Annual Report 2013

Bogala Graphite Lanka PLC

A Member of AMG
AMG Advanced Metallugical Group N.V.

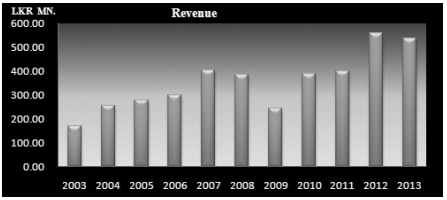
Bogala Graphite Lanka PLC

Annual Report 2013

Contents

Revenue

Rs.
536 million
(3.7%) YOY Decrease

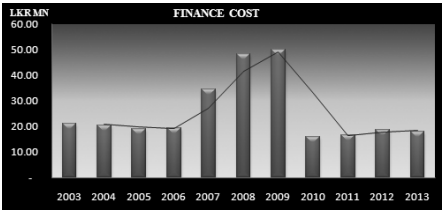


Gross Profit

Rs.
177 million
Gross Profit Margin 33.1%

Finance Cost

Rs.
17.9 million
(3.3%) YOY Decrease

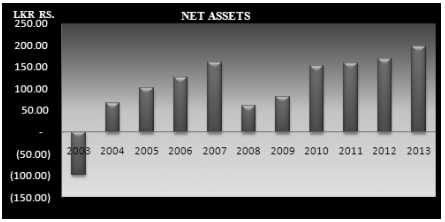


Profit After Tax

Rs.
24.8 million
Net Profit Margin 4.0%

Net Assets

Rs.
197 million
14.3% YOY Growth
Net Assest per Share Rs. 4.16



Board of Directors wishes to welcome you to the 23rd Annual General Meeting of the Company. We take pleasure in presenting the Annual Report and the Audited Financial Statements for the financial year ended 31st December 2013 on behalf of Board.

Your Company had a year of mixed fortunes emerging from the changing competitive environment and regulatory and the likely legislative pressures. These challenges have tested our strength and our ability to adapt to them whilst ensuring that the sustainability of our business in to the future is not affected.

Economic Environment

The economy grew by 7.8 per cent (3rd quarter 2013) compared to the 6.42 per cent growth recorded in 2012, largely supported by domestic economic activity, as external demand remained weak. Despite a slow growth rate Sri Lanka continued to grow faster amongst the newly emerging markets. However, inflation was contained during the period under review due to the prudent measures taken by the Government.

The deficit in the external current account contracted due to the improved trade balance and increased earnings from trade and services and through workers' remittances. The overall balance of payments (BOP), recorded a lower deficit on account of increased foreign investment in government securities, foreign loans, and incremental investment in to the private sector.

Corporate Performance

Revenue of the Company for the year under review was Rs.535 million compared Rs.556 million in 2012. The decline was mainly due to change in the product mix in sales resulting from the different grades of graphite that we were able to extract during the early part of the year. However, the Company ended the year with a Profit after Tax (PAT) of Rs.24.8 million compared to PAT of Rs.23.8 million in 2012. It is also salient to mention that a reversal of depreciation amounting Rs.7.4 million resulting from the re-estimation of useful lifetime of Plant & Machinery is included in the PAT of the year.

The Rupee showed a modest depreciation against the US dollar during the year while the depreciation against the Euro was greater. Despite this the exchange loss incurred during the year was Rs.13.8 million compared to Rs. 30.6 million in 2012.

We are happy to state that the investment made in the Lubricant Plant is delivering us incremental returns.

The Company continued to maintain its commitment to employee safety at work. The award of OSHAS 18001 during the year was an acknowledgement or our commitment. We are proud to say that our strength is "our employees" and their quality of work and expertise continues to enhance our competitive advantage.

Governance and risk management are vital elements of the Company and we place great emphasis in ensuring that all appropriate systems are in place to secure our shareholders wealth and minimize any negative impacts on stakeholders.

Outlook

We continue to focus on cost minimization and productivity improvements. We have also focused on improving our processes and the initial results are very encouraging. The process improvements that have been carried out should enable us to cater to the high end graphite market.

However, we are monitoring closely the regulatory changes in that are being proposed. We earnestly hope that the authorities concerned will consult us as we have been in this industry for the last 150 years. Regulations, we believe should be done in consultation with parties who could be affected.

Board of Directors

We wish to thank Mr.J.J.Ambani who was appointed to the Board as a Non-Executive Independent Director in June 2008 and resigned from the board effective 14th May 2013. His service to the Board, and the Audit Committee was commendable and we wish him all success in his future endeavours.

We wish to welcome Ms.M.C.Pietersz who was appointed to the Board on 14th May 2013. She is currently the Finance Director of Finlays Colombo PLC and brings with her a wealth of experience which would no doubt add value to the deliberations of the Board.

Acknowledgement

The support we received from our Parent Company AMG Mining AG particularly towards our marketing efforts is commendable considering the slow recovery of the international economy. Their continued support for the Management Team has been an inspiration and will continue to be so.

In conclusion, on behalf of the Board of Directors I wish to thank all our stakeholders for the support extended during the past year. The results achieved during the year would not have been possible if not for the team work and collective efforts of all our employees. I wish to thank all our employees for their commitment and dedication which I am sure they will continue to demonstrate into the future.

Finally, I wish to thank my colleagues on the Board for their guidance and help given during the year under review.

Vijaya Malalasekara
Chairman

7th February 2014

Chief Executive officers Review

Despite the increasing global demand for Bogala graphite and products, the year under review was a difficult one for the company. 30% increase in the Electricity rates (announced in April 2013) adversely affected the company's bottom line. The pressure on profitability and cash generation was further aggravated by having to recognize an increase in Royalty, by 2% of the FOB value, in November. The higher Royalties have been enforced retrospectively from October 2013, leading to an increase in the payment of Royalty.

Despite these setbacks, Company ended the year with a Net Profit of LKR 24.8 million including an adjustment in depreciation of LKR 7.4 million.

Health and Safety

A significant achievement during the year was our ability to embed a culture of safety throughout the organisation. The highlight was obtaining the prestigious OSHAS 18001 (Occupational Health and Safety) Certification. This system demonstrates our commitment towards the wellbeing of our employees whilst providing a safe workplace.

We had two "lost time" accidents in 2013, based on a work force of 193. This achievement was the result of all the hard work put in by all employees and the leadership demonstrated by the safety team, who created and maintains a safety culture second to none through continuous training and education.

Out Look for the future

Proposed Changes to the Regulations

The Geological Survey and Mines Bureau have informed the Mining Industry that the related ministry is intending to make changes to the regulations applicable to the Industry. We trust the relevant authorities will consult with us prior to promulgating new regulations. We on our part would be in a position to contribute positively towards formulation of regulations considering that the Company has a history of 150 years in mining in Sri Lanka.

However, We have already sought clarifactions from the line Ministry. Pending response of the Ministry, our capital expenditure plans have been temporarily reduced.

Competition

We are aware that foreign investors have shown interest in the mining of Graphite in Sri Lanka. Depending on what their objectives are, the competitor landscape is likely to change.

R & D Activities

New processes were introduced after much R&D and we are working to commercialize at least one of the technologies in our production process during 2014.

1. Purification of graphite to 99.99%c which is being done for the first time in Sri Lanka and
2. the mechanical purification of graphite which have a larger particle size.

I wish to thank our shareholders and parent company AMG Mining AG and my Board, Management Team as well as our workers for all the support given to me during the year under review.

I especially, wish to thank our safety team who enabled us to obtain OSHAS 18001Certification.

Amila Jayasinghe
Chief Executive Officer

7th February 2014

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 Boston Capital (Private) Limited, Sky Homes (Privatet) Limited. He also serves on the Boards of Carson Cumberbatch PLC, He is a member of the University Grants Commission of Sri Lanka.

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 on 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 the Coconut Cultivation Board. He possess over 26 years of professional working experience in the Public and Private sector.

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 a Director since 2011.

Torben Mueller
(Non Executive Director)

Mr.Mueller was appointed a Director of Bogala Graphite Lanka PLC on 31st December 2012. He serves Graphit Kropfmuhl GmbH as a Supervisory Board Member since October 2012, 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.

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.

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

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

The Company manages its affairs in accordance with appropriate standards of good corporate governance. The Board is committed to enhancing stakeholder wealth whilst ensuring that proper internal control systems are in place by complying with generally accepted corporate governance practices and the specific requirements under the rules set out in Section 7.10 of Listing Rules of Colombo Stock Exchange together with the Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka on matters relating to the financial aspects of corporate governance as a useful guideline.

The Board of Directors

The Board, comprising of professionals and experienced business leaders of repute, is entrusted with, and responsible for providing strategic direction to the Company for proper stewardship of Company's affairs and share responsibility in ensuring that the highest standard of information, particularly financial information, business ethics and integrity is observed. The Board comprises of eight Directors, of which seven are Non Executive Directors and three of them being independent.

Mr.J.J.Ambani resigned from the Board on 14th May 2013.

Name	Executive	Non-Executive	Independent
Mr.V.P.Malalasekera		√	√
Mr.Frank E.Berger		√	
Mr.J.C.P. Jayasinghe		√	
Mr.Thomas Junker		√	
Mr.N.A.De Mel		√	√
Mr.A.P.Jayasinghe	√		
Mr.J.J.Ambani (up to 14th May 2013)		√	√
Mr.Torben Mueller		√	
Ms.M.Coralie Pietersz (effective 14th May 2013)		√	√

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 strategic plans, it is the responsibility of the corporate management team to ensure its implementation.

