tax amount to Rs. 101,609,077/- (2011 - 64,278,801/-).

11. EARNINGS PER SHARE

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

	Group 2012 Rs.	**2011 Rs.**	**Company 2012 Rs.**	**2011 Rs.**
Net Profit Attributable Ordinary shareholders for basic Earning Per Share	21,604,178	20,768,334	22,132,612	20,110,697
Number of Ordinary Shares used as Denominators:	**2012 Number**	**2011 Number**	**2012 Number**	**2011 Number**
Number of Ordinary Shares applicable to basic Earning Per Share	47,316,452	47,316,452	47,316,452	47,316,452

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

As at 31st December

12. PROPERTY, PLANT AND EQUIPMENT

12.1 PROPERTY, PLANT AND EQUIPMENT - GROUP

12.1.1 Gross Carrying Amounts	Balance As at 01.01.2011 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2012 Rs.
At Cost							
Buildings on Freehold Land	33,749,750	3,745,077	-	37,494,826	1,373,333	-	38,868,159
Freehold Land	1,272,000	-	-	1,272,000	-	-	1,272,000
Road Development	4,779,589	1,000,000	-	5,779,589	-	-	5,779,589
Access Tunnels	183,382,720	14,004,838	-	197,387,558	9,629,804	-	207,017,362
Plant and Machinery	198,340,526	40,320,153	(160,000)	238,500,679	6,257,862	-	244,758,541
Other Equipments	33,429,428	5,765,449	-	39,194,877	1,635,730		40,830,607
Office Equipment	5,828,022	638,604	(65,500)	6,401,126	628,449	(8,700)	7,020,875
Furniture and Fittings	3,257,962	193,901	(166,178)	3,285,685	686,712	-	3,972,397
Computer Equipments	8,146,291	1,685,044	(242,028)	9,589,307	1,648,619	(108,250)	11,129,676
Motor Vehicles	18,742,672	4,698,587	(4,729,525)	18,711,734	5,408,698	(10,221,806)	13,898,626
	490,928,959	72,051,653	(5,363,232)	557,617,381	27,269,207	(10,338,756)	574,547,832
At Valuation							
Freehold Land	10,150,000	-	-	10,150,000	-	-	10,150,000
	10,150,000	-	-	10,150,000	-	-	10,150,000
Assets on Finance Leases							
Motor Vehicles	12,500,000	11,926,880	(9,000,000)	15,426,880	27,927,210	(3,500,000)	39,854,090
	12,500,000	11,926,880	(9,000,000)	15,426,880	27,927,210	(3,500,000)	39,854,090
Total value of Depreciable Assets	513,578,959	83,978,533	(14,363,232)	583,194,261	55,196,417	(13,838,756)	624,551,922

12.1.2 In the Course of Construction	Balance As at 01.01.2011 Rs.	Incurred During the Year Rs.	Disposal/ Transfers Rs.	Balance As at 31.12.2011 Rs.	Incurred During the Year Rs.	Disposal/ Transfers Rs.	Balance As at 31.12.2012 Rs.
	-	-	-	-	557,537	(557,537)	-
Access Tunnels	18,369,767	12,538,421	(14,004,838)	16,903,351	15,062,941	(9,629,804)	22,336,488
Plant and Machinery	4,408,265	37,312,961	(40,764,283)	956,943	3,060,788	(3,330,268)	687,463
Computer Software	-	2,672,636	-	2,672,636	-	(2,672,636)	-
	22,778,032	52,524,018	(54,769,121)	20,532,929	18,681,266	(13,517,609)	23,023,950
Total Gross Carrying Amount	536,356,991	136,502,551	(69,132,353)	593,577,190	73,877,683	(27,356,365)	640,098,508

As at 31st December

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

12.1.3 Depreciation

At Cost	Balance As at 01.01.2011 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2012 Rs.
Buildings	16,793,871	1,349,990	-	18,143,861	1,507,879	-	19,651,740
Road Development	1,287,845	392,744	-	1,680,589	492,743	-	2,173,332
Access Tunnels	86,285,698	17,907,255	-	104,192,953	18,881,408	-	123,074,361
Plant and Machinery	132,395,717	15,236,586	(160,000)	147,472,303	14,758,190	-	162,230,493
Other Equipments	20,573,284	2,420,424	-	22,993,708	2,825,439	-	25,819,147
Office Equipment	3,880,379	672,208	(24,850)	4,527,737	662,216	-	5,189,953
Furniture and Fittings	2,122,242	485,522	(131,433)	2,476,331	465,877	-	2,942,208
Computer Equipments	6,428,487	1,089,550	(105,768)	7,412,270	1,308,823	(54,125)	8,666,968
Motor Vehicles	17,323,369	1,250,609	(4,729,524)	13,844,454	1,345,566	(7,468,389)	7,721,631
	287,090,893	40,804,887	(5,151,574)	322,744,206	42,248,141	(7,522,514)	357,469,833
Assets on Finance Leases							
Motor Vehicles	5,766,659	4,086,591	(5,100,000)	4,753,250	6,510,695	(2,566,655)	8,697,290
	5,766,659	4,086,591	(5,100,000)	4,753,250	6,510,695	(2,566,655)	8,697,290
	292,857,552	44,891,478	(10,251,574)	327,497,455	48,758,836	(10,089,169)	366,167,122

12.1.4 Net Book Values

	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
At Cost			
Buildings on Freehold Land	19,216,420	19,350,966	16,955,879
Freehold Land	1,272,000	1,272,000	1,272,000
Road Development	3,606,257	4,099,000	3,491,744
Access Tunnels	83,943,001	93,194,605	97,097,022
Plant and Machinery	82,528,048	91,028,376	65,944,809
Other Equipments	15,011,460	16,201,169	12,856,144
Office Equipment	1,830,921	1,873,388	1,947,643
Furniture and Fittings	1,030,189	809,354	1,135,720
Computer Equipments	2,462,708	2,177,037	1,717,803
Motor Vehicles	6,176,995	4,867,280	1,419,303
	217,077,999	234,873,175	203,838,067

As at 31st December

12. PROPERTY, PLANT AND EQUIPMENT (Contd….)

	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
Assets on Finance Leases			
Motor Vehicles	31,156,800	10,673,630	6,733,341
	31,156,800	10,673,630	6,733,341
At Valuation			
Freehold Land	10,150,000	10,150,000	10,150,000
	10,150,000	10,150,000	10,150,000
In the Course of Construction			
Access Tunnels	22,336,488	16,903,352	18,369,767
Plant and Machinery	687,463	956,943	4,408,265
Computer Software	-	2,672,636	-
	23,023,950	20,532,930	22,778,032
Total Carrying Amount of Property, Plant and Equipment	281,408,750	276,229,736	243,499,440

12.1.5 The land was revalued during the financial year 2001 by Messrs Chulanda Wellappili (an independent valuer). The result of such revaluation was incorporated in these financial statements from its effective (reported) date which is 15.11.2001. Such asset was valued on an open market value on an existing use basis without considering the mineral deposits and under ground works. The surplus arising from the revaluation was transferred to a revaluation reserve. However, since there are no experts in the mining industry in valuing such mines,since 2011 there were no revaluations carried out by the Company.

