

Annual Report 2014



Bogala Graphite



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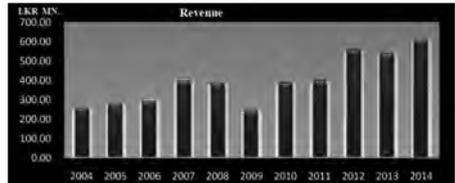
Financial Highlights

Bogala Graphite Lanka PLC

Revenue

Rs.
607 million

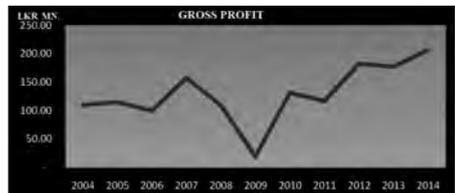
(13.4%)YOY Increase



Gross Profit

Rs.
207 million

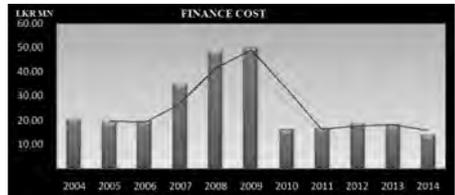
Gross Profit Margin 34.1%



Finance Cost

Rs.
13.8 million

23% YOY Decrease



Profit After Tax

Rs.
74.4 million

Net Profit Margin 12.3%

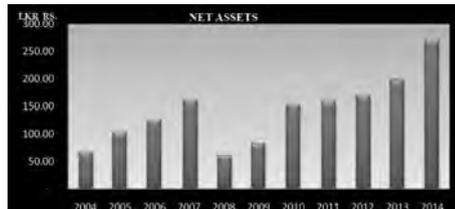


Net Assets

Rs.
269 million

36.7% YOY Growth

Net Assets per Share Rs.5.69



Let me first welcome you on behalf of the Board to our 24th Annual General Meeting of the Company.

Despite the emerging competitive environment, regulatory and legislative pressures the Company faced these challenges effectively demonstrating our strength and ability in meeting our business objectives without compromising the principles of sustainability, compliance, conformance and ethical conduct.

Economic Environment

The Sri Lankan economy grew by 7.7 per cent (3rd Quarter 2014) reflecting increased domestic economic activity and rising external demand. The conducive macroeconomic policy environment contributed to the strengthening of the growth momentum while global economic conditions continued to improve, particularly at export destinations, which supported domestic economic activity. Well managed demand pressures, coupled with the reduction of imports helped to contain inflation to below 5 percent on a year-on-year basis.

The external sector strengthened further with improving global demand. Exports recorded a healthy growth while the growth of imports decelerated, resulting in a lower trade deficit. Improved performance in trade and services and increased workers' remittances largely offset the deficit in the trade account, thus containing the current account deficit to a sustainable level. Continued inflows to the private and public sectors strengthened the financial account of the Balance of Payments (BOP). Reflecting these developments, the BOP recorded a surplus of US dollars 1,954 million by end June 2014. Consequently, gross official reserves reached high level of US dollars 9.2 billion at end August 2014 which reduced to US dollars 8.33 billion at end November 2014.

Corporate Performance

The revenue recorded for the year under review was Rs.607 million compared to Rs.536 million in 2013. The increase was well supported by the UK/American markets and Near/Middle East segments whilst the sales to the GK-group also contributed to this growth. Operating profit was Rs.85.7 million compared to Rs.42.2 million in 2013. Profit after tax (PAT) for the year was Rs.74.4 million compared to PAT of Rs.24.7 million in 2013. PAT figure also included an exchange gain of Rs.21.7 million.

The Rupee showed a modest depreciation against the US dollar during the year, whilst it appreciated against the Euro due to the Euro weakening by 11.5%. This resulted in reporting a Rs.21.7 million exchange gain during the year compared to an exchange loss of Rs.13.8 million during 2013.

Internally generated funds funded the investments required for the year. Borrowings from Banks were marginal.

The Company continued and maintained its commitment to employee safety at work. We are proud to say that our strength is "our employees" and the quality of work and their expertise continues to enhance our productivity and 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 whilst minimizing any negative impacts on our stakeholders. Towards this company has developed an extensive risk management policy supported with a well thought out business continuity plan and a disaster recovery plan.

Outlook

We would continue to focus our attention on cost minimization and productivity improvements for the future. Our focus in improving the processors beyond initial results are continuing and would continue as a sustainable exercise till we reach our objectives of gaining greater market share with high end graphite.

Board of Directors

It is with deep regret that I announce the untimely demise of Mr. Nissanka A De Mel. His contribution from the inception of privatization was immense. He will be greatly missed by all of us.

We wish to welcome both Mr. Sugath Amarasinghe and Mr. Mohammed Adamaly who were appointed to the Board on 3rd April 2014 and 2nd October 2014 respectively.

Mr. Amarasinghe is a Chartered Accountant who possesses 25 years of private sector experience across several industries and presently serves the company as Finance Director.

Mr. Adamaly is an Attorney-at-Law and is a member of the Institute of Marketing in UK. Mr. Adamaly is a practicing lawyer specializing in investment consultancy whilst serving on several boards of both public and private companies.

Acknowledgement

The support we received during the year from our Parent Company AMG Mining AG particularly towards increasing revenues from segments mentioned in my report above is commendable considering the slow recovery of International economy. Their continued support for the Management Team has been an inspiration and will continue to be so.

In conclusion, I wish to extend my sincere appreciation to the Management team and all the employees who have worked diligently towards creating greater value for our stakeholders. Our thanks are also due to all our stakeholders including business partners, suppliers and esteemed customers who have been an inspiration to our growth. I am sure they will continue to demonstrate their support into the future.

Finally, I wish to thank my colleagues on the Board for their guidance and support during the past year.



Vijaya Malalasekara
Chairman

20th February 2015

Chief Executive Officer's Review

Bogala Graphite Lanka PLC

In current financial year ended 31st December 2014, revenue was Rs. 607 million (2013 Rs. 535 million), whilst the underlying operating profit was Rs. 85.7 million (2013 Rs. 42.2 million). Company reported a profit before taxation of Rs. 78.4 million (2013 Rs. 29.8 million). This includes a net currency exchange gain of Rs. 21.7 million (2013 loss of Rs. 13.8 million). The earnings per share increased from Rs. 0.52 in 2013 to Rs. 1.57

Our improvements in results reflect three key factors. Firstly - being a export company with 99% of the products sold outside Sri Lanka the stronger dollar and the Euro helped us to improve the sales in the first nine months, the decreasing and weakening Euro in the last quarter, also contributed positively on the current year profits by reducing the value of the Intercompany Loan from the majority shareholder AMG (Comprehensive Income statement shows a positive impact of Rs. 24.7 million from revaluing the Euro Loan). Secondly the continuous improvement in work and production processes have helped to reduce the overall energy consumption despite the increase in electricity prices and costs (April 2013) and finally the company has been successful to earn better margins in a number of market segments.

Lubricant sales continued to grow and we have increased our sales volume by 25% compared to 2013.

Health and Safety

Work safety is one of our key operational focus areas and we have managed to keep the loss time accidents at a very low level (2), especially we have been able to reduce minor accidents drastically. This took a lot of training and commitment from all people involved. We will pursue the goal of zero accidents in the coming year with even stronger personal and organisational commitment.

Outlook

We have entered the financial year with the Company well placed to respond to the opportunities and challenges, in the environment. We are observing the increasing activities of the competition and new players in Sri Lanka and are well positioned and continuing to prepare the company to face any challenges that might be posed by competitors.

In order to reduce the overall cost of mining we have decided to open Rangala mine, which we kept in maintenance since 1985. This mine has already started to produce and will be capable to produce 300MT per year by the end of the year. Since this mine is very accessible the cost of mining will be very competitive.

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.



Amila Jayasinghe
Chief Executive Officer

20th February 2015

Vijaya Malalasekera *(Non Executive /Independent Director)*

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

Attorney-at-Law

He was appointed Chairman of Bogala Graphite Lanka PLC in April 2000. He is currently the Chairman of Boston Capital (Private) Limited, Axis Financial Services (Private) Limited and Fairway Sky Homes (Private) Limited. He also serves on the Board of Carson Cumberbatch PLC.

Frank E.Berger *(Non Executive Director)*

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

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.

Thomas A.Junker *(Non Executive Director)*

Mr. Junker is a graduate in Civil Engineering from the University of Applied Science in Aalen, Germany. He was appointed a Director of Bogala Graphite Lanka PLC on 26th March 2010. He serves Graphit Kropfmühl GmbH as the Director Sales & Marketing since April 2008 and Qingdao Kropfmühl Graphite Ltd as the General Manager and Board Director since 2011.

Torben Müller *(Non Executive Director)*

Mr. Müller was appointed a Director of Bogala Graphite Lanka PLC on 31st December 2012. He serves GK Ancuabe Graphite Mine SA as a Director since October 2012, as a Director of Graphite Kropfmühl 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 Ludwigschafen.

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.

Sugath Amarasinghe ACA, ASCMA *(Executive Director)*

Mr. Amarasinghe was appointed a Director on 3rd April 2014. He is a member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He possesses 25 years of working experience in the Mercantile Sector with industry coverage from FMCG (Foods & Beverages), Automobile, Services (Corporate and Management Consultancy), Information Technology, Garment Manufacturing, and Garment Processing.