The Board has determined that Mr. Vijaya Malalasekera and Mr. Nissanka De Mel are independent Directors in spite of serving on the Board for more than 9 years, since they are not directly involved in the Management of the Company.

The board having considered these factors is of the opinion that Mr. Vijaya Malalasekera and Mr. Nissanka 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 9 years and should continue in office as it is beneficial to the Company and its shareholders.

During the year the Board met on three (4) 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 Company performance, new investments, capital projects and other issues which require specific Board approval.

Board Committees

In addition to Board meetings, individual Directors are members of the various sub committees of the Board; the Audit Committee and the Remuneration Committee each of which is attended by the respective Directors after due preparation prior to such meetings. The Directors dedicate sufficient time at such meetings to review respective documentation relating to the meeting, and call for additional information for any further clarification, in addition to familiarizing themselves with the economic factors, legal and political risks and changes.

The committees are provided with all essential resources to empower them to undertake their duties in an effective manner. The Company Secretary acts as secretary to the committee except the Remuneration Committee and the recorded minutes of each committee meeting are circulated to all Directors on completion. 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 (up to 14th May 2013)	Member	-
Ms.M.Coralie Pietersz (effective 14th May 2013)	Member	-

Delegation of Authority

The Board is the ultimate decision-making body of the Company, except with respect to matters reserved to shareholders. The primary function of the Board is to exercise its collective business judgment to act in what it reasonably believes to be in the best interest of the Company and its Shareholders. In exercising its business judgment the Board acts as an advisor and counselor to the CEO/Managing Director who defines and enforces standards of accountability, all with a view to enable senior management to execute their responsibilities fully in the interest of Shareholders and the Company. The Board assesses the effectiveness of the management team through periodic review of their performance and compliance to best business practices.

The Role of the Chairman

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

The Chairman ensures effective participation from all Directors. Their individual contribution and concerns are assessed prior to making key decisions and the balance of power is maintained.

The Chairman is responsible for providing leadership to the Board and ensuring that proper order and effective discharge of Board functions are carried out at all times by the Board 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 is responsible for the effectiveness of internal controls. The system is designed to give assurance, inter alia, safeguarding of assets, the maintenance of proper accounting records and the reliability of the financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The effectiveness of the internal control system is periodically reviewed by the Board Audit Committee and major observations are reported to the Board. The internal audit function is outsourced to Messrs B.R.De Silva & Company, Chartered Accountants. The Board reviews the reports arising from the internal audits and monitors the progress of the Company by evaluating the actual results against the budgets and industry standards.

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

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	Complied
7.10.2 (a)	Independent Directors	Complied
7.10.2 (b)	Independent Directors	Complied
7.10.3 (a)	Disclosure relating to Directors	Complied
7.10.3 (b)	Disclosure relating to Directors	Complied
7.10.3 (c)	Disclosure relating to Directors	Complied
7.10.3 (d)	Disclosure relating to Directors	Complied
7.10.5	Remuneration Committee	Complied
7.10.5 (a)	Composition of Remuneration Committee	Complied
7.10.5 (b)	Functions of Remuneration Committee	Complied
7.10.5 (c)	Disclosure in Annual Report relating to Remuneration Committee	Complied
7.10.6	Audit Committee	Complied
7.10.6 (a)	Composition of Audit Committee	Complied
7.10.6 (b)	Audit Committee Functions	Complied
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	Complied

Risk Management

The Company recognises the importance of adopting a proactive approach when dealing with risk and has a system of control in place to manage those risks. The Company conducts regular reviews of the major risks such as regulatory changes, competitor and political and environment changes that could affect its business and financial performance and creates an awareness of them. The Company analyses the exposure to business risks by identifying the vulnerabilities and their probability of outcome in order to determine how best to handle such exposure. We consistently engage our self in new exploration techniques and processing methods focusing on overall efficiency improvement to be more attractive in terms of pricing and product quality to make sure the possible new entrants do not compromise our strategic advantage.

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

Foreign currency risks of the Company affect substantially both revenue and costs. Risk emanating from operations 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 equivalent at an appropriate level to support operational and capital expenditure requirements.

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

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/LKAS) and all statutory and material declarations are highlighted in the Annual Report of the Board of Directors. The Directors have taken reasonable steps to ensure the accuracy and timeliness of information in the annual financial statement.

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. Board members are free to express their own opinion on matters of importance to the Company and its operations.

Independent Professional advice by the Board during the financial year

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

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

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. 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; pertaining to work related issues as well as matters of 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 a 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 a workplace that is free from physical, verbal or sexual harassment, all of which compliment effective corporate governance.

Remuneration committee Report

The Remuneration Committee comprising three Non-Executive Directors appointed by the Board is responsible to the Board of Directors. The Committee is headed by Mr.Vijaya 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 a positive attitude. Employee performance is measured through key performance indicators including financial and non-financial measures of performance, and links a significant component of pay to individual and Company performance. This encourages superior performance.

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

Vijaya Malalasekara
Chairman

7th February 2014

Remuneration Committee Report

Remuneration committee of Bogala Graphite Lanka PLC comprised of the following Non-Executive Directors.

Mr.V.P.Malalasekera – Chairman
Mr. Frank E Berger
Mr.N.A.De Mel

The invitees of the meeting included the CEO of the Company and CFO who acted as Secretary.

Remuneration Policy

The remuneration policy of the Company endeavors to attract, motivate, and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company.

The Committee is responsible for determining the compensation of the Chief Executive, and the Management Committee of the Company. In addition they lay down guidelines and parameters for the compensation structures of all management staff within the Company. These compensation packages provide compensation appropriate for each employee's level of expertise and contribution.

Framework and Scope

The remuneration framework of the Company is designed to create and enhance value to all stakeholders of the Company and to ensure alignment with short and long-term interests of the Company. In designing competitive compensation packages, the Committee in consultation with Chief Executive Officer consciously balances the short-term performance with medium to long-term goals of the Company.

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at senior Executive level. In this decision making process, necessary information, and recommendations are obtained from the Chief Executive Officer and other external sources. The Company ensures internal equity and fairness among employees are maintained and a suitable work environment and working conditions are provided.

The Remuneration Committee consideres the performance of the employees and approves promotions and the revision of individual remuneration packages. These packages are based on the cost of living, inflation, individual performance and their comparative industry norms. No director was involved in deciding their own remuneration. The Remuneration Committee's decisions were based on these policies and practices, which ensured that sound and measured judgments, were adopted at all times.

The committee reviews the remuneration of Chief Executive Officer and the Management Committee with the recommendations of CEO every end of the year in comparison to their set performance objectives and achieved results.

Vijaya Malalasekera
Chairman

7th February 2014

Composition of the Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises three Independent Non-Executive Directors and a Non-Executive Director. The Chairman of the Audit Committee is Mr.N.A.de Mel a senior member of the Institute of Chartered Accountants of England and Wales.

Name	Non-Executive Directors
Mr.N.A.De Mel	Independent
Mr.V.Malalasekera	Independent
Mr.Frank E.Berger	Non-Independent
Mr. J.J.Ambani (up to 14th May 2013)	Independent
Ms.M.C.Pietersz (effective 14th May 2013)	Independent

Meetings of the Audit Committee

The Audit Committee met four (4) times during the year. The Chief Executive Officer, Chief Financial Officer, Head of Business Development of AMG and Director Sales and Marketing of AMG attend the meetings of the Committee by invitation as required.

The outsourced Internal Auditors and other officials of the company attended meetings when conidered necessary.

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;

- The integrity of financial statements is in accordance with Sri Lanka Financial Reporting Standards (SLFRS/LKAS).
- The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulatory requirements.
- The external Auditors independence and performance,
- The performance review of the internal audit function to ensure that the Company's internal controls and risk management systems are adequate.
- The responsibility of the internal audit function is clearly defined whilst considering their recommendations to take necessary action
- The internal controls within the company are designed to provide reasonable but not absolute assurance to the Directors in assessing the financial position of the Company.

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

Financial Reporting

The Committee reviewed and discussed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the process and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards (SLFRS/LKAS). The methodology includes obtaining a statement of compliance from the Chief Financial Officer.

The Committee recommended the Financial Statements to the Board for its deliberation and issuance. The committee in its evaluation of the financial reporting system also recognises the adequacy of the content and quality of the routine management information reports forwarded to its members.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded, and the financial reporting system can be relied upon.

Internal Audits are outsourced to a leading audit firm in line with an agreed annual audit plan. Follow up reviews are scheduled to ascertain that audit recommendations are acted upon.

External Audit

The Committee held meetings with the External Auditors during the year to discuss their audit approach and procedure, including matters relating to the scope of the audit. The Committee reviewed the issues arising from the audit of Annual Financial Statements highlighted in the Management Letter together with the management response and recommendations thereto and ensured appropriate follow up action.

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 Company for the financial year ending 31st December 2014, subject to approval by the shareholders at the Annual General Meeting.

N.A.De Mel
Chairman Audit Committee

7th February 2014

The Directors have pleasure in presenting to the members their 23rd annual report of the Company, together with the audited financial statements for the year ended 31st December 2013. The details set out herein provide pertinent information required by the Companies Act, No.7 of 2007, Listing Rules of the Colombo Stock Exchange and recommended best accounting practices.