12.1.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs.140,928,770/- (2011 - Rs. 114,643,854/-).

12.1.7 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 73,877,683 (2011 - Rs.136,502,551/-). Acquisitions through Cash payments amounting to Rs. 36,433,831/- (2011 - Rs. 69,833,431 /-).

12.1.8 The carrying value of plant and equipment held under finance leases at 31 December 2012 was Rs.32,606,785 (2011 -Rs.10,673,630). Additions during the year include Rs.25,877,195 (2011-Rs.11,926,880) of plant and equipment under finance leases. Lease Assets are pledged as securities for the related Finance Lease.

12.1.9 The useful lives of the assets are estimated as follows;	**2012**	**2011**	**2010**
Buildings	25 Years	25 Years	25 Years
Road Development Cost	10 Years	10 Years	10 Years
Access Tunnels	10 Years	10 Years	10 Years
Plant and Machinery	10 Years	10 Years	10 Years
Other Equipments	10 Years	10 Years	10 Years
Office Equipment	05 Years	05 Years	05 Years
Furniture and Fittings	05 Years	05 Years	05 Years
Motor Vehicles	05 Years	05 Years	05 Years
Computer Equipments	03 Years	03 Years	03 Years

As at 31st December

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

12.1 PROPERTY, PLANT AND EQUIPMENT - COMPANY

12.1.1 Gross Carrying Amounts

	Balance As at 01.01.2011 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2012 Rs.
At Cost							
Buildings on Freehold Land	33,749,750	3,745,077	-	37,494,826	1,373,333	-	38,868,159
Freehold Land	1,272,000	-	-	1,272,000	-	-	1,272,000
Road Development	4,779,589	1,000,000	-	5,779,589	-	-	5,779,589
Access Tunnels	183,382,720	14,004,838	-	197,387,558	9,629,804	-	207,017,362
Plant and Machinery	198,340,528	40,320,153	(160,000)	238,500,681	6,257,862	-	244,758,543
Other Equipments	33,399,965	5,759,459	-	39,159,424	1,671,182		40,830,606
Office Equipment	5,828,022	638,604	(65,500)	6,401,126	628,449	(8,700)	7,020,875
Furniture and Fittings	3,257,962	193,901	(166,178)	3,285,685	686,712	-	3,972,397
Computer Equipments	8,146,291	1,685,044	(242,028)	9,589,307	1,648,619	(108,250)	11,129,676
Motor Vehicles	18,742,672	4,698,587	(4,729,525)	18,711,734	5,408,698	(10,221,806)	13,898,626
	490,899,498	72,045,663	(5,363,231)	557,581,929	27,304,659	(10,338,756)	574,547,832
At Valuation							
Freehold Land	10,150,000	-	-	10,150,000	-	-	10,150,000
	10,150,000	-	-	10,150,000	-	-	10,150,000
Assets on Finance Leases							
Motor Vehicles	9,000,000	11,926,880	(9,000,000)	11,926,880	29,377,195	-	41,304,075
	9,000,000	11,926,880	(9,000,000)	11,926,880	29,377,195	-	41,304,075
Total value of Depreciable Assets	510,049,498	83,972,543	(14,363,231)	579,658,809	56,681,854	(10,338,756)	626,001,907

12.1.2 In the Course of Construction

	Balance As at 01.01.2011 Rs.	Incurred During the Year Rs.	Disposal/ Transfers Rs.	Balance As at 31.12.2011 Rs.	Incurred During the Year Rs.	Disposal/ Transfers Rs.	Balance As at 31.12.2012 Rs.
Buildings on Freehold Land	-	-	-	-	557,537	(557,537)	-
Access Tunnels	18,369,767	12,538,421	(14,004,838)	16,903,351	15,062,941	(9,629,804)	22,336,488
Plant and Machinery	4,408,265	37,312,961	(40,764,283)	956,943	3,060,788	(3,330,268)	687,463
Computer Software	-	2,672,636	-	2,672,636	-	(2,672,636)	-
	22,778,032	52,524,018	(54,769,121)	20,532,929	18,681,266	(16,190,245)	23,023,950
Total Gross Carrying Amount	532,827,530	136,496,561	(69,132,352)	600,191,739	75,363,120	(26,529,001)	649,025,858

As at 31st December

12. PROPERTY, PLANT AND EQUIPMENT - COMPANY (Contd....)

12.1.3 Depreciation

At Cost	Balance As at 01.01.2011 Rs.	Charge for the year/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.	Charge for the year/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2012 Rs.
Buildings	16,793,871	1,349,990	-	18,143,861	1,507,879	-	19,651,740
Road Development	1,287,847	392,744		1,680,591	492,743	-	2,173,334
Access Tunnels	86,285,698	17,907,255	-	104,192,953	18,881,408	-	123,074,361
Plant and Machinery	132,395,717	15,174,220	(160,000)	147,409,937	14,758,190	-	162,168,127
Other Equipments	20,566,999	2,400,314	-	22,967,313	2,840,030	-	25,807,343
Office Equipment	3,880,379	672,208	(24,850)	4,527,737	662,216	-	5,189,953
Furniture and Fittings	2,122,242	485,522	(131,433)	2,476,331	465,877	-	2,942,208
Computer Equipments	6,428,487	1,163,716	(105,768)	7,486,436	1,308,823	(54,125)	8,741,134
Motor Vehicles	17,323,370	1,250,609	(4,729,524)	13,844,455	1,345,566	(7,468,389)	7,721,632
	287,084,610	40,796,578	(5,151,574)	322,729,614	42,262,732	(7,522,514)	357,469,832
Assets on Finance Leases							
Motor Vehicles	3,900,000	3,386,595	(5,100,000)	2,186,595	6,510,695	-	8,697,290
	3,900,000	3,386,595	(5,100,000)	2,186,595	6,510,695	-	8,697,290
	290,984,610	44,183,173	(10,251,574)	324,916,209	48,773,427	(7,522,514)	366,167,122

12.1.4 Net Book Values

	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
At Cost			
Buildings on Freehold Land	19,216,420	19,350,966	16,955,879
Freehold Land	1,272,000	1,272,000	1,272,000
Road Development	3,606,255	4,099,000	3,491,742
Access Tunnels	83,943,001	93,194,605	97,097,022
Plant and Machinery	82,590,415	91,090,743	65,944,810
Other Equipments	15,023,263	16,192,111	12,832,966
Office Equipment	1,830,921	1,873,388	1,947,643
Furniture and Fittings	1,030,189	809,354	1,135,720
Computer Equipments	2,388,543	2,102,872	1,717,803
Motor Vehicles	6,176,994	4,867,279	1,419,302
	217,078,000	234,852,317	203,814,888