Mohammed Adamaly *(Non Executive /Independent Director)*

Attorney-at-Law, Marketer

Mr. Adamaly was appointed to the Board with effect from 2nd October 2014. He is an Attorney-at-Law, has an L.L.B. with honors from University of Colombo and holds a Post Graduate Diploma in Marketing from Chartered Institute of Marketing, UK. Mr. Adamaly is a practicing lawyer specializing in investment consultancy, commercial litigation, labour and public law. He is also a resource person in Director Training for the Sri Lanka Institute of Directors and serves on several boards of Public and Private companies.

The primary objective of Corporate Governance is to contribute to improve corporate performance creating long term stakeholder value. The Board is committed in enhancing stakeholder wealth whilst ensuring that proper internal control systems are in place to ensure compliance to generally accepted corporate governance practices and 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 aspect of corporate governance as a useful guideline.

The Board of Directors

The Board, consist of nine Directors, seven Non-Executive Directors and two Executive Directors who are 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.

Mr. N A De Mel who served as an Independent Non-Executive Director of the Board passed away on 21st July 2014.

Name	Executive	Non-Executive	Independent
Mr.V.P.Malalasekera		√	√
Mr.Frank E.Berger		√	
Mr.J.C.P. Jayasinghe		√	
Mr.Thomas A Junker		√	
Mr.N.A.De Mel (up to 20th July 2014)		√	√
Mr.A.P.Jayasinghe	√		
Mr.Torben Müller		√	
Ms.M.Coralie Pietersz		√	√
Mr.A.S.R.Amarasinghe (effective 3rd April 2014)	√		
Mr. Mohammed Adamaly (effective from 2nd October 2014)		√	√

Non-Executive Directors do not have any business interest that could materially interfere with the exercise of their independent judgment. Each Non-Executive Directors has submitted a declaration of his independence or non-independence as required under the Listing Rules of the Colombo Stock Exchange.

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 is an independent Director in spite of serving on the Board for more than 10 years, since he is not directly involved in the Management of the Company.

The board having considered these factors is of the opinion that Mr.Vijaya Malalasekera should continue to serve on the board as an independent director notwithstanding the fact that he has served the board for more than ten years as it is beneficial to the Company and its shareholders.

During the year Board met four (4) occasions. The Directors are provided with the relevant information and background material relevant to the agenda prior to every meeting to enable them to make informed decisions. Board papers are submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval.

Board 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 Remunerations 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	Related Party Transaction Review Committee
Mr.V.P.Malalasekera Independent Non-Executive Director	Member	Chairman	Chairman
Mr.Frank E.Berger Non-Executive Director	-	Member	-
Mr. Nissanka A De Mel (Up to 20th July 2014)	Chairman	Member	-
Ms. M. Coralie Pietersz Independent Non-Executive Director	Chairperson	-	Member
Mr. Mohammed Adamaly (w.e.f. 2 nd Oct. 2014) Independent Non-Executive Director	Member	Member	Member
Mr. Thomas A Junker Non-Executive Director	-	-	Member
Mr. Torben Muller Non-Executive Director	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 an Independent Non-Executive 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 to ensure 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 quarterly 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 comments arising from the internal audits and monitors their progress through action plans focused to take corrective measures. The Board evaluates the appropriateness with the actual results and industry standards.

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

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.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Bogala extent of adoption
7.10.1	Non-Executive Directors	Complied	Seven out of nine Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Complied	Three out of seven Non-Executive Directors are independent
7.10.2 (b)	Independent Directors	Complied	All NED's have submitted their confirmation on independence in line with regulatory requirement
7.10.3 (a)	Disclosure relating to Directors	Complied	Names of the Independent Directors are disclosed on Page 17
7.10.3 (b)	Disclosure relating to Directors	Complied	Criteria for independence have been met by the Independent Directors.
7.10.3 (c)	Disclosure relating to Directors	Complied	Brief resumes of the Directors are given under Director's Profile
7.10.3 (d)	Disclosure relating to Directors	Complied	Disclosed the appointments of new Directors to the CSE with Brief Resume when it was disclosed to the public.
7.10.5	Remuneration Committee	Complied	Company has a Remuneration Committee
7.10.5 (a)	Composition of Remuneration Committee	Complied	The Committee comprises two Independent Non-Executive Directors and a Non Independent Non-Executive Director
7.10.5 (b)	Functions of Remuneration Committee	Complied	The Committee has recommended the remuneration of Chief Executive Officer, Finance Director, and Management Committee

Rule No	Corporate Governance Principles	Compliance Status	Bogala extent of adoption
7.10.5 (c)	Disclosure in Annual Report relating to Remuneration Committee	Complied	Refer page 13 for names of the committee members, and for the remuneration policy. The aggregate remuneration paid to Executive and Non-Executive Directors is given under Note 22.2 on page 47 to the Financial Statement.
7.10.6	Audit Committee	Complied	Company has an Audit Committee
7.10.6 (a)	Composition of Audit Committee	Complied	The Audit Committee comprises three Independent Non-Executive Directors, and a Non Independent Non-Executive Director. CEO and Finance Director attended committee meetings by invitation.
7.10.6 (b)	Audit Committee Functions	Complied	Please refer page 14 for the functions of the Audit Committee
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	Complied	The names of the Audit Committee members and the basis of determination of the independence of the auditor are given in the Audit Committee report on page 14.

Risk Management

Company has a detail risk management policy in place which appropriately addresses the scope of risk, risk management requirement, risk profile of the Company, risk management governance structure, risk management process, and risk identification assessment and mitigation strategy.

Based on the risk management policy Company conducts regular reviews of the major risks such as regulatory changes, competitor, political and environment changes that could affects the business and financial performance and creates and awareness of them. The Company analyses the exposure to business risks by identifying their vulnerability and probability of occurrence in order to determine how best to handle such exposure.

We consistently engage our self in new exploration techniques and processing methods focusing 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.

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. Whilst the Board members are free to express their own opinion on matters of importance to the Company and its operation, Board reviews such potential conflicts from time to time.

Independent Professional advice by the Board during the financial year

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

- Legal, tax and accounting aspects particularly where independent external advice was deemed necessary in ensuring the integrity of the subject decision.
- Actuarial valuation of retirement benefits and valuation of property.
- Information technology consultancy services pertaining to 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 comprises three Non-Executive Directors of which two are independent Directors. The Committee heads by Mr.Vijaya Malalasekera and the members include Mr.Frank E.Berger and Mr. Mohammed Adamaly.

The Committee is responsible for setting the remuneration policy of the Company which provides competitive rewards to attract executives of highest caliber who are willing to work with positive attitudes. 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, and limit pre-established contractual arrangements that do not commit the Company to make unjustified payments.

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.

Remuneration Committee Report

Bogala Graphite Lanka PLC

Remuneration committee consists of two Independent Non-Executive Directors Mr. V. P. Malalasekera, and Mr. Nissanka A De Mel (up to 20th July 2014), Mr. Mohammed Adamaly (effective 2nd October 2014), a Non-Executive Director Mr. Frank E Berger. The committee is chaired by the Independent Non-Executive Director Mr. V. P. Malalasekera.

The committee was assisted at meetings by the CEO, Amila Jayasinghe and Finance Director, Sugath Amarasinghe, who act as the Secretary.

Remuneration Policy

The remuneration policy of the Company is to attract, motivate, and retain highly qualified and experienced work force and reward performance. The Committee focuses on and is responsible to ensure that the total package is competitive to attract the best talent for the Company.

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

The Committee reviews the performance of the Management Committee with the recommendations of CEO every year in comparison to their set performance objectives and achievements and deliberates and recommends to the Board of Directors the remuneration package and annual increments of them and Senior Executive staff.

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 to 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, terms and conditions relating to Management Committee and Executive level staff. In this decision making process, necessary information, and recommendations are obtained from the Chief Executive Officer. The Company ensures internal equity and fairness among employees are maintained and a suitable work environment and working conditions are provided.

The Committee is responsible for determining the compensation of the Chief Executive Officer, Finance Director and the Management Committee of the Company. The Committee lays down guidelines and parameters for the compensation structures of all Executive staff within the Company. The Chief Executive Officer who is responsible for the overall management of the Company attends all meeting by invitation and participates in all deliberations except when his own performance and compensation package is discussed.

Independent Non-Executive Directors receive a fee for attendance at Board Meetings and serving on sub-committees. They do not receive any performance or incentive payments. Total remuneration to Directors is shown in Note 22.2 on page 47 to the Financial Statements.

The Committee met twice during the year 2014. Decisions approved and recommended by the Committee have been approved by the Board of Directors.

I wish to place on record the valuable contribution made to the Committee, by late Mr. Nissanka A. De Mel who passed away on 21st July 2014 during his tenure as an active member of Remuneration Committee.

I wish to thank the other members of the Committee, for their valuable contributions to the deliberations of the Committee.