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 and the likely future developments are included in the Chairman's Review (Page 4) and CEO's Review (Page 6).

Results and Appropriations

The Company's Profit before Tax was at Rs. 29.8 million (2012 – Rs.22.2 million). Results of the company are given in the statement of comprehensive income. Detailed description of the results and appropriations are given below.

For the year ended 31st December in Rs.'000s	2013	2012
Profit earned before Interest after providing for all known liabilities, bad and doubtful debts, cost of VRS, and depreciation on property, plant and equipment	47,757	40,741
Interest Paid	(17,928)	(18,548)
Profit before tax	**29,829**	**22,193**
Provision for taxation including deferred tax	(5,072)	1,652
Amount available to the shareholders (Net Profit)	24,757	23,845
Other Comprehensive Income	(125)	(1,713)
Balance brought forward from the previous year	86,594	76,291
Amount available for appropriation	**111,226**	**98,423**
Final Dividend Paid	-	(11,829)
Balance to be carried forward to next year	**111,226**	**86,594**

Dividend declared in 2011 was paid in 2012. The Directors do not recommend a payment of a dividend for the year ended 31st December 2013 due to the financial position of the Company.

The profit shown above includes a depreciation reversal amounting to Rs.7.4 million resulting from correction of estimated useful lifetime related to plant & machinery.

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.1.17 million which is given on Note 8(b) to the Financial Statements on page 40 of the Annual Report.

Property, Plant and Equipment

The book value of property, plant and equipment as at the reporting date amounted to Rs.297 million compared to Rs.283 million for 2012.

Capital expenditure for the company amounted to Rs.57.4 million (2012 – Rs.62.8 million).

Details of property, plant and equipment and their movements are given in Note 11 (page 42 to 44) to the financial statements.

Stated Capital

The stated capital of the company as at 31st December 2013 was Rs.80.074 million (2012 – Rs.80.074 million) consisting of 47,316,452 Ordinary Shares as given in the Note 17 (Page 49) 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 57 of the Annual Report.

There were 9,687 registered shareholders as at 31st December 2013. The 20 major shareholders and public shareholding as at 31st December 2013 and the number of shares held and the percentage shareholding are disclosed in the Share Information section of the Annual Report (Page 56)

Public Shareholding

Number of shares held by Public	-	4,543,259
Percentage	-	9.60%

Reserves

Total reserves of the Company as at 31st December 2013 amounts to Rs.116.9 million (2012 – Rs.92.3 million) movement and composition of which is given in the Statement of Changes in Equity (Page 25)

Directors

The Directors of the Company as at 31st December 2013 were:

Mr. Vijaya Malalasekara
Mr. Frank E. Berger
Mr. J.C.P. Jayasinghe
Mr. N.A. De Mel
Mr. T.A. Junker
Mr. A.P. Jayasinghe
Mr. T. Mueller
Ms.M.C.Pietersz

Resignation/New Appointments during the year

Mr. J.J.Ambani resigned from the Board with effect from 14th May 2013.

Ms.M.C.Pietersz was appointed a Director with effect from 14th May 2013.

Mr.J.C.P.Jayasinghe informed the Company that he is reaching the age of 70 in February 2014. He has expressed his willingness to serve on the Board in the future. The major shareholder AMG Mining AG by their letter dated 6th February 2014 proposes that the age limit referred to in Section 210 of the Companies Act No.07 of 2007 shall not be applied to Mr.J.C.P. Jayasinghe and propose that he be re-appointed as a Director for a further period of one year at the forthcoming Annual General Meeting.

The Board has determined that Mr. Vijaya Malalasekera and Mr. Nissanka De Mel who are serving on the Board for more than 9 years are independent Directors since they are not directly involved in the Management of the Company.

The board having considered these factors is of the opinion that Mr. Vijaya 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 ten years and as it is beneficial to the Company and its Shareholders.

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 (13 to 15) 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 (up to 14th May 2013)	Member	-
Ms.M.C.Pietersz (effective 14th May 2013)	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, who owns 90.33% of the shareholding of Bogala Graphite Lanka PLC.

Related party disclosures in terms of the section 192 are given below and disclosed in Note 21 of the financial statements.

Name of the Company	Relationship	Name of Director	Nature of Transaction	Value
AMG Mining AG	Parent Entity	Mr.Frank E.Berger	Sale of Goods Purchase of Goods Technical Service Fees Interest Paid Loan Settlement	104,939,639 42,469,688 26,874,025 13,607,993 29,325,647
Qingdao Kropfmuhl Graphite Co. Ltd.	Affiliate	Mr.Frank E.Berger	Sale of Goods Purchases	1,798,675 309,890
Graphite Tyn Spol. S.r.o	Affiliate	Mr.Frank E.Berger	Sale of Goods	67,022,395
Fairdeal Trading Company (Pvt) Ltd	Subsidiary (liquidated in March 2013)	Mr.A.P.Jayasinghe	Settlement of liabilities	2,255,456
Ansro Lanka (Pvt) Ltd.	Common Director	Mr.J.C.P.Jayasinghe	Expenses incurred to be re-imbursed	353,985
Seylan Bank PLC	Common Director	Ms.M.C.Pietersz	Current Account operation	40,703

Corporate Governance

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

The Corporate Governance Report is given on pages 8 to 12 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 2013 except as stated in Note 21.1 to the financial statements.

Directors Remuneration

The Directors emoluments and fees for the financial year ended 31st December 2013 are stated below and also given on Notes 21.2 to the Financial Statements on page 51 of the Annual Report.

Directors Emoluments	Executive Directors	Rs 2,795,130
	Non-Executive Director	Rs.2,792,513

Directors' Responsibilities for Financial Statements

The Directors are responsible for the preparation of the Financial Statements of the Company which reflect a true and fair view of the status of its affairs. The Directors are of the view that Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow, Significant Accounting Policies and Notes thereto appearing on pages 23 to 54 have been prepared in conformity with Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and provide the information required by the Companies Act No 7 of 2007, and the Listing Requirements of the Colombo Stock Exchange. Statement of Directors' Responsibility for Financial Statements given on page 21 forms an integral part of this report.

Directors' Shareholding

Shareholding of the Directors and the Managing Director as at 01st January 2013 and 31st December 2013 are as follows.

Name	01st January 2013	31st December 2013
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
Ms.C.Pietersz	Nil	Nil
Mr. T.A. Junker	Nil	Nil
Mr. A.P. Jayasinghe-CEO	Nil	30,369
Mr. T. Mueller	Nil	Nil

Statutory Payments

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

Internal Control

The Directors acknowledge their responsibility for the system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of the financial information generated. However, any system can only provide reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board having reviewed system of internal control is satisfied with the compliance to and the effectiveness of these controls for the period up to the date of signing the Financial Statements.

Events Occurring After the Balance Sheet Date

No material events have taken place after the Reporting Date which requires an adjustment to or a disclosure in the Financial Statements other than those disclosed in Note 25 to the financial statements.

Going Concern

The Directors have reasonable expectation after considering the financial position, operating conditions, regulatory and other factors that the Company possesses adequate resources to continue to be in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing Financial Statements.

Auditors

Messrs. Ernst & Young, Chartered Accountants, have expressed their willingness to continue as Auditors of the Company, and a resolution proposing their reappointment will be tabled at the annual general meeting.

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 8(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 Friday the 4th April 2014 at 10.30a.m.

The Notice of the Annual General Meeting is on page 58 of the Annual Report.

By order of the Board

Corporate Services (Private) Limited
Secretaries

Vijaya Malalasekera
Chairman

Amila Jayasinghe
CEO/ Managing Director

7th February 2014

Statement of Directors' Responsibility

The Directors are responsible under the Sections 150(1), 151, 152(1), & 153 of the Companies Act No.07 of 2007, to ensure compliance with the requirement set out therein to prepare Financial Statements for each financial year giving a true and fair view of the status of affairs of the Company as at the reporting date and of the profit & loss of the Company.

The Directors have a responsibility under the Section 148, to ensure that the Company maintains proper accounting records to disclose, to enable determination of financial position with reasonable accuracy, to enable preparation of Financial Statements in accordance with the Act, and to enable the Financial Statements of the Company be readily and properly audited.

The financial statements comprise of:

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

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 to comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, business plans, and review of its current and future operations that adequate resources are available to support the Company on a going concern basis over the next year. Accordingly, Financial Statements have been prepared on that basis.

The Directors also have taken appropriate step to safeguard the assets of the Company to prevent and detect frauds and other irregularities. The Directors have instituted appropriate system of internal control, with a view to provide reasonable though not absolute assurance that assets are safeguarded to carry on the business in an orderly manner.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary to carry out their responsibilities. The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Independent Auditors Report.

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, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the balance sheet date have been paid, or where relevant provided for.