As at 31st December

12. PROPERTY, PLANT AND EQUIPMENT - COMPANY (Contd….)

Assets on Finance Leases			
Motor Vehicles	32,606,785	9,740,285	5,100,000
	32,606,785	9,740,285	5,100,000
At Valuation			
Freehold Land	10,150,000	10,150,000	10,150,000
	10,150,000	10,150,000	10,150,000
In the Course of Construction			
Access Tunnels	22,336,488	16,903,351	18,369,767
Buildings on Freehold Land	-	-	4,408,265
Plant and Machinery	687,463	956,943	-
Computer Software	-	2,672,636	-
	23,023,950	20,532,929	22,778,032
Total Carrying Amount of Property, Plant and Equipment	282,858,735	275,275,531	241,842,921

12.1.5 The land was revalued during the financial year 2001 by Messrs Chulanda Wellappili (an independent valuer). The result of such revaluation was incorporated in these financial statements from its effective (reported) date which is 15.11.2001. Such asset was valued on an open market value on an existing use basis without considering the mineral deposits and under ground works. The surplus arising from the revaluation was transferred to a revaluation reserve. However, since there are no experts in the mining industry in valuing such mines,since 2011 there were no revaluations carried out by the Company.

12.1.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs.140,928,770/- (2011 - Rs. 114,643,854/-).

12.1.7 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 75,363,120 (2011 - Rs.136,496,561/-). Acquisitions through Cash payments amounting to Rs.38,619,503 /- (2011 - Rs. 69,827,440 /-).

12.1.8 The carrying value of plant and equipment held under finance leases at 31 December 2012 was Rs.32,606,785 (2011 -Rs.10,673,630). Additions during the year include Rs.25,877,195 (2011-Rs.11,926,880) of plant and equipment under finance leases. Lease Assets are pledged as securities for the related Finance Lease.

12.1.9 The useful lives of the assets are estimated as follows;	**2012**	**2011**	**2010**
Buildings	25 Years	25 Years	25 Years
Road Development Cost	10 Years	10 Years	10 Years
Access Tunnels	10 Years	10 Years	10 Years
Plant and Machinery	10 Years	10 Years	10 Years
Other Equipments	10 Years	10 Years	10 Years
Office Equipment	05 Years	05 Years	05 Years
Furniture and Fittings	05 Years	05 Years	05 Years
Motor Vehicles	05 Years	05 Years	05 Years
Computer Equipments	03 Years	03 Years	03 Years

As at 31st December

12. PROPERTY, PLANT AND EQUIPMENT - COMPANY (Contd….)

12.1.10 Information on the Freehold Land, Freehold Buildings including in the Property,Plant and Equipmnets of the Group/Company

Company	Address	Ownership	Extent	No of Buildings
Bogala Graphite Lanka PLC	Bulathkohupitiya Kegalle.	Freehold Land	9.7159 Hectares	4
	Galigamuwa Kegalle.	Freehold Land	13.2113 Hectares	41
	Bulathkohupitiya Kegalle.	Freehold Land	7.2361 Hectares	4

13. INTANGIBLE ASSETS - Group/ Company

13.1 Gross Carrying Amounts

At Cost	**Balance As at 01.01.2011 Rs.**	**Additions/ Transfers Rs.**	**Disposals/ Transfers Rs.**	**Balance As at 31.12.2011 Rs.**	**Additions/ Transfers Rs.**	**Disposals/ Transfers Rs.**	**Balance As at 31.12.2012 Rs.**
Computer Software and Licences	4,128,741	-	-	4,128,741	3,712,046	-	7,840,787
	4,128,741	-	-	4,128,741	3,712,046	-	7,840,787

13.1.2 Amortization and Impairments

	Balance As at 01.01.2011 Rs.	**Charge for the year/ Transfers Rs.**	**Disposals/ Transfers Rs.**	**Balance As at 31.12.2011 Rs.**	**Charge for the year/ Transfers Rs.**	**Disposals/ Transfers Rs.**	**Balance As at 31.12.2012 Rs.**
Computer Software and Licences	3,644,051	407,626	-	4,051,677	455,827	-	4,507,504
	3,644,051	407,626	-	4,051,677	455,827	-	4,507,504

13.2 Net Book Values

At Cost	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**
Computer Software and Licences	3,333,284	77,065	484,691
	3,333,284	77,065	484,691

13.3 Useful life of the Intangilble Asset is estimated as 03 Years.

As at 31st December

14 OTHER FINANCIAL ASSETS AND LIABILITIES

14.1. Other Financial Assets

	Group			Company		
Loans and receivables	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**
Loans to Company Officers (Note 14.1.1)	17,660,482	12,767,137	8,348,959	17,660,482	12,767,137	8,348,959
Short-term deposits	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Total loans and receivables	35,660,482	30,767,137	26,348,959	35,660,482	30,767,137	26,348,959
Available for sale investments						
Unquoted equity shares (Note 14.1.2)	-	-	-	-	25,000	25,000
Total available for sale investments	-	-	-	-	25,000	25,000
Total other financial assets	35,660,482	30,767,137	26,348,959	35,660,482	30,792,137	26,373,959
Total current	24,459,049	22,785,495	21,647,965	24,459,049	22,810,495	21,672,965
Total non-current	11,201,433	7,981,642	4,700,994	11,201,433	7,981,642	4,700,994

Loans and receivables are held to maturity and generate a fixed interest income for the Group. The carrying value might be affected by changes in the credit risk of the counterparties and changes in variable interest rates for some instruments.

Available-for-sale investment - unquoted equity shares

The available for sale financial assets consist of an investment in shares of a non-listed company, which are valued based on non-market observable information. Changes in underlying assumptions can lead to adjustments in the fair value of the investment.

Impairment on available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

Based on these criteria, the Company identified an impairment of Rs.25,000 on available-for-sale investment — unquoted equity securities, both of which are recognised within finance costs in the income statement (Note 5).