Vijaya Malalasekera
Chairman

20th February 2015

Composition of the Committee

The Audit Committee, which is a sub-committee of the Board of Directors, comprises three Independent Non-Executive Directors and a Non-Independent Non-Executive Director. Mr.Nissanka A.de Mel, who served as the Audit Committee Chairman, passed away on 21st July 2014. Ms.Coralie Pietersz,an associate member of the Institute of Chartered Accountants of England and Wales and a fellow member of the Institute of Chartered Accountants of Sri Lanka was appointed as Chairperson on 11th November 2014.

Name	Non-Executive Directors
Mr. Nissanka A De Mel (up to 20th July 2014)	Independent
Ms. Coralie Pietersz	Independent
Mr. Vijaya Malalasekera	Independent
Mr. Frank E Berger (up to 11th November 2014)	Non-Independent
Mr. Torben Müller (effective 11th November 2014)	Non-Independent
Mr. Mohammed Adamaly (effective 2nd October 2014)	Independent

Meetings of the Audit Committee

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

Messrs.B.R.De Silva & Company, to whom the internal audit function is outsourced,attend meetings when required and Audit Committee makes inquiries from any officer of the Company as deemed 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

The Audit Committee's authority, responsibilities, and duties have been formalized through an Audit Committee Terms of Reference. This empowers the committee to review the adequacy of the internal control procedures, coverage of internal and external audit programs, and disclosure of Accounting Policies and compliance with statutory and corporate governance requirements in terms with the listing rules of the Colombo Stock Exchange.

The Committee also provides a forum for an impartial review of Internal and external audit reports to take in to account the audit considerations, findings, and recommendations stated therein related to significant business risks and control issues.

Financial Reporting

The Committee reviewed and discussed the financial reporting system adopted by the Company in the preparation of its Interim 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 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 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 quarterly 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 2015, subject to approval by the shareholders at the Annual General Meeting.



Coralie Pietersz
Chairperson Audit Committee

20th February 2015

Annual Report of the Board of Directors

Bogala Graphite Lanka PLC

The Directors have pleasure in presenting their 24th Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2014. 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 mining, separation, refining, treating, processing and preparation, and sale of graphite and production of lubricants.

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 on page 4 and CEO's Review on page 6.

Results and Appropriations

The Company's Net Profit before Tax was at Rs. 78.4 million (2013 – Rs.29.8 million). Results of the company are given in the statement of comprehensive income on page 24. Detailed description of the results and appropriations are given below.

For the year ended 31st December in Rs.'000s	2014	2013
Profit earned before Interest after providing for all known liabilities, bad and doubtful debts, and depreciation on property, plant and equipment	85,677	42,293
Finance Cost	(13,796)	(17,928)
Finance Income	6,545	5,464
Profit before tax	78,426	29,829
Provision for taxation including deferred tax	(3,968)	(5,072)
Amount available to the shareholders (Net Profit)	74,458	24,757
Other Comprehensive Income	(2,075)	(125)
Balance brought forward from the previous year	111,226	86,594
Amount available for appropriation	183,609	111,226
Final Dividend Paid	-	-
Balance to be carried forward to next year	183,609	111,226

The Directors do not recommend a payment of a dividend for the year ended 31st December 2014 due to the capital investment requirement to upgrade the production facilities to meet the possible competition emerging in the industry, and region.

Accounting Policies

The accounting policies adopted in the preparation of Financial Statements are provided in detail on pages 27 to 35 and are in consistent with those of the previous financial year.

Donations

Total donations made by the company during the year amounted to Rs.1.12 million which is given in the Note 9 (b) on page 37 to the Financial Statements.

Property, Plant and Equipment

The book value of property, plant and equipment as at the reporting date amounted to Rs 270 million compared to Rs.297 million for 2013.

Capital expenditure for the company amounted to Rs.24.2million (2013 – Rs.57.4 million)

Details of property, plant and equipment and their movements are given in Note 12 on page 39 to 41 to the Financial Statements.

Stated Capital

The stated capital of the company as at 31st December 2014 was Rs.80.074 million (2013 – Rs.80.074 million) consisting of 47,316,452 Ordinary Shares as given in the Note 18 on page 45 to the Financial Statements.

Share Information

Information relating to shareholding, net assets per share, market value of shares, and share trading are available on page 54 of the Annual Report.

There were 9,491 registered shareholders as at 31st December 2014. The 20 major shareholders and public shareholding as at 31st December 2014 and the number of shares held and the percentage of shareholding are disclosed on page 53 in the Share Information section of the Annual Report.

Reserves

Total reserves of the Company as at 31st December 2014 amounts to Rs.189.3 million (2013 – Rs.116.9 million) the movement and composition is given in the Statement of Changes in Equity on page 25.

Directors

The Directors of the Company as at 31st December 2014 were:

Mr. Vijaya Malalasekara	Independent Non-Executive Director
Mr. Frank E. Berger	Non-Executive Director
Mr. J.C.P. Jayasinghe	Non-Executive Director
Mr. Thomas A. Junker	Non-Executive Director
Mr. Amila P. Jayasinghe	Executive Director (CEO/MD)
Mr. Torben Muller	Non-Executive Director
Ms.M.Coralie Pietersz	Independent Non-Executive Director
Mr. Sugath Amarasinghe	Executive Director (FD)
Mr. Mohammed Adamaly	Independent Non-Executive Director

Resignation/New Appointments during the year

Mr.Sugath Amarasinghe was appointed a Director with effect from 3rd April 2014.

Mr. Nissanka A De Mel passed away on 21st July 2014.

Mr.Mohammed Adamaly was appointed a Director with effect from 2nd October 2014.

Mr.J.C.P.Jayasinghe has passed the age limit referred to in section 210 of the companies Act No. 7 of 2007 (the Act). His appointment as a Director of the Company requires the approval of a resolution of the Company in a general meeting. A notice is duly given by the Company in terms of section 211 of the Act, and a resolution will be proposed that the age limit referred to in section 210 of the Act shall not apply to Mr. J.C.P. Jayasinghe who has reached the age of 71 years.

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

The Board having considered the said fact is of the opinion that Mr. Vijaya Malalasekera should continue to serve on the Board as an Independent Director not with standing the fact that he has served on the Board for more than ten years as it is beneficial to the Company and its Shareholders.

Annual Report of the Board of Directors

Bogala Graphite Lanka PLC

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	Related Party Transaction Review Committee
Mr.V.P. Malalasekera	Member	Chairman	Chairman
Mr. Frank E.Berger	-	Member	-
Mr. Nissanka A De Mel (up to 20th July 2014)	Chairman	Member	-
Ms. M. Coralie Pietersz	Chairperson	-	Member
Mr. Mohammed Adamaly (effective from 2nd October 2014)	Member	Member	Member
Mr. Thomas A Junker	-	-	Member
Mr. Torben Muller	Member	-	-

Directors Interest and Interest Register

The Directors of the Company were not directly or indirectly interested in any contracts/proposed contracts with the Company during the year ended 31st December 2014 except as stated in Note 22 on page 47 to the Financial Statements.

The Company maintains an Interest Register as required by the Companies Act No 7 of 2007 and available for inspection upon request.

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

Mr.Frank.E.Berger is also a Member of the Executive Board, CFO 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 22 on page 47 to 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	111,355,855
			Purchase of Goods	44,708,645
			Technical Service Fees	30,371,255
			Interest Paid	12,034,569
			Loan Settlement	30,597,977
Qingdao Kropfmuhl Graphite Co. Ltd.	Affiliate	Mr.Frank E.Berger	Sale of Goods	18,728,004
Graphite Tyn Spol. S.r.o	Affiliate	Mr.Frank E.Berger	Sale of Goods	50,754,803
Anstro Lanka (Private) Limited.	Common Director	Mr.J.C.P.Jayasinghe	Expenses incurred to be reimbursed	415,830

Corporate Governance

The Directors declare having considered all information and explanations made available to them that;

- a) the Company complied with all applicable Laws and Regulations in conducting its business,
- b) the directors have declared all material interests in contract involving the Company and refrained from voting on matters in which they were materially interested,
- c) the Company has made all endeavours to ensure the equitable treatment of shareholders,
- d) the business is a going concern with supporting assumptions or qualifications as necessary; and
- e) have conducted a review of internal controls covering financial, operational, and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence herewith.

The Corporate Governance Report is given on pages 8 to 12 of the Annual Report.

Directors Remuneration

The Directors emoluments and fees for the financial year ended 31st December 2014 are stated below and also given in Note 22.2 on page 47 to the Financial Statements.

Directors Emoluments	Executive Directors	Rs. 12,885,239
	Non-Executive Director	Rs. 1,565,000

Directors' Responsibilities for Financial Statements

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the status of its affairs. The Directors are of the view that Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 23 to 51 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 is given on page 21 of the Annual Report.

Directors' Shareholding

The relevant interest of Directors in the shares of the Company as at 31st December 2014 and 31st December 2013 are as follows.