By Order of the Board

Director
Corporate Services (Private) Limited
Secretaries

7th February 2014

Building a better working world

Ernst & Young
Chartered Accountants
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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"), which comprise the statement of financial position as at 31 December 2013, 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 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

Ernst + Young

7th February 2014
Colombo

Statement of Financial Position

Year ended 31 December 2013

ASSETS	Note	2013 Rs.	2012 Rs.
Non-current Assets			
Property, Plant and Equipment	11	297,135,829	282,858,735
Intangible Assets	12	2,093,169	3,333,284
Other Financial Assets	13.1	15,662,098	11,201,432
Deferred Tax Assets	9.2	306,580	2,948,298
		315,197,676	300,341,749
Current Assets			
Inventories	14	89,550,059	88,441,421
Trade and Other Receivables	15	76,661,296	65,773,449
Advances and Prepayments		6,948,763	5,592,247
Income Tax Receivables		-	1,124,765
Other Financial Assets	13.1	24,656,867	24,459,049
Cash and Cash Equivalents	16	24,562,933	39,123,404
		222,379,918	224,514,335
Total Assets		537,577,594	524,856,084
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	17	80,074,201	80,074,201
Reserves	18.1	5,718,298	5,718,298
Retained Earnings		111,226,023	86,594,450
Other Components of Equity		-	(25,000)
Total Equity		197,018,522	172,361,949
Non-current Liabilities			
Interest Bearing Loans and Borrowings	13.2	224,504,927	245,944,315
Employee Benefit Liability	19	29,178,844	25,007,558
		253,683,771	270,951,874
Current Liabilities			
Trade and Other Payables	20	39,979,785	27,890,057
Income Tax Payables		497,950	-
Interest Bearing Loans and Borrowings	13.2	46,397,566	53,652,204
		86,875,301	81,542,261
Total Equity and Liabilities		537,577,594	524,856,084

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

The board of directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the board by:

.....
Wijaya Malalasekara
Chairman

.....
Amila Jayasinthe
CEO/ Managing Director

The accounting policies and notes on pages 27 through 54 form an integral part of the Financial Statements.

Colombo - 7th February 2014

Statement of Comprehensive Income

Year ended 31 December 2013

	Note	2013 Rs.	2012 Rs.
Revenue	5	535,758,100	556,226,483
Cost of Sales		(358,269,703)	(372,004,431)
Gross Profit		177,488,397	184,222,052
Other Income and Gains	6	2,254,085	10,546,922
Selling and Distribution Costs		(61,403,390)	(66,371,184)
Administrative Expenses		(76,045,574)	(90,922,722)
Operating Profit		42,293,518	37,475,068
Finance Cost	7	(17,927,944)	(18,548,233)
Finance Income	6.1	5,463,612	3,266,394
Profit Before Tax	8	29,829,186	22,193,229
Income Tax (Expenses)/Reversals	9	(5,071,924)	1,652,146
Net Profit for the Year		24,757,262	23,845,375
Other Comprehensive Income			
Loss on Available-for-sale Financial Assets		25,000	(25,000)
		25,000	(25,000)
Actuarial gain/(Loss) on Retirement Benefit Obligation		(142,830)	(1,946,323)
Income tax effect		17,140	233,559
		(125,690)	(1,712,764)
Total Comprehensive Income for the Year, net of tax		24,656,572	22,107,611
Earnings Per Share	10	0.37	0.50

The accounting policies and notes on pages 27 through 54 form an integral part of the Financial Statements.

Statement of Changes in Equity

Year ended 31 December 2013

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Available for sale Reserve Rs.	Total Equity Rs.
Balance as at 31 December 2011	80,074,201	5,718,298	76,290,952	-	162,083,451
Profit for the Period	-	-	23,845,375	-	23,845,375
Other Comprehensive Income	-	-	(1,712,764)	(25,000)	(1,737,764)
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
Profit for the Period	-	-	24,757,262	-	24,757,262
Other Comprehensive Income	-	-	(125,690)	-	(125,690)
Reclassified to Income Statement	-	-	-	25,000	25,000
Balance as at 31 December 2013	80,074,201	5,718,298	111,226,023	-	197,018,522

The accounting policies and notes on pages 27 through 54 form an integral part of the Financial Statements.

Statement of Cash Flow

Year ended 31 December 2013

	Note	2013 Rs.	2012 Rs.
Cash Flows From Operating Activities			
Profit Before Tax		29,829,186	22,193,229
Adjustments for			
Depreciation	11	43,025,073	48,766,537
Amortization of Intangible Assets	12	1,240,115	455,827
Foreign Currency Exchange Loss/(Gains)	8	13,837,791	30,608,470
Profit on disposal of Property, Plant and Equipment	6	(99,700)	(8,243,373)
Finance Income	6.1	(5,463,612)	(3,266,394)
Finance Costs	7	17,927,944	18,548,232
Provision for Defined Benefit Obligation	19	4,549,856	4,659,451
Operating Profit before Working Capital Changes		104,846,653	113,721,980
(Increase)/ Decrease in Inventories		(1,108,638)	7,658,046
(Increase) / Decrease in Trade and Other Receivables and Prepayments		(12,244,363)	6,329,538
(Increase) / Decrease in Other Financial Assets		(4,658,484)	(4,868,344)
Increase / (Decrease) in Trade and Other Payables		12,089,728	(2,997,254)
Cash Generated from Operations		98,924,896	119,843,966
Income Tax Paid		(790,351)	(2,358,655)
Interest Received		5,463,612	3,266,394
Defined Benefit Obligation Paid	19	(521,400)	(5,156,898)
Net Cash From Operating Activities		103,076,757	115,594,807
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	11	(57,337,019)	(38,619,503)
Acquisition of Intangible Assets	12	-	(3,712,046)
Proceeds from Sale of Property, Plant and Equipment		134,552	11,066,507
Net Cash Flows from Investing Activities		(57,202,467)	(31,265,042)
Cash Flows from / (Used in) Financing Activities			
Repayment of Interest Bearing Loans and Borrowings		(30,291,570)	(32,798,281)
Principal Payment under Finance Lease Liabilities		(5,917,753)	(6,016,342)
Finance Cost Paid		(17,902,944)	(18,548,232)
Dividend Payments	17.2	-	(11,829,113)
Net Cash Flows used in Financing Activities		(54,112,267)	(69,191,968)
Net Increase/(Decrease) in Cash and Cash Equivalents		(8,237,977)	15,137,797
Net Foreign Exchange Difference		2,761,896	3,725,587
Cash and Cash Equivalents at the Beginning of the Year	16	25,282,851	6,419,467
Cash and Cash Equivalents at the End of the Year	16	19,806,769	25,282,851

The accounting policies and notes on pages 27 through 54 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

1.1 General

The financial statements of the Company for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 07 February 2014. The Bogala Graphite Lanka PLC is a limited liability company incorporated and domiciled in Sri Lanka and whose shares are publicly traded in Colombo Stock Exchange. The registered office 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, refining, treating, processing and preparation and sale of graphite and the production of lubricants.

The principal activity of the subsidiary, Fairdeal Trading (Private) Limited which has been liquidated on 01 April 2013 was to provide transport services to the parent company.

1.3 Parent Entity and Ultimate Parent

The Company's parent undertaking is AMG Mining AG which is incorporated in Germany. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is AMG Advanced Metallurgical Group NV which is incorporated in Netherlands.

2. GENERAL POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards as issued by the Institute of Chartered Accountants of Sri Lanka.

The 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 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 years.

Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the year ended 31 December 2012 have not been presented separately in the current year's financial statements due to the non-existence of a "Group" with the liquidation of only subsidiary with effect from 01 April 2013.

The information presented in the consolidated financial statements of the Group for the year ended 31 December 2012 was similar to the information presented in the Company's financial statements other than for below mentioned information.

2.1.2.1 Consolidated Statement of Financial Position

ASSETS	2012
Non-current Assets	**Rs.**
Property, Plant and Equipment	281,408,750
Current Assets	
Trade and Other Receivables	63,517,993
Cash and Cash Equivalents	39,417,633
EQUITY AND LIABILITIES	
Capital and Reserves	
Retained Earnings	82,913,527
Other Components of Equity	-
Current Liabilities	
Income Tax Payables	244,711

2.1.2.2 Consolidated Statement of Comprehensive Income

	2012
	Rs.
Cost of Sales	(373,385,823)
Administrative Expenses	(91,856,384)
Finance Income	3,301,792
Income Tax Reversals	1,693,411

2.1.2.3 Consolidated Statement of Cash Flows

	2012
	Rs.
Net Cash From Operating Activities	113,532,578
Cash Flows from / (Used in) Investing Activities	(29,079,370)
Cash Flows from / (Used in) Financing Activities	(69,298,770)

2.3 Summary of significant accounting policies

a) Foreign currency translation

The Company's financial statements are presented in Sri Lankan Rupees. The Company determines its own functional currency and items included in the financial statements of the Company are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company 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 recognized 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 recognized in other comprehensive income or profit or loss is also recognized 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 Company 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 Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company 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 depends on the terms and conditions of the contract of sale.

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

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 Company 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.
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 Company 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.

Lands are measured at fair value less impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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.

Company as a lessee

Finance leases that transfer to the Company 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 Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 Company 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 Company commits to purchase or sell the asset.

The Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or
  - (b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company's continuing involvement in the asset. In that case, the Company 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 Company 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 Company could be required to repay.

ii) Impairment of financial assets

The Company 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 Company 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 Company 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 Company. 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 Company 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 Company 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 Company'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 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 13.3.

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

asset's or cash-generating 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 Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company'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 Company 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 statement of cash flow, 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 Company 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 Company 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.

m) Post Employment Benefits

i) Defined Benefit Plan - Gratuity

The Company operates a defined benefit plan as prescribed in Gratuity act No.12 of 1983. These benefits are unfunded. The cost ofbenefits under the defined benefit plans is determined using the projected unit credit method. Actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

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 Company's 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 Company based its assumptions and estimates on parameters available when the 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 Company. 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 Company 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 13.