As at 31st December

14 OTHER FINANCIAL ASSETS AND LIABILITIES (Contd….)

14.1.1. Loans to Company Officers

Group/ Company	Balance as at 01.01.2012 Rs.	Loans Granted During the Year Rs.	Repay-ments Rs.	Balance as at 31.12.2012 Rs.
Loans to Company Officers	12,767,137	13,575,382	(8,682,037)	17,660,482
	12,767,137	13,575,382	(8,682,037)	17,660,482
Current	4,785,495			6,459,049
Non Current	7,981,642			11,201,433
	12,767,137			17,660,482

14.1.2 Available-for-sale investment - unquoted equity shares

	Company Holding					
	2012	2011	As at 1 January 2011	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
Fairdeal Trading Company (Private) Limited	100%	100%	100%	25,000	25,000	25,000
Less - Provision for Impairment				(25,000)	-	-
				-	25,000	25,000

14.2. Other Financial Liabilities - Group

	Group			Company		
	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
Current Interest -bearing loans and borrowings						
Obligations under finance leases (Note 23.1)	5,647,836	2,301,246	2,898,873	5,647,836	2,197,251	1,842,819
Bank overdrafts	13,840,554	15,454,961	4,639,029	13,840,554	15,454,961	4,639,029
Other current loans						
Lanka Phosphate Limited (LPL)	4,838,167	3,114,456	4,205,189	4,838,167	3,114,456	4,205,189
AMG Mining AG (Legal Successor of Graphit Kropfmühl AG) Loan	29,325,647	27,103,062	-	29,325,647	27,103,062	-
Total Current Interest-bearing loans and borrowings	53,652,204	47,973,725	11,743,091	53,652,204	47,869,730	10,687,037

As at 31st December

14 OTHER FINANCIAL ASSETS AND LIABILITIES

	Group			Company		
	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
Non-Current Interest -bearing loans and borrowings						
Obligations under finance leases (Note 23.1)	18,670,547	7,584,106	1,489,888	18,670,547	7,584,106	1,385,895
Other non-current loans						
Lanka Phosphate Limited (LPL)	-	2,442,971	-	-	2,442,971	-
AMG Mining AG Loan *	227,273,768	227,241,317	280,248,921	227,273,768	227,241,317	280,248,921
	245,944,315	237,268,394	281,738,809	245,944,315	237,268,394	281,634,816
Total Interest-bearing loans and borrowings	299,596,519	285,242,119	293,481,900	299,596,519	285,138,124	292,321,853

14.2.1 Loans - Group/ Company	As at 01.01.2012 Rs.	Loans Obtained Rs.	Repayment/ Transfer Rs.	Exchange (Gain)/Loss Rs.	As at 31.12.2012 Rs.
Lanka Phosphate Limited (LPL) -(Note 14.2.2)	9,356,544	-	(4,518,377)	-	4,838,167
AMG Mining AG Loan *	250,545,262	-	(28,279,904)	34,334,057	256,599,415
	259,901,806	-	(32,798,281)	34,334,057	261,437,583

14.2.2 Lanka Phosphate Limited	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
Gross Liability	5,006,784	10,013,569	15,020,354
Finance Charges allocated to Future Periods	(168,617)	(657,024)	(1,458,649)
Net Liability	4,838,167	9,356,544	13,561,705

Bank overdrafts

The bank overdrafts are secured by the of the Group's short-term deposits.Interest rate of the bank overdraft is 2.5% above the interest on fixed deposit held as collateral.(Note 25)

* AMG Mining AG (Legal Successor of Graphit Kropfmühl AG)

As at 31st December

14 OTHER FINANCIAL ASSETS AND LIABILITIES (Contd….)

AMG Mining AG Loan and Lanka Phosphate Limited (LPL) *
The repayment terms of borrowing and the security offered to each loan (other than leases) are set out below;

	LPL	**AMG**
- Rate of Interest	12%	EURO LIBOR + 4%
- Term of Repayment - Equal installments	Rs. 417,232/- (Monthly- With Interest)	EUR 43,616/25 (Quarterly- Without Interest)
- Grace Period	None	2 years up to October 2011
- Repayment by	2013	2021
- Security offered	None	None

14.3. Fair Values - Group/ Company

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	Carring Amount			Fair Value		
	2012 Rs.	**2011 Rs.**	**As at 1 January 2011 Rs.**	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**
Financial assets						
Other financial assets						
- Loans to Company Officers	17,660,482	12,767,137	8,348,959	17,660,482	12,767,137	8,348,959
Cash and short-term deposits	57,417,633	55,827,287	55,824,677	57,417,633	55,827,287	55,824,677
Total	75,078,115	68,594,424	64,173,636	75,078,115	68,594,424	64,173,636
Financial liabilities						
Interest-bearing loans and borrowings						
-Obligations under finance leases	24,318,383	9,885,352	4,388,761	24,318,383	9,885,352	4,388,761
-Other Borrowings*	261,437,582	259,901,806	284,454,110	261,437,582	259,901,806	284,454,110
Bank overdrafts	13,840,554	15,454,961	4,639,029	13,840,554	15,454,961	4,639,029
Total	299,596,519	285,242,119	293,481,900	299,596,519	285,242,119	293,481,900

* other borrowings includes AMG Mining AG Loan (Legal Successor of Graphit Kropfmühl AG) and Lanka Phosphate Limited Loan (LPL) carried at amortized cost.

As at 31st December

14 OTHER FINANCIAL ASSETS AND LIABILITIES

14.3. Fair Values - Group/ Company (Contd….)

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to

  the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2012, the carrying amounts of such receivables. net of provision for impairment, are not materially different from their calculated fair values.

15. INVENTORIES	**Group**			**Company**		
	2012 Rs.	**2011 Rs.**	**As at 1 January 2011 Rs.**	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**
Raw Materials (at cost)	22,791,326	13,498,973	11,577,437	22,791,326	13,498,973	11,577,437
Semi Finished Goods (at cost)	7,439,957	10,142,369	9,659,206	7,439,957	10,142,369	9,659,206
Finished Goods(at cost or net realizable value)	4,683,144	4,151,398	3,232,933	4,683,144	4,151,398	3,232,933
Consumables and Spares (at cost)	64,369,432	75,564,818	61,644,716	64,369,432	75,564,818	61,644,716
	99,283,859	103,357,557	86,114,291	99,283,859	103,357,557	86,114,291
Less-Provision for Slowmoving Items	(10,842,439)	(7,258,090)	(7,258,090)	(10,842,439)	(7,258,090)	(7,258,090)
	88,441,421	96,099,466	78,856,201	88,441,421	96,099,466	78,856,201

As at 31st December

16. TRADE AND OTHER RECEIVABLES

16.1. Summary

	Group			Company		
	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
16.1.1 Current						
Trade Debtors - Related Parties (16.2)	-	10,329,448	41,070,330	-	10,329,448	41,070,330
- Others	40,139,243	28,546,374	17,604,227	40,139,243	28,546,374	17,629,226
	40,139,243	38,875,822	58,674,557	40,139,243	38,875,822	58,699,556
Other Debtors - Related Parties (16.3)	4,916,486	3,335,291	2,327,836	7,171,942	7,374,196	6,851,926
- Others	18,462,264	19,839,810	8,452,613	18,462,264	19,596,726	8,026,389
	63,517,993	62,050,924	69,455,006	65,773,449	65,846,744	73,577,871