Name	31 st December 2014	31 st December 2013
Mr. V.P. Malalasekara- Chairman	Nil	Nil
Mr. Frank E. Berger	Nil	Nil
Mr. J.C.P. Jayasinghe	Nil	Nil
Mr. Thomas A. Junker	Nil	Nil
Mr. A.P. Jayasinghe-CEO/MD	30,369	30,369
Ms.C.Pietersz	Nil	Nil
Mr. T. Muller	Nil	Nil
Mr. Sugath Amarasinghe	Nil	Nil
Mr. Mohammed Adamaly	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 Board, through the quarterly review process takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls of the Company, compliance with laws and regulations and established policies and procedures. Audit Committee reviews the reports of the outsourced internal audit function regularly to ensure effective implementation of the systems and procedures. However, any system can only provide reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

Events After the Balance Sheet Date

There have been no events subsequent to the reporting period, which would have material effect which requires an adjustment to or a disclosure in the Financial Statements other than those disclosed in Note 26 on page 51 to the Financial Statements.

Going Concern

The Directors are satisfied considering the financial position, operating conditions, regulatory and other factors that the Company possesses adequate resources to continue to be in operational existence for the foreseeable future to justify adopting the going concern basis in preparing these Financial Statements.

Auditors

Messrs. Ernst & Young, Chartered Accountants, are willing 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 9 (b) on page 37 to 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 Monday the 20th April 2015 at 10.00 a.m. The Notice of the Annual General Meeting is on page 55 of the Annual Report.

This annual report is signed for and on behalf of the Board of Directors.

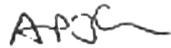
By order of the Board



Corporate Services (Private) Limited
Secretaries



Vijaya Malalasekera
Chairman



Amila Jayasinghe
CEO/ Managing Director

20th February 2015

Statement of Directors' Responsibility

Bogala Graphite Lanka PLC

The Directors are responsible under 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 balance sheet date and of the profit & loss of the Company.

The Directors have a responsibility under Section 148, to ensure that the Company maintains proper accounting records to disclose, to enable the determination of the 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 being 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,
- 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 consistent basis and 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.
- The use of judgments and estimates are reasonable and prudent.
- The information required by and otherwise complying with the Companies Act and the Listing Rules of the Colombo Stock Exchange are provided.

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 steps to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. The Directors have instituted an 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.

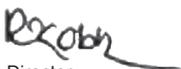
The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary to carry out their responsibilities. The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Independent Auditors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

20th February 2015

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 2014, and the statement of profit or loss, statement of other comprehensive income, statement 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.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, financial statements give a true and fair view of the financial position of the Company as at 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above
- b) In our opinion
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
 - the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

Ernst & Young

20th February 2015
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

A member firm of Ernst & Young Global Limited

Statement of Financial Position

Bogala Graphite Lanka PLC

As at 31 December 2014

	Note	2014 Rs.	2013 Rs.
ASSETS			
Non-current Assets			
Property, Plant and Equipment	12	270,450,754	297,135,829
Intangible Assets	13	855,945	2,093,170
Other Non-Current Financial Assets	14.1	17,537,196	15,662,098
Deferred Tax Assets	10	-	306,580
		288,843,895	315,197,677
Current Assets			
Inventories	15	89,624,118	89,550,059
Trade and Other Receivables	16	88,775,831	76,661,296
Advances and Prepayments		10,707,453	6,948,762
Other Financial Assets	14.1	12,228,094	24,656,867
Cash and Cash Equivalents	17	44,257,005	24,562,933
		245,592,502	222,379,917
Total Assets		534,436,397	537,577,594
EQUITY AND LIABILITIES			
Equity			
Stated Capital	18	80,074,201	80,074,201
Reserves	19	5,718,298	5,718,298
Retained Earnings		183,609,710	111,226,023
Total Equity		269,402,209	197,018,522
Non-current Liabilities			
Interest Bearing Loans and Borrowings	14.2	165,361,495	224,504,927
Deferred Tax Liability	10.2	1,554,584	-
Employee Benefit Liability	20	36,473,309	29,178,844
		203,389,388	253,683,771
Current Liabilities			
Trade and Other Payables	21	25,371,892	39,979,785
Income Tax Payables		1,805,645	497,950
Interest Bearing Loans and Borrowings	14.2	34,467,263	46,397,566
		61,644,800	86,875,301
Total Equity and Liabilities		534,436,397	537,577,594

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

Certified by:

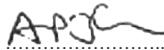


Sugath Amarasinghe
Finance Director

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



Director



Director

The accounting policies and notes on pages 27 through 51 form an integral part of the Financial Statements.

20th February 2015 - Colombo

Statement of Comprehensive Income

Bogala Graphite Lanka PLC

Year ended 31 December 2014

	Note	2014 Rs.	2013 Rs.
Revenue	5	607,425,103	535,758,100
Cost of Sales		(400,464,374)	(358,269,703)
Gross Profit		206,960,729	177,488,397
Other Income and Gains	6	2,895,524	2,254,085
Exchange Gain/(Loss)		21,731,118	(13,837,791)
Selling and Distribution Costs		(77,443,034)	(61,403,390)
Administrative Expenses		(68,466,548)	(62,207,783)
Operating Profit		85,677,789	42,293,518
Finance Cost	7	(13,796,150)	(17,927,944)
Finance Income	8	6,544,847	5,463,612
Profit Before Tax	9	78,426,486	29,829,186
Income Tax Expenses	10	(3,967,844)	(5,071,924)
Net Profit for the Year		74,458,642	24,757,262
Other Comprehensive Income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
De-recognition of Available-for-sale Financial Assets		-	25,000
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-	25,000
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial Gain/(Loss) on Retirement Benefit Obligation		(2,357,902)	(142,830)
Income tax effect		282,948	17,140
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(2,074,954)	(125,690)
Other comprehensive income for the year, net of tax		(2,074,954)	(100,690)
Total Comprehensive Income for the Year, net of Tax		72,383,688	24,656,572
Earnings Per Share	11	1.57	0.52

The accounting policies and notes on pages 27 through 51 form an integral part of the Financial Statements.

Statement of Changes in Equity

Bogala Graphite Lanka PLC

Year ended 31 December 2014

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Available for sale Reserve Rs.	Total Equity Rs.
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	111,226,022	-	197,018,522
Profit for the Period	-	-	74,458,642	-	74,458,642
Other Comprehensive Income	-	-	(2,074,954)	-	(2,074,954)
Balance as at 31 December 2014	80,074,201	5,718,298	183,609,710	-	269,402,209

The accounting policies and notes on pages 27 through 51 form an integral part of the Financial Statements.

Statement of Cash Flow

Bogala Graphite Lanka PLC

Year ended 31 December 2014

	Note	2014 Rs.	2013 Rs.
Cash Flows From Operating Activities			
Profit Before Tax		78,426,486	29,829,186
Adjustments for			
Depreciation	12	49,546,080	43,025,073
Amortization of Intangible Assets	13	1,237,224	1,240,115
Foreign Currency Exchange Loss/(Gains)		(21,731,118)	13,837,791
Profit on disposal of Property, Plant and Equipment	6	(1,310,677)	(99,700)
Finance Income	8	(6,544,847)	(5,463,612)
Finance Costs	7	13,796,150	17,927,944
Provision for Defined Benefit Obligation	20	6,068,567	4,549,856
Operating Profit before Working Capital Changes		119,487,865	104,846,653
		(74,059)	(1,108,638)
(Increase)/ Decrease in Inventories			
(Increase) / Decrease in Trade and Other Receivables and Prepayments		(15,873,226)	(12,244,363)
(Increase) / Decrease in Other Financial Assets		10,553,675	(4,658,484)
Increase / (Decrease) in Trade and Other Payables		(14,607,893)	12,089,728
Cash Generated from Operations		99,486,362	98,924,896
Income Tax Paid		(516,038)	(790,351)
Interest Received		6,544,847	5,463,612
Defined Benefit Obligation Paid	20	(1,132,004)	(521,400)
Net Cash From Operating Activities		104,383,167	103,076,757
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	12	(24,188,721)	(57,337,019)
Proceeds from Sale of Property, Plant and Equipment		2,638,393	134,552
Net Cash Flows from Investing Activities		(21,550,328)	(57,202,467)
Cash Flows from / (Used in) Financing Activities			
Repayment of Interest Bearing Loans and Borrowings		(34,770,298)	(30,291,570)
Principal Payment under Finance Lease Liabilities		(6,040,185)	(5,917,753)
Finance Cost Paid		(13,796,150)	(17,902,944)
Net Cash Flows used in Financing Activities		(54,606,633)	(54,112,267)
Net Increase/(Decrease) in Cash and Cash Equivalents		28,226,206	(8,237,977)
Net Foreign Exchange Difference		(3,775,970)	2,761,896
Cash and Cash Equivalents at the Beginning of the Year	17	19,806,769	25,282,851
Cash and Cash Equivalents at the End of the Year	17	44,257,005	19,806,769

The accounting policies and notes on pages 27 through 51 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 2014 were authorised for issue in accordance with a resolution of the directors on 20th February 2015.

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

1.2 Principal Activities and Nature of Operations

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.

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. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) 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 which has been measured at fair value. The financial statements are presented in Sri Lanka Rupees.

2.2 Comparative Information

The accounting policies have been consistently applied by the Company and they are consistent with those used in the previous years.

2.3 Summary of significant accounting policies

a) 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 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. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

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 statement of comprehensive income.

b) Taxes

Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. 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.