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 Company has tax losses carried forward amounting to Rs.169,488,919/- (2012:Rs. 205,001,859/-).

Retirement Benefit Obligation

The cost of retirement benefit obligation and the present value of the retirement benefit 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 19.

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) 09 – Financial Instruments
- 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 SLFRS 9 was originally effective for annual periods commencing on or after 01 January 2015 but the effective date has been deferred subsequently. SLFRS 10, 11, 12 and 13 to be effective for financial periods beginning on or after 01 January 2014. These five standards have been amended and form a part of the new set of financial reporting standards.

Year ended 31 December 2013

5 REVENUE

	2013 Rs.	2012 Rs.
Summary		
Export Sales	530,777,745	551,115,794
Local Sales	4,980,355	5,110,689
	535,758,100	556,226,483

6 OTHER INCOME AND GAINS

	2013 Rs.	2012 Rs.
Income from Sale of Obsolete Items	1,382,338	418,269
Profit on sales of Property, Plant and Equipment	99,700	8,243,374
Miscellaneous Income	772,047	1,885,279
	2,254,085	10,546,922

6.1 Finance Income

	2013 Rs.	2012 Rs.
Interest Income	5,463,612	3,266,394
	5,463,612	3,266,394

7 FINANCE COST

	2013 Rs.	2012 Rs.
Interest Expense on Overdrafts	2,245,974	1,516,088
Interest Expense on Interest Bearing Loans and Borrowings	13,776,611	15,199,528
Finance Charges on Lease Liabilities	1,880,359	1,832,617
Loss on Available for Sale Financial Assets	25,000	-
	17,927,944	18,548,233

8 PROFIT BEFORE TAX

	2013 Rs.	2012 Rs.
(a) Included in Cost of Sales		
Depreciation	36,645,302	43,854,683
Staff Costs includes		
- Defined Benefit Plan Costs -Gratuity	3,923,121	6,030,863
- Defined Contribution Plan Costs - EPF and ETF	5,876,494	5,327,639
- Other staff Costs	66,423,705	61,476,873
Technical Services Fee	26,787,905	27,811,180
Legal Expenses	390,263	45,646

Year ended 31 December 2013

(b) Included in Administrative Expenses		
Depreciation	6,379,771	4,911,854
Amortisation of Intangible Assets	1,683	455,827
Staff Costs includes		
- Defined Benefit Plan Costs -Gratuity	626,735	570,374
- Defined Contribution Plan Costs - EPF and ETF	1,837,709	1,563,563
- Other staff Costs	19,438,775	16,086,748
- Compensation paid on Voluntary Retirement Scheme	-	8,299,685
Exchange (Gain) / Loss	13,837,791	30,608,470
Auditors' Remuneration		
-Audit	975,900	881,638
-Non Audit	(104,878)	1,140,000
Directors' Fees	1,644,332	810,000
Donations	1,167,740	1,193,419
(c) Included in Selling Distribution Expenses		
Transport Costs	3,474,359	5,716,676
Royalty paid to the Government	24,190,456	23,672,033

09 INCOME TAX

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

	2013 Rs.	2012 Rs.
Current Income Tax		
Current Income Tax charge (9.1)	2,220,043	1,290,207
Under (Over) Provision of current taxes in respect of prior years	193,023	(1,497,602)
Deemed Dividend Tax	-	-
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (9.2)	2,658,858	(1,444,751)
Income tax expense reported in the Income Statement	5,071,924	(1,652,146)

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

	2013 Rs.	2012 Rs.
Accounting Profit Before Tax from Continuing Operations	29,686,356	20,246,907
Aggregate Disallowed Items	134,243,341	157,620,026
Aggregate Allowable Expenses	(67,927,765)	(80,937,689)
Aggregate Other Income	5,463,612	3,266,394
Deductions under Sec. 32	(82,965,182)	(89,443,912)
Taxable Profit	**18,500,362**	**10,751,726**
Statutory Tax Rate		
- Income Tax Rate 12% (2012 - 12%)	2,220,043	1,290,207
Income tax expense reported in the income statement	2,220,043	1,290,207

Year ended 31 December 2013

INCOME TAX (Cont….)

		2013 Rs.	2012 Rs.
9.1.1	Tax Losses Brought Forward	205,001,859	240,064,645
	Set off against Current Years Profits	(35,512,940)	(35,062,786)
	Tax Losses Carried Forward	169,488,919	205,001,859

9.1.2 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.

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

	Statement of Financial position		Income Statement		Other comprehensive Income	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Deferred Tax Liability						
Capital allowances for tax purposes	14,524,306	12,245,698	(2,278,608)	(2,975,188)	-	-
	14,524,306	12,245,698	(2,278,608)	(2,975,188)	-	-
Deferred Tax Assets						
Retirement Benefit Obligation	3,501,461	3,000,907	483,414	(59,694)	17,140	233,559
Brought forward Losses	11,329,425	12,193,089	(863,664)	4,479,633	-	-
	14,830,886	15,193,996	(380,250)	4,419,939	17,140	233,559
Deferred income tax income/ (expense)			(2,658,858)	1,444,751	17,140	233,559
Net Deferred Tax Liability/ (Assets)	(306,580)	(2,948,298)				

9.2.1 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.169,488,919 (2012 - Rs. 205,001,859/-) 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.94,411,873 (2012 - Rs.101,609,077/-).

10. EARNINGS PER SHARE

10.1 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.

	2013 Rs.	2012 Rs.
Net Profit Attributable to Ordinary shareholders for basic Earning Per Share – After adjusting the impact of estimate change of useful lives of Plant and Machinery (Note 11.9)	17,608,686	23,845,375
Number of Ordinary Shares used as Denominators:		
	2013 Number	**2012 Number**
Number of Ordinary Shares applicable to basic Earning Per Share	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.

Year ended 31 December 2013

11. PROPERTY, PLANT AND EQUIPMENT

11.1 PROPERTY, PLANT AND EQUIPMENT

11.1.1 Gross Carrying Amounts	Balance As at 01.01.2013 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2013 Rs.
At Cost				
Buildings on Freehold Land	38,868,159	1,472,501	-	40,340,661
Road Development	5,779,589	3,028,200	-	8,807,789
Access Tunnels	207,017,362	7,630,773	-	214,648,134
Plant and Machinery	244,758,543	11,843,408	(18,425,572)	238,176,379
Other Equipments	40,830,606	1,328,431	(224,550)	41,934,487
Office Equipment	7,020,875	2,223,126	(87,763)	9,156,238
Furniture and Fittings	3,972,397	117,741	-	4,090,138
Computer Equipments	11,129,676	1,390,622	(124,872)	12,395,426
Motor Vehicles	13,898,626	1,826,741	-	15,725,367
	573,275,832	30,861,543	(18,862,757)	585,274,619
At Valuation				
Freehold Land	11,422,000	-	-	11,422,000
	11,422,000	-	-	11,422,000
Assets on Finance Leases				
Motor Vehicles	41,304,075	-	-	41,304,075
	41,304,075	-	-	41,304,075
Total value of Depreciable Assets	626,001,907	30,861,543	(18,862,757)	638,000,694

11.1.2 In the Course of Construction	Balance As at 01.01.2013 Rs.	Incurred During the Year Rs.	Disposal/ Transfers Rs.	Balance As at 31.12.2013 Rs.
Access Tunnels	22,336,488	27,155,622	(7,630,773)	41,861,336
Plant and Machinery	687,463	12,855,047	(5,904,420)	7,638,090
	23,023,950	40,010,669	(13,535,193)	49,499,426
Total Gross Carrying Amount	649,025,858	70,872,212	(32,397,950)	687,500,119

11.1.3 Depreciation	Balance As at 01.01.2013 Rs.	Charge for the year/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2013 Rs.
At Cost				
Buildings	19,651,740	1,554,724	-	21,206,464
Road Development	2,173,334	492,743	-	2,666,077
Access Tunnels	123,074,361	18,157,096	-	141,231,457
Plant and Machinery	162,168,127	7,555,232	(18,425,572)	151,297,788
Other Equipments	25,807,343	2,850,426	(224,550)	28,433,219
Office Equipment	5,189,953	810,090	(71,244)	5,928,800
Furniture and Fittings	2,942,208	340,622	-	3,282,830
Computer Equipments	8,741,134	1,486,514	(106,539)	10,121,109
Motor Vehicles	7,721,632	1,516,809	-	9,238,441
	357,469,832	34,764,258	(18,827,904)	373,406,186
Assets on Finance Leases				
Motor Vehicles	8,697,290	8,260,815	-	16,958,105
	8,697,290	8,260,815	-	16,958,105
	366,167,122	43,025,073	(18,827,904)	390,364,291

Year ended 31 December 2013

11. PROPERTY, PLANT AND EQUIPMENT - (Contd….)

11.1.4 Net Book Values

	2013 Rs.	2012 Rs.
At Cost		
Buildings on Freehold Land	19,134,197	19,216,420
Road Development	6,141,712	3,606,255
Access Tunnels	73,416,677	83,943,001
Plant and Machinery	86,878,591	82,590,415
Other Equipments	13,501,267	15,023,263
Office Equipment	3,227,438	1,830,921
Furniture and Fittings	807,308	1,030,189
Computer Equipments	2,274,317	2,388,542
Motor Vehicles	6,486,926	6,176,993
	211,868,433	215,805,999
Assets on Finance Leases		
Motor Vehicles	24,345,970	32,606,785
	24,345,970	32,606,785
At Valuation		
Freehold Land	11,422,000	11,422,000
	11,422,000	11,422,000
In the Course of Construction		
Access Tunnels	41,861,336	22,336,487
Plant and Machinery	7,638,090	687,464
	49,499,426	23,023,951
Total Carrying Amount of Property, Plant and Equipment	297,135,829	282,858,735

11.1.5 The land was revalued during the financial year 2013 by N.M. Jayathilake an independent valuer. The result of such revaluation was incorporated in these financial statements from its effective (reported) date which is 10.10.2013. Such asset was valued on an open market value on an existing use basis without considering the mineral deposits and under ground works.