Trade receivables are non interest bearing and generally 30-90 day terms.As at 31 December,the ageing analysis of trade receivables is as follows:

		Neither past due nor Impaired	Past due but not impared			
	Total Rs.	Rs.	<30 days Rs.	30-60 days Rs.	61-90 days Rs.	>91 days Rs.
2012	40,139,243	24,743,352	8,585,700	6,810,191	-	-
2011	38,875,822	32,135,038	4,809,313	1,931,471	-	-

Trade Debtors - Related Parties

		Group			Company		
		2012	2011	As at 1 January 2011	2012	2011	As at 1 January 2011
	Relationship	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
AMG Mining AG *	Parent	-	10,329,448	41,070,330	-	10,329,448	41,070,330
		-	10,329,448	41,070,330	-	10,329,448	41,070,330

16.3. Other Debtors - Related Parties

		Group			Company		
	Relationship	2012	2011	As at 1 January 2011	2012	2011	As at 1 January 2011
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
AMG Mining AG *	Parent	3,799,489	1,600,738	1,523,645	3,799,489	1,600,738	1,523,645
Fairdeal Trading Company (Private) Limited	Subsidiary	-	-	-	2,255,456	4,038,905	4,524,090
Ansro Lanka (Private) Limited	Affiliate	1,116,997	1,734,553	804,191	1,116,997	1,734,553	804,191
		4,916,486	3,335,291	2,327,836	7,171,942	7,374,196	6,851,926

*AMG Mining AG (Legal Successor of Graphit Kropfmühl AG)

As at 31st December

17. CASH AND SHORT-TERM DEPOSITS

	Group			Company		
	2012 Rs.	**2011 Rs.**	**As at 1 January 2011 Rs.**	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**
Cash at bank and on hand	39,417,633	22,152,017	37,827,287	39,123,405	21,874,429	37,824,677
	39,417,633	22,152,017	37,827,287	39,123,405	21,874,429	37,824,677

17.1. For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December:

	Group			Company		
	2012 Rs.	**2011 Rs.**	**As at 1 January 2011 Rs.**	**2012 Rs.**	**2011 Rs.**	**As at 1 As at 1 January 2011 Rs.**
Cash and Bank Balances	39,417,633	22,152,017	37,827,287	39,123,405	21,874,429	37,824,677
	39,417,633	22,152,017	37,827,287	39,123,405	21,874,429	37,824,677
Bank Overdraft (Note 14.2)	(13,840,554)	(15,454,961)	(4,639,029)	(13,840,554)	(15,454,961)	(4,639,029)
Total Cash and Cash Equivalents	25,577,080	6,697,056	33,188,258	25,282,852	6,419,468	33,185,648

18. STATED CAPITAL - GROUP/COMPANY	Group			Company		
	2012 Rs.	**2011 Rs.**	**As at 1 January 2011 Rs.**	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**
Fully paid Ordinary Shares	47,316,452	47,316,452	80,074,201	47,316,452	47,316,452	80,074,201
	47,316,452	47,316,452	80,074,201	47,316,452	47,316,452	80,074,201
18.1. Fully paid Ordinary Shares						
Balance at the beginning of the Year	47,316,452	47,316,452	80,074,201	47,316,452	47,316,452	547,142,189
Shares Issued during the Year	-	-	-	-	-	-
Reduction of Stated Capital (18.1.1)	-	-	-	-	-	(467,067,988)
Balance at the end of the Year	47,316,452	47,316,452	80,074,201	47,316,452	47,316,452	80,074,201

18.1.1 The Company had called an Extra Ordinary General Meeting (EGM) on 24 April 2010 and it was resolved that the Stated Capital of the Company amounting to Rs. 547,142,189/- comprising of Rs. 47,316,452/- fully paid ordinary shares has been reduced to Rs. 80,074,201/- represented by Rs. 47,316,452/- fully paid Ordinary Shares without effecting any change to the number of issued and fully paid Ordinary Shares of the Company in accordance with the provisions of Section 59 of the Companies Act No.7 of 2007.

As at 31st December

18. STATED CAPITAL - GROUP/COMPANY (Contd….)

18.2. Dividends paid and proposed	**Group**		**Company**	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Declared and paid during the year:				
Dividends on ordinary shares:				
Final dividend for 2011: 0.25 cents per share	11,829,113	-	11,829,113	-
	11,829,113	-	11,829,113	-

	Group			**Company**		
19 RESERVES	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**
19.1 Summary Capital Reserves						
Revaluation Reserve	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298
	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298
19.1.1 Revaluation Reserve						
On: Property, Plant and Equipment						
Balance as at the beginning of the Year	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298
Transfer of surplus during the Year	-	-	-	-	-	-
Balance as at the end of the Year	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298	5,718,298

Nature and Purpose of Reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The reserve can only be used to pay dividends in limited circumstances.

	Group			**Company**		
Gratuity	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**
20. EMPLOYEE BENEFIT LIABILITY						
Defined Benefit Obligation at the beginning of the year	23,558,682	19,817,816	15,630,683	23,558,682	19,817,816	15,630,683
Interest on Benefit Liability	2,591,455	1,981,782	1,563,068	2,591,455	1,981,782	1,563,068
Current Service Cost	2,067,996	1,833,872	1,406,761	2,067,996	1,833,872	1,406,761
Actuarial Loss	1,946,323	867,396	2,741,003	1,946,323	867,396	2,741,003
Benefit paid during the year	(5,156,898)	(942,183)	(1,523,700)	(5,156,898)	(942,183)	(1,523,700)
Defined Benefit Obligation at the end of the year	25,007,559	23,558,682	19,817,816	25,007,559	23,558,682	19,817,816

The expenses are recognised in the following line items in the statement of comprehensive income

Cost of Sale	6,030,863	4,492,068	4,899,139	6,030,863	4,492,068	4,899,139
Administrative Expenses	570,374	190,981	644,293	570,374	190,981	644,293
	6,601,237	4,683,049	5,543,432	6,601,237	4,683,049	5,543,432

As at 31st December

20. EMPLOYEE BENEFIT LIABILITY (Contd….)

20.1 Messer's Actuarial and Management Consultants (Pvt) Ltd; a firm of professional actuaries, carried out an actuarial valuation of the defined benefit gratuity on 31 December 2012. Appropriate and compatible assumptions were used in determining the retirement benefits. The principal assumptions used are as follows;

		2012	2011
Discount Rate Assumed		11%	10%
Salary Increased Rate Assumed	- Executive	9%	9%
	- Non Executive	10%	10%
Withdrawal Rate Assumed		3%	4%
Retirement Age		55 years	55 years

21. TRADE AND OTHER PAYABLES

	Group			Company		
	2012 Rs.	**2011 Rs.**	**As at 1 January 2011 Rs.**	**2012 Rs.**	**2011 Rs.**	**As at 1 January 2011 Rs.**
Trade Payables - Others	7,719,075	7,126,907	1,149,242	7,719,075	7,126,907	1,149,242
Other Creditors - Related Parties (21.1)	4,229,843	9,150,691	18,236,249	4,229,843	9,150,691	18,236,249
Sundry Creditors	2,226,963	2,934,635	3,630,127	2,226,963	2,934,635	3,630,127
Accrued Expenses	13,714,176	11,675,079	6,223,780	13,714,176	11,675,079	6,223,780
	27,890,058	30,887,312	29,239,398	27,890,058	30,887,312	29,239,398

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 30- 60 day terms

- Other payables are non-interest bearing and have an average term of two months
- Interest payable is normally settled quarterly throughout the financial year

For explanations on the Group's credit risk management processes, refer to Note 24.