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.

c) Foreign currencies

The Company's financial statements are presented in Sri Lankan rupees, which is the functional and presentation currency of the Company.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

All differences arising on settlement or translation of monetary items are recognised in profit or loss.

d) Property, plant and equipment

Constructions in progress, Property, plant and equipment are stated at cost, net of accumulated depreciation and 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 statement of comprehensive income 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.

A revaluation surplus is recorded in Other Comprehensive Income (OCI) and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, 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 is calculated on a straight-line basis over the estimated useful lives of the assets which are disclosed in Note 12.8 in these Financial Statements.

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 de-recognition 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 residual values, useful lives and methods of depreciation of property, plant and equipment 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

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date 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 statement of comprehensive income.

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.

Finance charges are recognised under the finance costs in profit or loss.

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

f) Borrowing costs

Borrowing costs directly attributable to the 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 in which 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 profit or loss 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 statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from de-recognition 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 statement of comprehensive income when the asset is derecognised.

h) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Company's financial assets include cash and short-term deposits, trade receivables, loans and other receivables.

Subsequent measurement

Loans and receivables

This category is the most relevant to the Company. 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 effective interest rate (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 statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 14.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired
or
- 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.

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 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.

The amount of any impairment loss identified 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.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of comprehensive 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. 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of 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

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of comprehensive income 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 as finance costs in the statement of comprehensive income.

De-recognition

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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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 is accounted for as follows:

Raw materials –Purchased cost on a weighted average cost basis

Finished goods and work in progress –Direct cost incurred on excavation, Cost of raw materials, Processing, Finishing and Manufacturing Overheads (excluding borrowing cost)

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

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.

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, which are subject to an insignificant risk of changes in value.

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 as they are considered an integral part of the Company's cash management.

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 recognized 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 of benefits 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. Actuarial gains and losses are not reclassified to profit or loss in subsequent periods.

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.

Taxes

Deferred tax assets are recognised for 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.149,473,853/- (2013:Rs.169,488,919/-) and has recognized deferred tax assets amounting to Rs.11,149,885/- (2013: Rs.11,329,425/-) on these tax losses on the basis that Company is able to generate taxable profits in the future.

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 of the country.

Further details about the assumptions used are given in Note 20.1.

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

The standards and interpretations that are issued by the Institute of Chartered Accountants of Sri Lanka but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01 January 2015. However the effective date has been deferred subsequently

(ii) SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2017.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

5 REVENUE	2014 Rs.	2013 Rs.
Summary		
Export Sales	602,123,346	530,777,745
Local Sales	5,301,757	4,980,355
	607,425,103	535,758,100
6 OTHER INCOME AND GAINS	2014 Rs.	2013 Rs.
Income from Sale of Obsolete Items	1,142,279	1,382,338
Profit on sales of Property, Plant and Equipment	1,310,677	99,700
Miscellaneous Income	442,568	772,047
	2,895,524	2,254,085
7 FINANCE COST	2014 Rs.	2013 Rs.
Interest Expense on Overdrafts	3,817	2,245,974
Interest Expense on Interest Bearing Loans and Borrowings	12,034,569	13,776,611
Finance Charges on Lease Liabilities	1,757,764	1,880,359
De-recognition of Available for Sale Financial Assets	-	25,000
	13,796,150	17,927,944
8. FINANCE INCOME	2014 Rs.	2013 Rs.
Interest Income	6,544,847	5,463,612
	6,544,847	5,463,612
9. PROFIT BEFORE TAX	2014 Rs.	2013 Rs.
(a) Included in Cost of Sales		
Depreciation	43,329,721	36,645,302
Staff Costs includes		
- Defined Benefit Plan Costs -Gratuity	4,529,085	3,923,121
- Defined Contribution Plan Costs - EPF and ETF	5,999,003	5,876,494
- Other staff Costs	68,687,885	66,423,705
Technical Services Fee	30,371,255	26,787,905
Legal Expenses	188,615	390,263

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

(b) Included in Administrative Expenses	2014 Rs.	2013 Rs.
Depreciation	6,216,635	6,379,771
Amortisation of Intangible Assets	1,237,224	1,683
Staff Costs includes		
- Defined Benefit Plan Costs -Gratuity	1,539,482	626,735
- Defined Contribution Plan Costs - EPF and ETF	2,896,965	1,837,709
- Other staff Costs	26,457,106	19,438,775
Auditors' Remuneration		
-Audit	715,000	715,000
-Non Audit	314,785	(104,878)
Directors' Fees	1,565,000	1,644,332
Donations	1,125,083	1,167,740
(c) Included in Selling Distribution Expenses		
Transport Costs	3,753,883	3,474,359
Royalty paid to the Government	35,556,331	24,190,456

10 INCOME TAX

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

	2014 Rs.	2013 Rs.
Current Income Tax		
Current Income Tax charge (10.1)	3,555,539	2,220,043
Under / (Over) Provision of current taxes in respect of prior years	(1,731,807)	193,023
Deferred Income Tax		
Deferred Taxation Charge (10.2)	2,144,112	2,658,858
Income tax expense reported in the Income Statement	3,967,844	5,071,924

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

	2014 Rs.	2013 Rs.
Accounting Profit Before Tax from Continuing Operations	78,426,486	29,829,186
Aggregate Disallowed Items	123,837,367	134,100,511
Aggregate Allowable Expenses	(160,490,200)	(67,927,765)
Aggregate Other Income	7,870,906	5,463,612
Statutory Deductions	(20,015,066)	(82,965,182)
Taxable Profit	29,629,494	18,500,362
Statutory Tax Rate		
- Income Tax Rate 12% (2013 - 12%)	3,555,539	2,220,043
Current Income Tax Charge	3,555,539	2,220,043

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

INCOME TAX (Cont....)

	2014 Rs.	2013 Rs.
10.1.1 Tax Losses Brought Forward	169,488,919	205,001,859
Set off against Current Years Profits	(20,015,066)	(35,512,940)
Tax Losses Carried Forward	149,473,853	169,488,919

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

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

	Statement of Financial position		Income Statement		Other comprehensive Income	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Deferred Tax Liability						
Capital allowances for tax purposes	17,081,266	14,524,306	(2,556,960)	(2,278,608)	-	-
	17,081,266	14,524,306	(2,556,960)	(2,278,608)	-	-
Deferred Tax Assets						
Retirement Benefit Obligation	4,376,797	3,501,461	592,388	483,414	282,948	17,140
Brought forward Losses	11,149,885	11,329,425	(179,540)	(863,664)	-	-
	15,526,682	14,830,886	412,848	(380,250)	282,948	17,140
Deferred income tax income/ (expense)			(2,144,112)	(2,658,858)	282,948	17,140
Net Deferred Tax Liability/ (Assets)	1,554,584	(306,580)				

10.2.1 Deferred Tax Liability arising from temporary differences is set-off against the Deferred Tax Assets created by brought forward tax 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.11,149,885/- (2013 - Rs. 11,329,425/-) have been recognized in the financial statements only to the extent that would be probable to realized in the next three financial years such losses considered for deferred tax amount to Rs.92,915,707/- (2013 - Rs.94,411,873/-).

11. EARNINGS PER SHARE

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

	2014 Rs.	2013 Rs.
Net Profit Attributable to Ordinary shareholders for basic Earning Per Share	74,458,642	24,757,262
Number of Ordinary Shares used as Denominators:		
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.

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Gross Carrying Amounts	Balance As at 01.01.2014 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2014 Rs.
At Cost				
Buildings on Freehold Land	40,340,661	7,051,408	(498,600)	46,893,468
Road Development	8,807,789	-	-	8,807,789
Access Tunnels	214,648,134	28,675,172	(33,946,862)	209,376,445
Plant and Machinery	238,176,379	7,854,444	(165,788)	245,865,035
Other Equipments	41,934,487	1,467,658	(803,013)	42,599,131
Office Equipment	9,156,238	972,519	(2,086,616)	8,042,141
Furniture and Fittings	4,090,138	292,808	(1,421,515)	2,961,431
Computer Equipments	12,395,426	366,757	(2,615,794)	10,146,389
Motor Vehicles	15,725,367	178,495	(1,886,000)	14,017,862
	585,274,619	46,859,260	(43,424,187)	588,709,691
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	638,000,694	46,859,260	(43,424,187)	641,435,766
12.2 In the Course of Construction	Balance As at 01.01.2014 Rs.	Incurred During the Year Rs.	Disposal/ Transfers Rs.	Balance As at 31.12.2014 Rs.
Buildings on Freehold Land	-	3,989,394	(3,989,394)	-
Access Tunnels	41,861,336	13,496,175	(28,675,173)	26,682,338
Plant and Machinery	7,638,090	1,158,090	(8,649,631)	146,548
	49,499,426	18,643,659	(41,314,198)	26,828,887
Total Gross Carrying Amount	687,500,119	65,502,919	(84,738,385)	668,264,653
12.3 Depreciation	Balance As at 01.01.2014 Rs.	Charge for the year/ Transfers Rs.	Disposals Rs.	Balance As at 31.12.2014 Rs.
At Cost				
Buildings	21,206,464	1,605,306	(465,360)	22,346,410
Road Development	2,666,077	795,554	-	3,461,632
Access Tunnels	141,231,457	16,740,747	(33,946,862)	124,025,342
Plant and Machinery	151,297,788	15,053,861	(165,788)	166,185,861
Other Equipments	28,433,219	2,866,496	(668,195)	30,631,520
Office Equipment	5,928,800	835,489	(1,976,958)	4,787,331
Furniture and Fittings	3,282,830	290,488	(1,421,515)	2,151,803
Computer Equipments	10,121,109	1,371,373	(2,615,794)	8,876,687
Motor Vehicles	9,238,441	1,755,604	(836,000)	10,158,045
	373,406,186	41,314,917	(42,096,472)	372,624,631
Assets on Finance Leases				
Motor Vehicles	16,958,105	8,231,163	-	25,189,268
	16,958,105	8,231,163	-	25,189,268
	390,364,291	49,546,080	(42,096,472)	397,813,898