11.1.6 Property, Plant and Equipment includes fully depreciated assets having a total cost of Rs.91,763,749/ (2012 - Rs.140,928,770/-).

11.1.7 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.70,872,212/- (2012 - Rs.75,363,120/-). Acquisitions through Cash payments amounting to Rs.57,337,019/- (2012 - Rs.38,619,503/-).

11.1.8 The carrying value of plant and equipment held under finance leases at 31 December 2013 was Rs.24,345,970/- (2012-Rs.32,606,785/-). There was no additions during the year (2012-Rs.25,877,195/-) of plant and equipment under finance leases. Lease Assets are pledged as securities for the related Finance Lease.

11.1.9 The useful lives of Plant and Machinery were reviewed and changed by the Management during the year. Due to these changes in estimation, the following additional reductions have resulted in the current year, in comparison to the depreciation charge based on previous estimate. These differences will arise in the future periods for the property, plant and equipment existing as at 31 Decemebr 2013,unless they are disposed in the future.

Class of Asset	Previous estimate useful life	Adjusted useful life	Decrease in depreciation charge	Comparative Depreciation Charge based on previous estimate
Plant & Machinery	10 Years	5-20 Years	Rs.7,418,576/-	Rs.9,754,770/-

Year ended 31 December 2013

11.1.9 The useful lives of the assets are estimated as follows;

	2013	2012
Buildings		
Road Development Cost	25 Years	25 Years
Access Tunnels	10 Years	10 Years
Plant and Machinery	10 Years	10 Years
Other Equipments	5 - 20 Years	10 Years
Office Equipment	10 Years	10 Years
Furniture and Fittings	05 Years	05 Years
Motor Vehicles	05 Years	05 Years
Computer Equipments	05 Years	05 Years
	03 Years	03 Years

11.1.10 Information on the Freehold Land, Freehold Buildings including in the Property,Plant and Equipmnets of the 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

12. INTANGIBLE ASSETS

12.1 Gross Carrying Amounts

	Balance As at 01.01.2013 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2013 Rs.
At Cost				
Computer Software and Licences	7,840,787	-	-	7,840,787
	7,840,787	-	-	7,840,787

12.2 Amortization and Impairments

	Balance As at 01.01.2013 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2013 Rs.
Computer Software and Licences	4,507,504	1,240,115	-	5,747,619
	4,507,504	1,240,115	-	5,747,619

12.3 Net Book Values

	2013 Rs.	2012 Rs.
At Cost		
Computer Software and Licences	2,093,169	3,333,284
	2,093,169	3,333,284

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

Year ended 31 December 2013

13. OTHER FINANCIAL ASSETS AND LIABILITIES

13.1. Other Financial Assets

Loans and receivables	2013 Rs.	2012 Rs.
Loans to Company Officers (Note 13.1.1)	24,818,965	17,660,482
Short-term deposits	15,500,000	18,000,000
Total loans and receivables	40,318,965	35,660,481
Total other financial assets	40,318,965	35,660,481
Total current	24,656,867	24,459,049
Total non-current	15,662,098	11,201,432

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

13.1.1 Loans to Company Officers	Balance as at 01.01.2013 Rs.	Loans Granted During the Year Rs.	Repayments Rs.	Balance as at 31.12.2013 Rs.
Loans to Company Officers	17,660,482	17,090,102	(9,931,620)	24,818,964
	17,660,482	17,090,102	(9,931,620)	24,818,964
Current	6,459,049			9,156,867
Non Current	11,201,433			15,662,098
	17,660,482			24,818,965

13.1.2 A vailable-for-sale investment - unquoted equity shares

	Holding		2013 Rs.	2012 Rs.
	2013	2012		
Fairdeal Trading Company (Private) Limited	0%	100%	-	25,000
Less - Provision for Impairment			-	(25,000)
			-	-

* Fairdeal Trading Company (Private) Limited has been liquidated during financial year ended 31st December 2013.

Year ended 31 December 2013

13. OTHER FINANCIAL ASSETS AND LIABILITIES (Contd….)

13.2. Other Financial Liabilities

	2013 Rs.	2012 Rs.
Current Interest -bearing loans and borrowings		
Obligations under finance leases (Note 22.1)	6,040,258	5,647,836
Bank overdrafts	4,756,164	13,840,554
Other current loans		
Lanka Phosphate Limited (LPL)	4,172,321	4,838,167
AMG Mining AG Loan	31,428,823	29,325,647
Total Current Interest-bearing loans and borrowings	46,397,566	53,652,204
Non-Current Interest -bearing loans and borrowings		
Obligations under finance leases (Note 22.1)	12,360,372	18,670,547
Other non-current loans		
Lanka Phosphate Limited (LPL)	-	-
AMG Mining AG Loan	212,144,555	227,273,768
Total Non-current interest bearing Loans and borrowings	224,504,927	245,944,315
Total Interest-bearing loans and borrowings	270,902,493	299,596,519

13.2.1 Loans

	As at 01.01.2013 Rs.	Loans Obtained Rs.	Repayment/ Transfer Rs.	Exchange (Gain)/Loss Rs.	As at 31.12.2013 Rs.
Lanka Phosphate Limited (LPL) -(Note 13.2.2)	4,838,167	-	(665,846)	-	4,172,321
AMG Mining AG Loan	256,599,415	-	29,625,724)	16,599,687	243,573,378
	261,437,582	-	(30,291,570)	16,599,687	247,745,700

13.2.2 Lanka Phosphate Limited

	2013 Rs.	2012 Rs.
Gross Liability	4,172,321	5,006,784
Finance Charges allocated to Future Periods	-	(168,617)
Net Liability	4,172,320	4,838,167

Bank overdrafts

The bank overdrafts are secured by the of the Group's short-term deposits. Interest rate of the bank overdraft is 4% above the interest on fixed deposit held as collateral. (Note 24)

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;

Year ended 31 December 2013

13 OTHER FINANCIAL ASSETS AND LIABILITIES (Contd….)

	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

13.3. Fair Values

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

	Carring Amount		Fair Value	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Financial assets				
Other financial assets				
- Loans to Company Officers	24,818,965	17,660,482	24,818,965	17,660,482
Cash and short-term deposits	40,062,933	57,123,405	40,062,933	57,123,405
Total	64,881,898	74,783,887	64,881,898	74,783,887
Financial liabilities				
Interest-bearing loans and borrowings				
- Obligations under finance leases	18,400,630	24,318,383	18,400,630	24,318,383
- Other Borrowings*	294,143,265	261,437,582	294,143,265	261,437,582
Bank overdrafts	4,756,164	13,840,554	4,756,164	13,840,554
Total	317,300,059	299,596,519	317,300,059	299,596,519

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

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 company 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 2013, the carrying amounts of such receivables. net of provision for impairment, are not materially different from their calculated fair values..

Year ended 31 December 2013

14. INVENTORIES

	2013 Rs.	2012 Rs.
Raw Materials (at cost)	26,583,540	22,791,326
Semi Finished Goods (at cost)	8,221,069	7,439,957
Finished Goods(at cost or net realizable value)	1,705,968	4,683,144
Consumables and Spares (at cost)	55,344,404	64,369,432
	91,854,981	99,283,859
Less-Provision for Slowmoving Items	(2,304,922)	(10,842,438)
	89,550,059	88,441,421

15. TRADE AND OTHER RECEIVABLES

15.1. Summary

	2013 Rs.	2012 Rs.
15.1.1 Current		
Trade Receivables - Related Parties (15.2)	24,038,827	-
Trade Receivables - Others	29,510,684	40,139,243
	53,549,511	40,139,243
Other Receivables - Related Parties (15.3)	1,520,442	7,171,942
Trade Receivables - Others	21,591,343	18,462,264
	76,661,296	65,773,449

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:

	Total	Neither past due nor Impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	>91 days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2013	53,549,511	-	45,784,787	3,224,285	4,540,439	-
2012	40,139,243	24,743,352	8,585,700	6,810,191	-	-

15.2. Trade Receivables - Related Parties

	Relationship	2013 Rs.	2012 Rs.
AMG Mining AG	Parent	15,370,769	-
Qingdao Kropfmuhl Graphite Co. Ltd.	Affiliates	1,179,473	-
Graphite Tyn	Affiliates	7,488,586	-
		24,038,827	-

15.3. Other Receivables - Related Parties

	Relationship	2013 Rs.	2012 Rs.
AMG Mining AG	Parent	1,449,970	3,799,489
Fairdeal Trading Company (Private) Limited	Subsidiary	-	2,255,456
Ansro Lanka (Private) Limited	Common Director	70,472	1,116,997
		1,520,442	7,171,942