21.1 Other Creditors - Related Parties

AMG Mining AG (Legal Successor of Graphit Kropfmühl AG)	Parent Company	4,229,843	9,150,691	18,236,249	4,229,843	9,150,691	18,236,249
		4,229,843	9,150,691	18,236,249	4,229,843	9,150,691	18,236,249

As at 31st December

22. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

22.1 Transaction with the parent and related entities

	Name of the Company and Relationship											
	Parent AMG Mining AG*		Subsidiary Fairdeal Trading Company (Pvt) Ltd		Affiliate Graphite Tyn		Affiliate Qingdao Kropfmuhl Graphite Co.Ltd.		Affiliate Ansro Lanka (Pvt) Ltd.		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Nature of Transaction	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance Receivable (Payable) as at 01 January	(247,765,764)	(246,534,659)	4,038,905	4,524,090	-	-		-	1,734,553	804,191	(241,992,306)	(241,206,378)
Sale of Goods/Services	106,825,225	106,661,316		-	11,526,245	-	2,593,250	1,275,735		-	120,944,720	107,937,051
Purchase of Goods/Services	(36,729,492)	(32,521,003)	(6,010,000)	(4,775,000)	-	-		(479,653)			(42,739,492)	(37,775,656)
Expenses to be reimbursed									2,329,199	(836,050)	2,329,199	(836,050)
Finance Charges	(14,711,122)	(14,177,649)		-	-	-		-	-	-	(14,711,122)	(14,177,649)
Technical Service Fees	(27,811,180)	(19,966,182)		-	-	-		-	-	-	(27,811,180)	(19,966,182)
Transfers under finance arrangements	28,291,332	22,319,164		-	-	-		-	-	-	28,291,332	22,319,164
Settlement of Liabilities on behalf of the Company	(30,783,281)	(61,574,712)	4,226,551	4,289,815	(11,526,245)	-	(2,593,250)	(796,082)	(2,946,755)	1,766,411	(43,622,981)	(56,314,568)
Net Exchange (Gain) / Loss	(34,345,486)	(1,972,039)		-	-	-		-	-	-	(34,345,486)	(1,972,039)
Balance Receivable (Payable) as at 31 December	(257,029,769)	(247,765,764)	2,255,456	4,038,905	-	-	-	-	1,116,996	1,734,553	(253,657,317)	(241,992,306)

Above balance Included in	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade Receivable	-	10,329,442			-	-	-	-	-	-	-	10,329,442
Other Receivable	3,799,488	1,600,746	2,255,456	4,038,905	-	-	-	-	1,116,996	1,734,553	7,171,941	7,374,204
Other Payables	(4,229,842)	(9,150,691)	-	-	-	-	-	-	-	-	(4,229,842)	(9,150,691)
Interest Bearing Loans and Borrowings	(256,599,415)	(250,545,261)	-	-	-	-	-	-	-	-	(256,599,415)	(250,545,261)
	(257,029,769)	(247,765,764)	2,255,456	4,038,905	-	-	-	-	1,116,996	1,734,553	(253,657,316)	(241,992,306)

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

*AMG Mining AG (Legal Successor of Graphit Kropfmühl AG)

As at 31st December

22. RELATED PARTY DISCLOSURES (Contd….)

22.2 Transactions with Key Management Personnel of the Company or parent

Key Management Personnel Compensation 1

	2012	2011
	Rs.	Rs.
Directors Emolument paid	4,627,445	4,533,829
Short Term Employee Benefits	2,029,528	2,684,276

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

23 COMMITMENTS AND CONTINGENCIES

23.1. Finance lease - Group

The Group has finance leases for Motor vehicles. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2012		2011	
	Minimum payments Rs.	Present value of payments (Note 11) Rs.	Minimum payments Rs.	Present value of payments (Note 11) Rs.
Within one year	7,798,032	5,647,836	2,914,892	2,301,245
After one year but not more than five years	20,535,071	18,670,549	8,424,288	7,584,106
More than five years	-	-	-	-
Total minimum lease payments	28,333,103	24,318,385	11,339,180	9,885,350
Less amounts representing finance charges	(4,014,720)	-	(1,453,833)	-
Present value of minimum lease payments	24,318,383	24,318,385	9,885,347	9,885,350

Finance Leases	As at 01.01.2012 Rs.	Leases Obtained Rs.	Repayment Rs.	As at 31.12.2012 Rs.
Gross Liability	11,339,183	24,949,680	(7,955,760)	28,333,103
Finance Charges allocated to future periods	(1,453,833)	(4,396,309)	1,835,422	(4,014,720)
Net liability	9,885,350	20,553,371	(6,120,338)	24,318,383

As at 31st December

23 COMMITMENTS AND CONTINGENCIES (Contd….)

23.2 Finance lease - Company

	2012		2011	
	Minimum payments Rs.	Present value of payments (Note 11) Rs.	Minimum payments Rs.	Present value of payments (Note 11) Rs.
Within one year	7,798,032	5,647,836	2,914,893	2,197,251
After one year but not more than five years	20,535,071	18,670,549	8,317,489	7,584,106
More than five years	-	-	-	-
Total minimum lease payments	28,333,103	24,318,385	11,232,382	9,781,356
Less amounts representing finance charges	(4,014,720)	-	(1,451,028)	-
Present value of minimum lease payments	24,318,383	24,318,385	9,781,354	9,781,356

23.2.1 Finance Leases	As at 01.01.2012 Rs.	Lease Obtained Rs.	Repayment Rs.	As at 31.12.2012 Rs.
Gross Liability	11,232,382	24,949,680	(7,848,959)	28,333,103
Finance Charges allocated to future periods	(1,451,028)	(4,396,309)	1,832,617	(4,014,720)
Net liability	9,781,354	20,553,371	(6,016,342)	24,318,383

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise Interest Bearing loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments which has been fully impaired during the current financila year.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's interest rate inlcudes an fixed and variable element, which is EURO LIBOR + 4%