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

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

12.4 Net Book Values	2014 Rs.	2013 Rs.
At Cost		
Buildings on Freehold Land	24,547,058	19,134,197
Road Development	5,346,157	6,141,712
Access Tunnels	85,351,103	73,416,677
Plant and Machinery	79,679,174	86,878,591
Other Equipments	11,967,612	13,501,267
Office Equipment	3,254,810	3,227,438
Furniture and Fittings	809,628	807,308
Computer Equipments	1,269,702	2,274,317
Motor Vehicles	3,859,817	6,486,926
	216,085,061	211,868,433
Assets on Finance Leases		
Motor Vehicles	16,114,807	24,345,970
	16,114,807	24,345,970
At Valuation		
Freehold Land	11,422,000	11,422,000
	11,422,000	11,422,000
In the Course of Construction		
Access Tunnels	26,682,338	41,861,336
Plant and Machinery	146,548	7,638,090
	26,828,886	49,499,426
Total Carrying Amount of Property, Plant and Equipment	270,450,754	297,135,829

12.5 The land was revalued during the financial year 2013 by N.M. Jayathilake an independent valuer. Land was valued on an open market value on an existing use basis without considering the mineral deposits and underground works. The Cost of the land was Rs.5,703,702/-.

12.6 Property, Plant and Equipment includes fully depreciated assets having a total cost of Rs. 64,287,205/- (2013 - Rs. 91,763,749/-).

12.7 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.65,502,919/- (2013 - Rs.70,872,212/-). Acquisitions through Cash payments amounting to Rs.24,188,721/- (2013 - Rs.57,337,019/-).

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

	2014	2013
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	5 - 20 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

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

12.9 Information on the Freehold Land, Freehold Buildings including in the Property, Plant and Equipments 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

13. INTANGIBLE ASSETS

13.1 Gross Carrying Amounts

	Balance As at 01.01.2014 Rs.	Additions/Transfers Rs.	Disposals/Transfers Rs.	Balance As at 31.12.2014 Rs.
At Cost				
Computer Software	7,840,788	-	-	7,840,788
	7,840,788	-	-	7,840,788
13.2 Amortization and Impairments				
	Balance As at 01.01.2014 Rs.	Charge for the year/Transfers Rs.	Disposals/Transfers Rs.	Balance As at 31.12.2014 Rs.
Computer Software	5,747,619	1,237,224	-	6,984,843
	5,747,619	1,237,224	-	6,984,843
13.3 Net Book Values				
At Cost				
Computer Software			2014 Rs. 855,945	2013 Rs. 2,093,170
			855,945	2,093,170

13.4 Useful life of the Computer softwares is estimated as 03 Years.

14. OTHER FINANCIAL ASSETS AND LIABILITIES

14.1. Other Financial Assets

	2014 Rs.	2013 Rs.
Loans and receivables		
Loans to Company Officers (Note 14.1.1)	29,265,290	24,818,965
Short-term deposits	500,000	15,500,000
Total loans and receivables	29,765,290	40,318,965
Total other financial assets	29,765,290	40,318,965
Total current	12,228,094	24,656,867
Total non-current	17,537,196	15,662,098

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.

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

14.1.1 Loans to Company Officers	Balance as at 01.01.2014 Rs.	Loans Granted During the Year Rs.	Repayments Rs.	Balance as at 31.12.2014 Rs.
Loans to Company Officers	24,818,964	19,031,089	(14,584,763)	29,265,290
	24,818,964	19,031,089	(14,584,763)	29,265,290
Current	9,156,867			11,728,094
Non Current	15,662,098			17,537,196
	24,818,965			29,265,290

14.2. Other Financial Liabilities	2014 Rs.	2013 Rs.
Current Interest -bearing loans and borrowings		
Obligations under finance leases (Note 23.1)	6,694,180	6,040,258
Bank overdrafts	-	4,756,164
Other current loans		
Lanka Phosphate Limited (LPL)	-	4,172,321
AMG Mining AG Loan	27,773,083	31,428,823
Total Current Interest-bearing loans and borrowings	34,467,263	46,397,566
Non-Current Interest -bearing loans and borrowings		
Obligations under finance leases (Note 23.1)	5,666,265	12,360,372
Other non-current loans		
AMG Mining AG Loan	159,695,230	212,144,555
Total Non Current Interest-bearing loans and borrowings	165,361,495	224,504,927
Total Interest-bearing loans and borrowings	199,828,758	270,902,493

14.2.1 Loans	As at 01.01.2014 Rs.	Loans Obtained Rs.	Repayments Rs.	Exchange (Gain)/Loss Rs.	As at 31.12.2014 Rs.
Lanka Phosphate Limited (LPL)	4,172,321	-	(4,172,321)	-	-
AMG Mining AG Loan	243,573,378	-	(30,597,977)	(25,507,088)	187,468,313
	247,745,699	-	(34,770,298)	(25,507,088)	187,468,313

Terms and Conditions:

Bank overdrafts

Interest rate of the bank overdraft will average between 10% and 12%.

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

AMG Mining AG Loan

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

- Rate of Interest	5.5%
- Term of Repayment - Equal installments	EUR 43,616/25 (Quarterly- Without Interest)
- Grace Period	2 years up to October 2011
- Repayment by	2021
- Security offered	None

14.3. 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	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Financial assets				
Other financial assets				
- Loans to Company Officers	29,265,290	24,818,965	29,265,290	24,818,965
Cash and short-term deposits	44,757,005	40,062,933	44,757,005	40,062,933
Total	74,022,295	64,881,898	74,022,295	64,881,898
Financial liabilities				
Interest-bearing loans and borrowings				
-Obligations under finance leases	12,360,445	18,400,630	12,360,445	18,400,630
-Other Borrowings*	187,468,313	294,143,265	187,468,313	294,143,265
Bank overdrafts	-	4,756,164	-	4,756,164
Total	199,828,758	317,300,059	199,828,758	317,300,059

* other borrowings includes AMG Mining AG Loan .

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 2014, the carrying amounts of such receivables, net of provision for impairment, are not materially different from their calculated fair values.

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

15. INVENTORIES

	2014 Rs.	2013 Rs.
Raw Materials (at cost)	20,195,670	26,583,540
Semi Finished Goods (at cost)	780,971	8,221,069
Finished Goods - (at cost)	18,213,037	1,705,968
Consumables and Spares (at cost)	50,434,440	53,039,482
	89,624,118	89,550,059

16. TRADE AND OTHER RECEIVABLES

	2014 Rs.	2013 Rs.
Trade Receivables - Related Parties (16.2)	18,820,461	24,038,827
Others	41,848,506	29,510,684
	60,668,967	53,549,511
Other Receivables - Related Parties (16.3)	486,302	1,520,442
Others	27,620,562	21,591,343
	88,775,831	76,661,296

Other receivables from others includes VAT receivables amounting to Rs. 26,908,714/- (2013 - 20,710,328/-)
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 Rs.	Neither past due nor Impaired Rs.	Past due but not impaired			
			<30 days Rs.	30-60 days Rs.	61-90 days Rs.	>91 days Rs.
2014	61,155,269	55,011,719	5,653,688	489,862	-	-
2013	55,069,953	47,305,229	3,224,285	4,540,439	-	-

16.2. Trade Receivables - Related Parties

	Relationship	2014 Rs.	2013 Rs.
AMG Mining AG	Parent	15,732,175	15,370,769
Qingdao Kropfmuhl Graphite Co. Ltd.	Affiliates	-	1,179,473
Graphite Tyn Spol S.R.O	Affiliates	3,088,286	7,488,586
		18,820,461	24,038,827

16.3. Other Receivables - Related Parties

	Relationship	2014 Rs.	2013 Rs.
AMG Mining AG	Parent	-	1,449,970
Ansro Lanka (Private) Limited	Affiliates	486,302	70,472
		486,302	1,520,442

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

17. CASH AND SHORT-TERM DEPOSITS

	2014 Rs.	2013 Rs.
Cash at bank and on hand	44,257,005	24,562,933
	44,257,005	24,562,933

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

	2014 Rs.	2013 Rs.
Cash and Bank Balances	44,257,005	24,562,933
	44,257,005	24,562,933
Bank Overdraft	-	(4,756,164)
Total Cash and Cash Equivalents	44,257,005	19,806,769

18. STATED CAPITAL

	2014 Number	2014 Rs.	2013 Number	2013 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

19. RESERVES

	2014 Rs.	2013 Rs.
19.1 Capital Reserves		
Revaluation Reserve	5,718,298	5,718,298
	5,718,298	5,718,298

19.1.1 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.