16. CASH AND SHORT-TERM DEPOSITS

	2013 Rs.	2012 Rs.
Cash at bank and on hand	24,562,933	39,123,404
	24,562,933	39,123,404

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

	2013 Rs.	2012 Rs.
Cash and Bank Balances	24,562,933	39,123,405
	24,562,933	39,123,405
Bank Overdraft	(4,756,164)	(13,840,554)
Total Cash and Cash Equivalents	19,806,769	25,282,851

17. STATED CAPITAL

	2013 Number	2013 Rs.	2012 Number	2012 Rs.
Fully paid Ordinary Shares	47,316,452	80,074,201	47,316,452	80,074,201
	47,316,452	80,074,201	47,316,452	80,074,201

17.1 Dividends paid and proposed	2013 Rs.	2012 Rs.
Final dividend for 2012 - Rs.0.25/- per share	-	11,829,113
	-	11,829,113

18. RESERVES

	2013 Rs.	2012 Rs.
18.1 Summary Capital Reserves		
Revaluation Reserve	5,718,298	5,718,298
	5,718,298	5,718,298
18.1.1 Revaluation Reserve		
On: Property, Plant and Equipment		
Balance as at the beginning of the Year	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

18.1.2 Nature and Purpose of Reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land 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.

19. EMPLOYEE BENEFIT LIABILITY

Gratuity

	2013 Rs.	2012 Rs.
Defined Benefit Obligation at the beginning of the year	25,007,558	23,558,682
Interest on Benefit Liability	2,029,544	2,591,455
Current Service Cost	2,520,312	2,067,996
Actuarial Loss	142,830	1,946,323
Benefit paid during the year	(521,400)	(5,156,898)
Defined Benefit Obligation at the end of the year	29,178,844	25,007,558

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

Cost of Sale	3,923,121	6,030,863
Administrative Expenses	626,735	570,374
	4,549,856	6,601,237
Other Comprehensive Income	142,830	1,946,323

19.1 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 2013. Appropriate and compatible assumptions were used in determining the retirement benefits. The principal assumptions used are as follows;

		2013	2012
Discount Rate Assumed		11%	11%
Salary Increased Rate Assumed	- Executive	9%	9%
	- Non Executive	10%	10%
Withdrawal Rate Assumed		3%	3%
Retirement Age		55 years	55 years

20. TRADE AND OTHER PAYABLES

	2013 Rs.	2012 Rs.
Trade Payables - Others	15,060,297	7,719,075
Other Payables - Related Parties (20.1)	3,605,997	4,229,843
Sundry Creditors	5,121,740	2,226,963
Accrued Expenses	16,191,751	13,714,176
	39,979,785	27,890,057

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 23.

20.1 Other Creditors - Related Parties

AMG Mining AG	Parent Company	3,605,997	4,229,843
		3,605,997	4,229,843

Year ended 31 December 2013

21. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

21.1 Transaction with the parent and related entities

	Name of Company & Relationship											
	Parent AMG Mining AG		Subsidiary Fairdeal Trading		Affiliate Graphite Tyn		Affiliate Qingdao Kropfmuhl		Common Director Ansro Lanka (Pvt) Ltd.		Total	
Nature of Transaction	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**
Balance Receivable (Payable) as at 01 January	(257,029,769)	(247,765,764)	2,255,456	4,038,905	-	-	-	-	1,116,996	1,734,553	(253,657,316)	(241,992,306)
Sale of Goods/Services	104,939,639	106,825,225	-	-	67,022,395	11,526,245	1,798,675	2,593,250	-	-	173,760,710	120,944,720
Purchase of Goods/Services	(42,469,688)	(36,729,492)	-	(6,010,000)	-	-	(309,890)	-	-	-	(42,832,119)	(42,739,492)
Expenses to be reimbursed	2,690,667	-	-	-	-	-	-	-	353,985	2,329,199	3,044,652	2,329,199
Finance Charges	(13,607,993)	(14,711,122)	-	-	-	-	-	-	-	-	(13,607,993)	(14,711,122)
Technical Service Fees	(26,874,025)	(27,811,180)	-	-	-	-	-	-	-	-	(26,874,025)	(27,811,180)
Transfers under finance arrangements	29,325,647	28,291,332	-	-	-	-	-	-	-	-	29,325,647	28,291,332
Settlement of Liabilities on behalf of the Company	(11,033,504)	(30,783,281)	(2,255,456)	4,226,551	(59,533,809)	(11,526,245)	(309,313)	(2,593,250)	(692,539)	(2,946,755)	(73,772,081)	(43,622,981)
Net Exchange (Gain) / Loss	(16,299,611)	(34,345,486)	-	-	-	-	-	-	-	-	(16,299,611)	(34,345,486)
Balance Receivable (Payable) as at 31 December	(230,358,636)	(257,029,769)	-	2,255,456	7,488,586	-	1,179,472	-	778,442	1,116,996	(220,912,135)	(253,657,317)
Above balance Included in	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**	**2013 Rs.**	**2012 Rs.**
Trade Receivable	15,370,769	-	-	-	7,488,586	-	1,179,473	-	-	-	24,038,827	-
Other Receivable	1,449,970	3,799,488	-	2,255,456	-	-	-	-	778,442	1,116,996	2,228,412	7,171,941
Other Payables	(3,605,997)	(4,229,842)	-	-	-	-	-	-	-	-	(3,605,997)	(4,229,842)
Interest Bearing Loans and Borrowings	(243,573,378)	(256,599,415)	-	-	-	-	-	-	-	-	(243,573,378)	(256,599,415
	(230,358,636)	(257,029,769)	-	2,255,456	7,488,586	-	1,179,473	-	778,442	1,116,996	(220,912,135)	(253,657,316)

* Total aggregated value of the sales made to AMG Mining AG and the Graphite Tyn is 20% and 13% respectively from the total revenue of the Company (2012 - 19% and 2%).

Terms and Conditions :

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

21.2 Transactions with Key Management Personnel of the Company or parent

Key Management Personnel Compensation	**2013 Rs.**	**2012 Rs.**
Directors Emolument paid	4,118,495	4,627,445
Short Term Employee Benefits	1,469,147	2,029,528

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

22. COMMITMENTS AND CONTINGENCIES

22.1. Finance lease

The company 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:

	2013		2012	
	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	6,040,258	7,798,032	5,647,836
After one year but not more than five years	13,958,728	12,360,372	20,535,071	18,670,547
More than five years	-	-	-	-
Total minimum lease payments	21,756,760	18,400,630	28,333,103	24,318,383
Less amounts representing finance charges	(3,356,130)	-	(4,014,720)	-
Present value of minimum lease payments	18,400,630	18,400,630	24,318,383	24,318,383

22.1.1 Finance Leases

	As at 01.01.2013 Rs.	Lease Obtained Rs.	Repayment Rs.	As at 31.12.2013 Rs.
Gross Liability	28,333,103	-	(6,576,343)	21,756,760
Finance Charges allocated to future periods	4,014,720)	-	658,590	(3,356,130)
Net liability	24,318,383	-	(5,917,753)	18,400,630

Year ended 31 December 2013

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company'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 company's operations and to provide guarantees to support its operations. The company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The company also holds available-for-sale investments which has been fully impaired during the current financial year. The company is exposed to market risk, credit risk and liquidity risk.

The company's senior management oversees the management of these risks.

The company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the company. The financial risk committee provides assurance to the company's senior management that the company'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 company 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 Company exposure to the risk of changes in market interest rates relates primarily to the Company long-term debt obligations with floating interest rates.

The Company interest rate includes an fixed and variable element, which is EURO LIBOR + 4%

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 company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities and the borrowings.

Trade receivables

Customer credit risk is managed by each business unit subject to the company'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 2013, the company had 4 customers (2012: 7 customers,) that owed the company more than Rs.2,000,000 each and accounted for approximately 90% (2012: 93%,) of all receivables owing. There was one customer (2012: 33%) with balances greater than Rs.10 million accounting for approximately 36% 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 13.3.The company does not hold collateral as security. The company 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 company's Finance department in accordance with the company'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 company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the company's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Liquidity risk

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, and finance leases. The company 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.

Year ended 31 December 2013

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd….)

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

Year	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	4,756,205	13,539,591	28,101,811	169,504,571	55,000,440	270,902,618
Trade and other payables	-	39,979,785	-	-	-	39,979,785
	4,756,205	53,519,376	28,101,811	169,504,571	55,000,440	310,882,403

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	299,596,522
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	327,486,576

Capital management

Capital includes the equity attributable to the equity holders.

The primary objective of the company'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 company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the company 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 2013 and 31 December 2012.

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

	2013 Rs.	2012 Rs.
Interest-bearing loans and borrowings (Note 13)	270,902,493	299,596,519
Trade and other payables (Note 20)	39,979,785	27,890,058
Less: cash and short-term deposits (Note 16 and Note 13)	(40,062,933)	(57,123,405)
Net debt	270,819,345	270,363,172
Equity	197,018,522	172,361,949
Total capital	197,018,522	172,361,949
Capital and net debt	467,837,867	442,725,121
Gearing ratio	58%	61%

24. ASSETS PLEDGED

The Group has pledged its fixed deposits in order to fulfill the collateral requirements for the bank overdraft facility. At 31 December 2013 and 2012, the value of the fixed deposit were respectively Rs.15,000,000/- and Rs.18,000,000/-.