As at 31st December

24 Financial risk management objectives and policies (Contd….)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the borrowings.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an individual credit limits and are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and shipments to major customers are covered either by Advance Payments or by letters of credit. At 31 December 2012, the Group had 7 customers (2011: 11 customers,) that owed the Group more than Rs.2,000,000 each and accounted for approximately 93% (2010: 95%,) of all receivables owing. There was one customer (2010: no customers,) with balances greater than Rs.10 million accounting for approximately 33% of the total amounts receivable. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 10.The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low based on the terms with which we use to work such as telegraphic transfer (TT), Letter of Credit (LC) and Document against Payments (DP) and the long standing business relationship with the customer base, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's Finance department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2012 and 2011 is the carrying amounts as illustrated in Note 10.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2012	**On demand Rs.**	**Less than 3 months Rs.**	**3 to 12 months Rs.**	**1 to 5 years Rs.**	**> 5 years Rs.**	**Total Rs.**
Interest-bearing loans and borrowings	13,840,554	9,877,997	29,948,022	135,958,771	109,971,178	299,596,523
Trade and other payables	-	27,890,054	-	-	-	27,890,054
	13,840,554	37,768,051	29,948,022	135,958,771	109,971,178	327,486,577

As at 31st December

24 Financial risk management objectives and policies (Contd…)

Year ended 31 December 2011	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	> 5 years Rs.	Total Rs.
Interest-bearing loans and borrowings	15,454,961	8,059,929	24,352,648	115,210,073	122,060,512	285,138,123
Trade and other payables	-	30,887,312	-	-	-	30,887,312
	15,454,961	38,947,241	24,352,648	115,210,073	122,060,512	316,025,435

Capital management

Capital includes the equity attributable to the equity holders.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

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

	2012 Rs.	2011 Rs.
Interest-bearing loans and borrowings (Note 14)	299,596,519	285,138,124
Trade and other payables (Note 21)	27,890,058	30,887,312
Less: cash and short-term deposits (Note 17 and Note 14)	(57,123,405)	(39,874,429)
Net debt	270,363,172	276,151,007
Equity	172,361,949	162,083,451
Total capital	172,361,949	162,083,451
Capital and net debt	442,725,121	438,234,458
Gearing ratio	61%	63%

25 ASSETS PLEDGED

The Group has pledged its fixed deposits in order to fulfil the collateral requirements for the bank overdraft facility. At 31 December 2012 and 2011, the value of the fixed deposit were Rs.18,000,000/-.
Interest on bank overdraft will be depend on the interest rate on Fixed deposit and it will be 2.5% over the rate of interest on Fixed deposit.
There were no any other assets pledged as at the Balance Sheet date, except for the assets pleded as metioned above.

26 EVENTS AFTER BALANCE SHEET DATE

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

TEN YEAR FINANCIAL SUMMARY

(In Rupees '000)

		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Trading Results												
Turnover		556,226	399,324	386,373	241,382	383,976	403,005	297,684	277,632	255,330	170,109	112,647
Gross Profit		182,276	115,004	130,098	19,319	108,606	157,662	99,494	114,980	109,639	41,683	21,850
Other Income		13,813	6,925	36,132	6,926	2,195	3,346	4,077	2,361	11,104	1,862	4,239
Profit before Interest		38,795	38,069	88,405	(76,387)	(53,603)	72,283	45,100	61,664	68,182	(11,967)	(24,180)
Interest Cost		18,548	16,406	15,144	47,630	48,270	34,529	19,353	19,058	20,436	21,155	20,678
Profit after interest before Tax		20,247	21,663	73,261	(124,017)	(101,873)	37,754	25,746	42,606	47,746	(33,123)	(44,858)
Taxation		1,886	(1,552)	(2,844)	-	1,845	(3,229)	(2,877)	(6,366)	(864)	-	-
Net Profit		22,133	20,111	70,417	(124,017)	(100,028)	34,525	22,869	36,241	46,882	(33,123)	(44,858)
Balance Sheet												
Stated Capital		80,074	80,074	80,074	547,142	397,290	397,290	397,290	397,290	397,290	279,610	279,610
Reserves		92,313	82,009	76,135	(461,350)	(337,333)	(237,304)	(271,829)	(294,698)	(330,939)	(377,821)	(344,698)
Shareholders' Funds		172,362	162,083	156,209	85,792	59,957	159,986	125,461	102,592	66,351	(98,211)	(65,088)
Property, Plant & Equipment		282,859	275,276	242,700	262,043	303,916	270,929	215,430	167,545	144,965	123,406	105,472
Current & Non Current Assets		241,997	227,833	255,636	205,422	215,938	223,168	149,935	153,557	144,926	101,956	118,088
Current Liabilities		81,542	80,198	40,674	47,200	306,145	278,378	186,831	164,175	176,030	154,545	137,340
Non Current Liabilities		270,952	260,827	301,453	334,471	153,752	55,734	53,073	54,335	47,510	169,029	151,308
Net Assets		172,362	162,083	156,209	85,792	59,957	159,986	125,461	102,592	66,351	(98,211)	(65,088)
Key Indicators												
Gross Profit to Turnover	%	33%	29%	33.67%	8.00%	28.28%	39.12%	33.42%	41.41%	42.94%	24.50%	19.40%
Net Income to Turnover	%	3.98%	5.04%	18.23%	-51.38%	-26.05%	8.57%	7.68%	13.05%	18.36%	-19.47%	-39.82%
Earnings Per Share	Rupees	0.47	0.43	1.49	(2.62)	(2.52)	0.87	0.58	0.91	1.18	(1.18)	(1.60)
Price Earnings Ratio	Times	50.67	91.76	39.31	(6.87)	(3.57)	23.59	39.52	32.89	9.75	(4.01)	(3.12)
Market Value per share as at 31st December	Rupees	23.70	39.00	58.50	18.00	9.00	20.50	22.75	30.00	11.50	4.75	5.00
Return on Equity	%	12.84%	12.41%	45.08%	-144.55%	-166.83%	21.58%	18.23%	35.33%	70.66%	33.73%	68.92%
Net Assets per share	Rupees	3.64	3.43	3.30	1.81	1.51	4.03	3.16	2.58	1.67	(3.51)	(2.33)
No of Shares in Issue	Nos	47,316,452	47,316,452	47,316,452	47,316,452	39,729,000	39,729,000	39,729,000	39,729,000	39,729,000	27,961,000	27,961,000

Notes:
1) In Year 2004 a Loan of Euro 1,000,000 obtaind 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 31/12/2009 of Rs.467,067,988 against the stated capital of Rs.547,142,189 without affecting the number of shares in issue.