20. EMPLOYEE BENEFIT LIABILITY

Gratuity	2014 Rs.	2013 Rs.
Defined Benefit Obligation at the beginning of the year	29,178,844	25,007,558
Interest on Benefit Liability	3,209,673	2,029,544
Current Service Cost	2,858,894	2,520,312
Actuarial Loss	2,357,902	142,830
Benefit paid during the year	(1,132,004)	(521,400)
Defined Benefit Obligation at the end of the year	36,473,309	29,178,844

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

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

Cost of Sale	4,529,085	3,923,121
Administrative Expenses	1,539,482	626,735
	6,068,567	4,549,856
Other Comprehensive Income	2,357,902	142,830

- 20.1** Messer's Actuarial and Management Consultants (Pvt) Ltd; a firm of professional actuaries, carried out an actuarial valuation of the defined benefit gratuity on 31 December 2014. Appropriate and compatible assumptions were used in determining the retirement benefits. The principal assumptions used are as follows;

	2014	2013
Discount Rate Assumed	10%	11%
Salary Increased Rate Assumed - Executive	8%	9%
- Non Executive	7%	10%
Withdrawal Rate Assumed	2%	3%
Retirement Age	55 years	55 years

20.2 Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
Change in Present value of Defined Benefit Obligation	3,125,005	(2,810,776)	(2,527,243)	2,843,112

- 20.3** The average future working life of the defined benefit obligation at the end of the reporting period is 11 years

21. TRADE AND OTHER PAYABLES

	2014 Rs.	2013 Rs.
Trade Payables - Others	5,554,148	15,060,297
Other Payables - Related Parties (21.1)	3,325,633	3,605,997
Sundry Creditors	3,344,540	5,121,740
Accrued Expenses	13,147,572	16,191,751
	25,371,892	39,979,785

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 Company's credit risk management processes, refer to Note 24.

21.1 Other Creditors - Related Parties

AMG Mining AG	Parent Company	3,325,633	3,605,997
		3,325,633	3,605,997

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2014

22. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

22.1 Transaction with the parent and related entities

Nature of Transaction	Name of Company & Relationship												Total	
	Parent AMG Mining AG		Subsidiary Fairclad Trading		Affiliate Graphite Tyn		Affiliate Qingdao Kropfmuhl		Affiliate Anso Lanka (Pvt) Ltd.		2013	2013	2014	2014
	Rs.	2013	Rs.	2013	Rs.	2013	Rs.	2013	Rs.	2013	Rs.	Rs.	Rs.	Rs.
Balance Receivable (Payable) as at 01 January	(230,358,636)	(257,029,769)	-	2,255,456	7,488,586	-	1,179,472	-	1,179,472	70,472	1,116,996	(221,620,105)	(253,657,316)	
Sale of Goods/Services	111,355,855	104,939,639	-	-	50,754,803	67,022,395	18,728,004	1,796,675	-	-	-	184,740,614	173,760,710	
Purchase of Goods/Services	(44,708,645)	(42,469,688)	-	-	-	-	(309,890)	-	-	-	-	(44,708,645)	(42,779,578)	
Expenses to be reimbursed	602,668	2,690,667	-	-	-	-	-	-	-	415,630	(353,985)	1,018,489	2,336,682	
Finance Charges	(12,034,569)	(13,607,993)	-	-	-	-	-	-	-	-	-	(12,034,569)	(13,607,993)	
Technical Service Fees	(30,371,255)	(26,874,025)	-	-	-	-	-	-	-	-	-	(30,371,255)	(26,874,025)	
Repayment of interest bearing loans & borrowings	30,597,977	29,325,647	-	-	-	-	-	-	-	-	-	30,597,977	29,325,647	
Settlements	(25,652,245)	(11,033,504)	-	(2,256,456)	(55,155,103)	(59,533,809)	(19,907,476)	(309,313)	-	-	(692,539)	(104,616,776)	(73,824,621)	
Net Exchange (Gain) / Loss	25,607,088	(16,299,611)	-	-	-	-	-	-	-	-	-	25,607,088	(16,299,611)	
Balance Receivable (Payable) as at 31 December	(175,061,771)	(230,358,636)	-	-	3,088,286	7,488,586	-	1,179,472	-	486,302	70,472	(171,487,182)	(221,620,105)	
Above balance Included In	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2013	2014	2013	
Trade Receivable	15,732,175	15,370,769	-	-	3,088,286	7,488,586	-	1,179,473	-	18,820,461	-	486,302	24,038,827	
Other Receivable	-	1,449,970	-	-	-	-	-	-	-	70,472	-	-	1,520,442	
Other Payables	(3,325,633)	(3,605,997)	-	-	-	-	-	-	-	-	-	(3,325,633)	(3,605,997)	
Interest Bearing Loans and Borrowings	(187,468,313)	(243,573,378)	-	-	-	-	-	-	-	-	-	(187,468,313)	(243,573,378)	
	(175,061,771)	(230,358,636)	-	-	3,088,286	7,488,586	-	1,179,473	486,302	70,472	(171,487,183)	(221,620,106)		

* Total aggregated value of the sales made to AMG Mining AG and the Graphite Tyn is 18% and 8% respectively from the total revenue of the Company (2013 - 20% and 13%).

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.

22.2 Transactions with Key Management Personnel of the Company or parent

Key Management Personnel Compensation

Directors Emolument paid

Short Term Employee Benefits

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

	2014	2013
	Rs.	Rs.
Directors Emolument paid	14,450,238	7,071,918
Short Term Employee Benefits	4,430,042	4,056,157

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Bogala Graphite Lanka PLC

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23. COMMITMENTS AND CONTINGENCIES

23.1. 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:

	2014		2013	
	Minimum payments Rs.	Present value of payments (Note 14) Rs.	Minimum payments Rs.	Present value of payments (Note 14) Rs.
Within one year	7,798,032	6,694,180	7,798,032	6,040,258
After one year but not more than five years	6,160,780	5,666,264	13,958,728	12,360,372
Total minimum lease payments	13,958,812	12,360,444	21,756,760	18,400,630
Less amounts representing finance charges	(1,598,368)	-	(3,356,130)	-
Present value of minimum lease payments	12,360,444	12,360,444	18,400,630	18,400,630

22.1.1 Finance Leases

	As at 01.01.2014 Rs.	Lease Obtained Rs.	Repayment Rs.	As at 31.12.2014 Rs.
Gross Liability	21,756,760	-	(7,797,948)	13,958,812
Finance Charges allocated to future periods	(3,356,130)	-	1,757,763	(1,598,368)
Net liability	18,400,630	-	(6,040,185)	12,360,444

24. 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's financial assets include loans, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

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 Company policies and Company risk appetite.

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

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Bogala Graphite Lanka PLC

Year ended 31 December 2014

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd....)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

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

The Company's interest rate is 5.5%

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points	Effect on profit before tax
2014	+50	(656,960)
	-50	689,808
2013	+50	(853,711)
	-50	896,397

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.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in Euro exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Change in Euro rate	Effect on profit before tax
2014	+5%	8,248,606
	-5%	(7,855,815)
2013	+5%	10,717,229
	-5%	(10,206,884)

Year ended 31 December 2014

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd....)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

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 2014, the Company had 3 customers (2013: 4 customers,) that owed the Company more than Rs.2,000,000 each and accounted for approximately 95% (2013: 90%,) of all receivables outstanding.

An impairment analysis is performed 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 minimize 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.

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Bogala Graphite Lanka PLC

Year ended 31 December 2014

24. 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 ended 31 December 2014	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	-	8,694,716	25,805,520	144,696,551	20,631,970	199,828,757
Trade and other payables	-	25,371,892	-	-	-	25,371,892
	-	34,066,608	25,805,520	144,696,551	20,631,970	225,200,649
Year ended 31 December 2013	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

Capital management

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

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

	2014 Rs.	2013 Rs.
Interest-bearing loans and borrowings (Note 14)	199,828,758	270,902,493
Trade and other payables (Note 21)	25,371,892	39,979,785
Less: cash and short-term deposits (Note 17 and Note 14)	(43,757,005)	(40,062,933)
Net debt	181,443,645	270,819,345
Equity	269,402,209	197,018,522
Total capital	269,402,209	197,018,522
Capital and net debt	450,845,854	467,837,867
Gearing ratio	40%	58%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

25. ASSETS PLEDGED

There are no assets pledged as at the Reporting date.