Interest on bank overdraft will be depend on the interest rate on Fixed deposit and it on average be between 2.5% to 3.5% over the rate of interest on Fixed deposit.

There were no other assets pledged as at the reporting date, except for the assets pledged as mentioned above.

25. EVENTS AFTER REPORTING DATE

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

TEN YEAR FINANCIAL SUMMARY

(In Rupees '000)

		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Trading Results												
Turnover		535,758	556,226	399,324	386,373	241,382	383,976	403,005	297,684	277,632	255,330	170,109
Gross Profit		177,488	184,222	115,004	130,098	19,319	108,606	157,662	99,494	114,980	109,639	41,683
Other Income		7,718	13,813	6,925	36,132	6,926	2,195	3,346	4,077	2,361	11,104	1,862
Profit before Interest		47,757	40,741	38,069	88,405	(76,387)	(53,603)	72,283	45,100	61,664	68,182	(11,967)
Interest Cost		17,928	18,548	16,406	15,144	47,630	48,270	34,529	19,353	19,058	20,436	21,155
Profit after interest before Tax		29,829	22,193	21,663	73,261	(124,017)	(101,873)	37,754	25,746	42,606	47,746	(33,123)
Taxation		5,072	1,652	(1,552)	(2,844)	-	1,845	(3,229)	(2,877)	(6,366)	(864)	-
Net Profit		24,757	23,845	20,111	70,417	(124,017)	(100,028)	34,525	22,869	36,241	46,882	(33,123)
Actuarial Loss		126	1,713	-								
Total Comprehensive Income for the Year		24,657	22,108	-								
Statement of Financial Position												
Stated Capital		80,074	80,074	80,074	80,074	547,142	397,290	397,290	397,290	397,290	397,290	279,610
Reserves		116,944	92,313	82,009	76,135	(461,350)	(337,333)	(237,304)	(271,829)	(294,698)	(330,939)	(377,821)
Shareholders' Funds		197,018	172,362	162,083	156,209	85,792	59,957	159,986	125,461	102,592	66,351	(98,211)
Property, Plant & Equipment		297,136	282,859	275,276	242,700	262,043	303,916	270,929	215,430	167,545	144,965	123,406
Current & Non Current Assets		238,042	241,997	227,833	255,636	205,422	215,938	223,168	149,935	153,557	144,926	101,956
Current Liabilities		86,875	81,542	80,198	40,674	47,200	306,145	278,378	186,831	164,175	176,030	154,545
Non Current Liabilities		253,684	270,952	260,827	301,453	334,471	153,752	55,734	53,073	54,335	47,510	169,029
Net Assets		197,018	172,362	162,083	156,209	85,792	59,957	159,986	125,461	102,592	66,351	(98,211)
Key Indicators												
Gross Profit to Turnover	%	33%	33%	29%	33.67%	8.00%	28.28%	39.12%	33.42%	41.41%	42.94%	24.50%
Net Income to Turnover	%	4.62%	4.29%	5.04%	18.23%	-51.38%	-26.05%	8.57%	7.68%	13.05%	18.36%	-19.47%
Earnings Per Share	Rupees	0.37	0.50	0.43	1.49	(2.62)	(2.52)	0.87	0.58	0.91	1.18	(1.18)
Price Earnings Ratio	Times	35.17	47.03	91.76	39.31	(6.87)	(3.57)	23.59	39.52	32.89	9.75	(4.01)
Market Value per share as at 31st December	Rupees	18.40	23.70	39.00	58.50	18.00	9.00	20.50	22.75	30.00	11.50	4.75
Return on Equity	%	12.57%	13.83%	12.41%	45.08%	-144.55%	-166.83%	21.58%	18.23%	35.33%	70.66%	33.73%
Net Assets per share	Rupees	4.16	3.64	3.43	3.30	1.81	1.51	4.03	3.16	2.58	1.67	(3.51)
No of Shares in Issue	Nos	47,316,452	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

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.
4) Fairdeal Trading Company (Private) Limited has been liquidated during financial year ended 31st December 2013.

Top 20 Shareholders

As at 31st December 2013

	Name of Shareholders	No. Of Shares	%
1	AMG MINING AG	42,742,824	90.33
2	SECRETARY TO THE TREASURY	254,500	0.54
3	EST.OF.LATE L.S.I. PERERA (DECEASED)	187,100	0.40
4	MR. W.A. DE SILVA (DECEASED)	90,900	0.19
5	MR. M.S. HIRIPITIYA	60,600	0.13
6	UNIVOGUE GARMENTS (PVT) LIMITED.	49,500	0.10
7	MR. C.N. PAKIANATHAN	47,410	0.10
8	DR. H.H.S. SAMARASIRI	41,990	0.09
9	MR. A.J.M. JINADASA	40,000	0.08
10	MRS. N. MULJIE	34,951	0.07
11	MBSL INSURANCE COMPANY LIMITED	34,829	0.07
12	MR. K.S.M. RODRIGO	30,850	0.07
13	MR. A.P. JAYASINGHE	30,369	0.06
14	RICHARD PIERIS FINANCIAL SERVICES (PVT) LTD/M.R.H.MANSOOR	28,100	0.06
15	MR. P.D. SAMARASINGHE	21,000	0.04
16	MR. R. SOMACHANDRA	20,191	0.04
17	DR. K. SRIRANJAN	20,000	0.04
18	MR. H.W.M. WOODWARD	17,800	0.04
19	MR. H.G.K.R. WIJESUNDARA	17,300	0.04
20	MR. R.R. JAYASINGHE	16,533	0.03

SHARES NOT TAKEN INTO ACCOUNT TO COMPUTATE PUBLIC HOLDING

Name	Shares
AMG MINING AG	42,742,824
MR.A.P.JAYASINGHE	30,369
Total	42,773,193

DIRECTORS SHAREHOLDING

Mr.A.P.Jayasinghe	30,369
Number of Shares held by Public	4,543,259
Percentage	9.60

Net Assets Value per Share as at 31st December 2013 (2012 - Rs.3.57) Rs. 4.16

As at 31st December 2013

SHAREHOLDING	NO.OF SHAREHOLDERS	TOTAL NO.OF SHARES	PERCENTAGE %
1-1000	9,227	2,123,358	4.49
1001-5000	384	929,626	1.96
5001-10000	43	314,389	0.66
10001-50000	28	613,155	1.30
50001-100000	2	151,500	0.32
100001-500000	2	441,600	0.93
500001-1000000	0	0	0.00
OVER 1000000	1	42,742,824	90.33
TOTAL	**9,687**	**47,316,452**	**100.00**

SHARE TRADING DETAILS FOR THE YEAR 2012

Highest Market Price (21-05-2013)	Rs. 27.80
Lowest Market Price (24-12-2013)	Rs. 18.00
Market Price as at 31st December 2013	Rs. 18.40
Traded Share Volume	1,009,06
No of Trades	2,293
Trading Turnover	24,305,838.00

NOTICE IS HEREBY GIVEN THAT the Twenty Third Annual General Meeting of the Company will be held at 10.30 a.m. on Friday the 4th April 2014 at the Ceylon Chamber of Commerce Auditorium at No. 50, Navam Mawatha, Colombo 02 for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company for the year ended 31st December 2013 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 2014.

3. To propose the following resolution as an ordinary resolution for the reappointment of Mr. J.C.P. Jayasinghe who has reached the age of 70 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. J.C.P Jayasinghe who has reached the age of 70 years prior to this Annual General Meeting and that he be reappointed as a director of the Company".

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

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

Colombo on this 5th day of March 2014

Note:

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

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

Form of Proxy

I/We ..... of ..... being a member/s of BOGALA GRAPHITE LANKA PLC hereby appoint .... of ..... or failing him Mr. V.P.Malalasekera or failing him Mr. 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 Ms.M.C.Pietersz as my/our proxy to speak/vote for me/us and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on the 4th day of April 2014 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 Fourteen.

.....
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.

Corporate Information

Directors

V.P. Malalasekera (Chairman)
Frank E. Berger (Vice Chairman)
J.C.P. Jayasinghe
N.A. De Mel
T. Junker
J.J. Ambani
A.P. Jayasinghe (CEO/MD)
T. Muller
Ms.Coralie Pietersz

Secretaries & Registrats

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
Commercial Bank of Ceylon PLC

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. Mahaliyana
Assistant General Manager (Underground)	-	E.M.D.D.K. Ekanayake
Assistant General Manager (Processing)	-	L.W.A. Liyanage
Assistant General Manager (Sales & Marketing)	-	A.W.E. Wijesuriya
Manager Supplies (Local)	-	T.M.J. Priyaratne
Manager Supplies (Imports)	-	R.K.D.L.M. Ratnayake
Manager Quality Assurance and Business Development	-	E.M.K.B. Ekanayake
Manager Safety, Health & Environment	-	S. Gunakekara
Management Accountant	-	Ms. D. Kumari
Manager Mine Service	-	P.G.K.D. Palandagama
Manager Underground Maintenance	-	A.U.M.B. Bokalamulla
Manager Stores & Public Relations	-	H.W. Jayasinghe

Business Address

No. 20, Tickell Road,
Colombo 8.
Tel: 2688224/ 2658225