Top 20 Shareholders

As at 31st December 2012

	Name of Shareholders	No. Of Shares	%
1	AMG MINING AG (LEGAL SUCCESSOR OF GRAPHIT KROPFMÜHL AG)	42,432,824	89.68
2	SHARE INVESTMENTS (PRIVATE) LIMITED	310,000	0.66
3	SECRETARY TO THE TREASURY	254,500	0.54
4	WALDOCK MACKENZIE LTD/MR. L.S.I. PERERA	138,300	0.29
5	MR. W.A. DE SILVA	90,900	0.19
6	MR. M.S. HIRIPITIYA	60,600	0.13
7	DR. H.H.S. SAMARASIRI	50,800	0.11
8	UNIVOGUE GARMENTS (PVT) LIMITED.	49,500	0.10
9	MR. L.S.I. PERERA	48,800	0.10
10	MR. K.S.M. RODRIGO	45,850	0.10
11	MR. A.P. JAYASINGHE	30,369	0.06
12	RICHARD PIERIS FINANCIAL SERVICES (PVT) LTD/M.R.H.MANSOOR	28,100	0.06
13	MBSL INSURANCE COMPANY LIMITED	26,833	0.06
14	MR. P.D. SAMARASINGHE	21,000	0.04
15	DR. K. SRIRANJAN	20,000	0.04
16	MR. C.N. PAKIANATHAN	18,162	0.04
17	MR. H.W.M. WOODWARD	17,800	0.04
18	MR. H.G.K.R. WIJESUNDARA	17,300	0.04
19	MR. N. HEWAHALPAGE	15,000	0.03
20	MR. S.S. WIGNARAJAH	14,700	0.03
21	DR. U.G.L. WIMALASIRI	14,700	0.03

* Graphit Kropfmuhl AG ("GK") which was a public listed company incorporated in Germany, merged with its primary shareholder AMG Mining AG ("AM") with effect from the 19th October 2012 (the "Merger"). According to the laws in Germany, AM, the surviving entity of the Merger, assumed all the assets and liabilities of GK and GK has ceased to exist. At the time of the Merger GK held 89.68 per centum of the issued shares carrying voting rights in the Company which is now owned by AM.

SHARES HELD BY THE PUBLIC AS AT 31ST DECEMBER 2012

Name	Shares
AMG Mining AG *	42,432,824
SHARE INVESTMENTS (PRIVATE) LIMITED	310,000
MR.A.P.JAYASINGHE	30,369
Total	42,773,193

DIRECTORS SHAREHOLDING

Mr.A.P.Jayasinghe		30,369
Number of Share held by Public		4,543,259
Percentage		9.60
Net Assets Value per Share as at 31st December 2012 (2011 - Rs.3.36)	Rs.	3.57

*AMG Mining AG (Legal Successor of Graphit Kropfmühl AG)

Summary of Shareholders

As at 31.12.2012

SHAREHOLDING	NO.OF SHAREHOLDERS	TOTAL NO.OF SHARES	PERCENTAGE %
1-1000	9,319	2,171,749	4.59
1001-5000	418	1,014,555	2.14
5001-10000	40	291,440	0.62
10001-50000	25	500,784	1.06
50001-100000	3	202,300	0.43
100001-500000	3	702,800	1.49
500001-1000000	0	0	0.00
OVER 1000000	1	42,432,824	89.68
TOTAL	9,809	47,316,452	100.00

SHARE TRADING DETAILS FOR THE YEAR 2012

Highest Market Price	(17-01-2012)	Rs.	45.00
Lowest Market Price	(06-06-2012)	Rs.	15.00
Market Price as at 31 st December 2012		Rs.	23.70
Traded Share Volume			978,206
No of Trades			2,390
Trading Turnover			26,608,970.00

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty Second Annual General Meeting of the Company will be held at 10.30 a.m. on Saturday the 23rd day of March 2013 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 Company together with the Financial Statements for the year ended 31st December 2012 together with the Auditors' Report thereon.

2. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31st December 2013.

3. 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 18th of February 2013

Note:

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

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

Form of Proxy

BOGALA GRAPHITE LANKA PLC

I/We ……..of
……being a member/s of BOGALA GRAPHITE LANKA PLC hereby appoint……………………………………………..
………………………………………………………………………………of ……………………………………………
……………………………………………………………….or failing him Mr.V.P.Malalasekera or failing him Mr.F.E.Berger or failing him Mr.J.C.P.Jayasinghe or failing him Mr.N.A.De Mel or failing him Mr.A.P.Jayasinghe or failing him Mr.T.Mueller or Mr.T.Junker or failing him Mr.J.J.Ambani as my/our proxy to speak/vote for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company to be held on the 23rd day of March 2013 at 10.30 a.m. and at any adjournment thereof and at every poll which may be taken in connection with such meeting.

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

……………………….
Signature

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

INSTRUCTIONS AS TO COMPLETION

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

Attendance Slip

I/ We here by record my/ our presence at the twentieth Annual General Meeting of the Company at the Ceylon Chamber of Commerce Auditorium, No. 50, Nawam Mawatha, Colombo 02, at 10.30 a.m on 23rd day of March 2013.

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

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

Certificate No : ……………………………………………………

New Address : ……………………………………………………

……………………………………………………

*Please bring your National Identity Card.

Corporate Information

Directors

V.P.Malalasekera	(Chairman)
Frank E.Berger	(Vice Chairman)
J.C.P.Jayasinghe	
C.W.Frey	
N.A. De Mel	
G.M.Popescu	
T.Junker	
J.J. Ambani	
A.P.Jayasinghe	(CEO/MD)
T.Muller	

Secretaries & Registrars
Corporate Services (Pvt) Ltd
216 De Saram Place
Colombo 10
Tel; 4718200

Auditors
Ernst & Young
201 De Saram Place
Colombo 10

Bankers
Deutsche Bank
Peoples Bank

Management

General Manager	-	K.G.G.Kumburahena
Deputy General Manager	-	R.M.D.U.Rajapaksa
Chief Financial Officer	-	A.S.R.Amarasinghe
Chief Information Officer	-	I.M.A.W.G.Illukpitiya
Assistant General Manager (HR & ADM)	-	D. Mahaliyange
Assistant General Manager (Underground)	-	E.M.C.D.K.Ekanayake
Assistant General Manager (Processing)	-	L.W.A.Liyanage
Assistant General Manager (Sales & Marketing)	-	A.W.E. Wijesuriye
Manager Supplies (Local)	-	T.M.J.Priyaratne
Manager Supplies (Imports)	-	R.K.D.L.M.Ratnayake
Manager Quality Assuarance and Bussiness Development	-	E.M.K.B.Ekanayake
Manager Safety, Health and Envirement	-	S.Gunasekara
Management Accountant	-	Ms. D.Kumari
Manager Mine Service	-	P.G.K.D. Palandagama
Manager Underground Maintenance	-	A.U.M.B.Bokalamulla
Manager Stores and Public Relations	-	H.W. Jayasinghe

Business Address
No 20 Tickell Road
Colombo 8
Tel 2688224/2688225 Fax

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