26. EVENTS AFTER REPORTING DATE

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

TEN YEAR FINANCIAL SUMMARY (In Rupees '000)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Trading Results											
Turnover	607,425	535,758	556,226	399,324	366,373	241,382	383,976	403,005	297,684	277,632	255,330
Gross Profit	206,961	177,488	184,222	115,004	130,098	19,319	108,606	157,662	99,494	114,980	109,639
Other Income	9,440	7,718	13,813	6,925	36,132	6,926	2,195	3,346	4,077	2,361	11,104
Profit before Interest	92,223	47,757	40,741	38,069	88,405	(76,387)	(53,603)	72,283	45,100	61,664	68,182
Interest Cost	13,796	17,928	18,548	16,406	15,144	47,630	48,270	34,529	19,353	19,058	20,436
Profit after interest before Tax	78,426	29,829	22,193	21,663	73,261	(124,017)	(101,873)	37,754	25,746	42,606	47,746
Taxation	3,968	5,072	1,652	(1,552)	(2,844)	-	1,845	(3,229)	(2,877)	(6,366)	(864)
Net Profit	74,459	24,757	23,845	20,111	70,417	(124,017)	1,845	34,525	22,869	36,241	46,882
Actuarial loss	2,075	126	1,738	-	-	-	(100,028)	-	-	-	-
Total Comprehensive Income for the Year	72,384	24,656	22,108	-	-	-	-	-	-	-	-
Balance Sheet											
Stated Capital	80,074	80,074	80,074	80,074	80,074	547,142	397,290	397,290	397,290	397,290	397,290
Reserves	189,328	116,944	92,313	82,009	76,135	(461,350)	(337,333)	(237,304)	(271,829)	(294,698)	(330,939)
Shareholders' Funds	269,402	197,018	172,362	162,083	156,209	85,792	59,957	159,986	125,461	102,592	66,351
Property, Plant & Equipment	270,451	297,136	282,859	275,276	242,700	262,043	303,916	270,929	215,430	167,545	144,965
Current & Non Current Assets	263,130	238,042	241,997	227,833	255,636	205,422	215,938	223,168	149,935	153,557	144,926
Current Liabilities	61,645	86,875	81,542	80,198	40,674	47,200	306,145	278,378	186,831	164,175	176,030
Non Current Liabilities	203,389	253,684	270,952	260,827	301,453	334,471	153,752	55,734	53,073	54,335	47,510
Net Assets	269,402	197,018	172,362	162,083	156,209	85,792	59,957	159,986	125,461	102,592	66,351
Key Indicators											
Gross Profit to Turnover	34%	33%	33%	29%	33.67%	8.00%	28.28%	39.12%	33.42%	41.41%	42.94%
Net Income to Turnover	12.26%	4.62%	4.29%	5.04%	18.23%	-51.38%	-26.05%	8.57%	7.68%	13.05%	18.36%
Earnings Per Share	1.57	0.52	0.50	0.43	1.49	(2.62)	(2.52)	0.87	0.58	0.91	1.18
Price Earnings Ratio	19.89	35.17	47.03	91.76	39.31	(6.87)	(3.57)	23.59	39.52	32.89	9.75
Market Value per share as at 31st December	31.30	18.40	23.70	39.00	58.50	18.00	9.00	20.50	22.75	30.00	11.50
Return on Equity	27.64%	12.57%	13.83%	12.41%	45.08%	-144.55%	-166.83%	21.58%	18.23%	35.33%	70.66%
Net Assets per share	5.69	4.16	3.64	3.43	3.30	1.81	1.51	4.03	3.16	2.58	1.67
No of Shares in Issue	47,316,452	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

Notes:

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

Top 20 Shareholders

Bogala Graphite Lanka PLC

As at 31st December 2014

	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.LAT 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	77,200	0.16
6	MR. D.M.KODIKARA	60,693	0.13
7	ASHA FINANCIAL SERVICES LIMITED/MR.C.N.PAKIANATHAN	59,768	0.13
8	UNIVOGUE GARMENTS (PVT) LIMITED.	49,500	0.10
9	MRS. N.MULJIE	34,951	0.07
10	MBSL INSURANCE COMPANY LIMITED	34,830	0.07
11	MR. K.S.M.RODRIGO	30,850	0.07
12	MR. A.P.JAYASINGHE	30,369	0.06
13	MR. K.L.P.FERNANDO	30,000	0.06
14	MR. A.J.M.JINADASA	30,000	0.06
15	RICHARD PIERIS FINANCIAL SERVICES (PVT) LTD/M.R.H.MANSOOR	28,100	0.06
16	FIRST CAPITAL MARKETS LIMITED/MR.P.D.SAMARASINGHA	21,000	0.04
17	MR. M.S.M.S.MUEEN	20,700	0.04
18	DR. K.SRIRANJAN	20,000	0.04
19	MR. N.RUWANPATHIRANA	18,700	0.04
20	MR. H.W.M.WOODWARD	17,800	0.04

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 Share held by Public	4,543,259
Number of shareholders holding the Public Shares	9,489
Percentage	9.60
Number of shares representing stated capital	47,316,452
Total number of shareholders	9,491

Net Assets Value per Share as at 31st December 2014 (2013 - Rs. 4.16) Rs. 5.69

Summary of Shareholders

Bogala Graphite Lanka PLC

As at 31st December 2014

SHAREHOLDING	NO.OF SHAREHOLDERS	TOTAL NO.OF SHARES	PERCENTAGE %
1-1000	9,046	2,052,936	4.34
1001-5000	369	905,339	1.91
5001-10000	38	283,999	0.60
10001-50000	31	601,193	1.27
50001-100000	4	288,561	0.61
100001-500000	2	441,600	0.93
500001-1000000	0	0	0.00
OVER 1000000	1	42,742,824	90.33
TOTAL	9,491	47,316,452	100.00

SHARE TRADING DETAILS FOR THE YEAR 2014

Highest Market Price (29-10-2014)	Rs.	37.00
Lowest Market Price (17-03-2014)	Rs.	18.00
Market Price as at 31 st December 2014	Rs.	31.30
Traded Share Volume		1,967,305
No of Trades		3,966
Trading Turnover		54,835,415.70

Notice of Meeting

Bogala Graphite Lanka PLC

NOTICE IS HEREBY GIVEN THAT the Twenty Fourth Annual General Meeting of the Company will be held at 10.00 a.m. on Monday the 20th April 2015 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 2014 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 2015.
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 71 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 71 years prior to this Annual General Meeting and that he be reappointed as a Director of the Company".
4. To propose the following resolution as an ordinary resolution for the reappointment of Mr.V.P.Malalasekera 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. V.P.Malalasekera 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".
5. To authorise the Directors to determine contributions to charities for the ensuing year.

By Order of the Board

CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries
BOGALA GRAPHITE LANKA PLC

Colombo on Friday 20th February 2015

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.

8

Form of Proxy

Bogala Graphite Lanka PLC

I/We of being a member/s of BOGALA GRAPHITE LANKA PLC hereby appoint ofor 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.A.P.Jayasinghe or failing him Mr.T.Muller or failing him Mr.T.Junker or failing him Ms.M.C.Pietersz or failing her Mr.A.S.R.Amarasinghe or failing him Mr.M.Adamaly as my/our proxy to speak/vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held on the 20th day of April 2015 at 10.00 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 Fifteen.

.....
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 notorially 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

Bogala Graphite Lanka PLC

1. **Name of the Company** - Bogala Graphite Lanka PLC
2. **Legal Form** - A Public Quoted Company with limited liability incorporate under the provisions of Companies Act No 7 of 2007
3. **Date of Incorporation** - 11th March 1991
4. **Company Registration Number** - PQ 218
5. **Nature of Business** - Mining, Separation, Refining, Treating , Processing and Preparation, and sale of Graphite, and production of Lubricants
6. **Board of Directors**
 - Mr. Vijaya Malalasekera - Chairman
 - Mr. Frank E Berger - Vice Chairman
 - Mr. Jayampathi Jayasinghe
 - Mr. Thomas A Junker
 - Mr. Amila Jayasinghe - CEO / Managing Director
 - Mr. Torben Muller
 - Ms. Coralie Pietersz
 - Mr. Sugath Amarasinghe - Finance Director
 - Mr. Mohammed Adamaly
7. **Business Address** Bogala Mines, 71041 Aruggammana
Website : www.gk-graphite.lk
8. **Secretaries** Corporate Services (Private) Limited
216, De Saram Place, Colombo 10.
Tel: 0047182200 Fax 004718220
email: csl@figdesaram.com
9. **External Auditors** Ernst & Young
Chartered Accountants
201, De Saram Place,
Colombo 10
- Internal Auditors** B.R.De Silva & Company
Chartered Accountants
22/4 Vijaya Kumaranathunga Mawatha
Colombo 05
10. **Bankers** Deutsche Bank
Peoples Bank
11. **Management Committee**
 - General Manager - Gamini Kumburahena
 - Deputy General Manager - Uditha Rajapaksa
 - Chief Information Officer / HOD Marketing - Waruna Illukpitiya
 - Assistant General Manager (HR & ADM) - Dimuth Mahaliyana
 - Assistant General Manager (Underground) - Chaminda Ekanayake
 - Assistant General Manager (Processing) - Anura Liyanage
 - Manager Supplies (Local) - Jayantha Priyaratne
 - Manager Training & Management Systems - Kapila Ekanayake
 - Manager Safety, Health & Environment - Saliya Gunasekara
 - Management Accountant - Ms. Devika Kumari
 - Mine Service Manager / Geologist - Kithsiri Palandagama
 - Manager Underground Maintenance - Udaya Bokalamulla
 - Manager Stores & Public Relations - Hemantha Jayasinghe

