

Annual Report 2016



Bogala Graphite



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Financial and Operational Highlights

Bogala Graphite Lanka PLC

Year Ended 31st December

		2016	2015	%
Earnings Highlights and Ratios				
Revenue	Rs.million	702.5	582.9	20.5
Gross profit	Rs.million	270.4	186.6	44.9
Profit before tax	Rs.million	79.3	6.3	1,157.9
Profit after tax	Rs.million	73.8	0.2	47,269.2
EBITDA	Rs.million	131.7	62.9	109.2
Finance cost	Rs.million	8.9	10.2	(12.7)
Gross profit to turnover	%	38.5	32.0	20.2
Net income to turnover	%	10.5	0.0	39,204.6
Return on equity (ROE)	%	21.1	0.1	37,641.4

Balance Sheet Highlights & Ratios				
Total assets	Rs.million	579.7	524.6	10.5
Total debt	Rs.million	138.9	159.9	13.1
Total shareholders' funds	Rs.million	349.3	278.3	25.5
No of shares in issue	Million	94.6	47.3	100.0
Net assets	Rs.million	349.3	278.3	25.5
Net assets per share	Rs.	3.7	5.9	(37.2)
Debt/equity (book value)	%	39.8	57.4	30.8

I am happy to welcome you on behalf of the Board to the 26th Annual General Meeting of our Company.

2016 has certainly been a good year for the Company compared to last year as we achieved a reasonable turnover and good operational results despite the considerable difficulties we faced because of natural disasters and a strike at the work place. Overcoming these obstacles, we focused on our business objectives and directed all available resources towards achieving our business plan for the year. We continued our commitment to increase productivity at all levels whilst minimising costs. Our year end results demonstrate that we as a team has been successful in achieving this quest. Nevertheless we cannot remain complacent, due to ongoing external pressures.

Economic Environment

The growth in economic activity continued, with the Sri Lankan economy growing at a moderate rate of 3.9 per cent in real terms during the first half of 2016 following the annual growth of 4.8 per cent registered in 2015. The growth of the Services sector was supported by Financial Services activities, and Wholesale and Retail trade activities in addition to other personal services and public services. The Industry sector expansion was as a result of higher value addition from the construction and manufacturing activities. However, the Agricultural sector contracted due to adverse weather conditions.

Meanwhile, Industry related activities grew by 5.2 per cent during the first half of 2016, compared with the 2.5 per cent growth during the same period of 2015. The recovery in construction activities coupled with the positive performance of manufacturing activities mainly contributed to this growth. The other industrial activities too yielded positive results, albeit contributing marginally to growth.

The level of gross official reserves of the country amounted to US dollars 6.5 billion by end September 2016. Despite considerable depreciation pressure on the rupee during the first four months of 2016, the rupee remained relatively stable during the year up to September 2016.

The deficit in the trade balance increased by 1.6 per cent, year-on-year, during the first eight months of 2016, because of the reduction in exports compared to a marginal decline in imports. Sri Lanka's current account deficit increased in the first half of 2016 by around 16.6 per cent from the corresponding period in 2015. The overall budget deficit of Rs. 432.7 Billion during the first seven months of the year was mainly financed through domestic sources.

Market interest rates moved upwards during the first nine months of 2016 consequent to the tightening of the monetary policies.

International Economic Environment

The global economic outlook is projected to remain modest in 2016, while gradual recovery is expected in 2017, according to the IMF World Economic Outlook (WEO) – October 2016. Global economic growth forecast has remained unchanged from July 2016 at 3.1 per cent for 2016 while gradually improving to 3.4 per cent in 2017.

Expected Developments

Sri Lanka's positive medium term macro-economic outlook will depend on structural adjustments in the external and fiscal sectors and the implementation of sound macro-economic management policies. Sri Lanka has the potential for a fresh leap in development leveraging its geographical location and the strong relations with other nations to hopefully attract investment to foster better growth.

Corporate Performance

As in the past, Capital Expenditure was funded through internally generated resources. Exports to Far Eastern markets compared to 2015 dropped by 12.2%. Nevertheless, an increase in demand from UK, USA, Near and Middle Eastern markets, and from the GK-Group resulted in increased revenue for the year amounting to Rs. 702 million compared to Rs.583 million in 2015.

The above results reflect an increase in both graphite and lubricant operations of the Company where the percentage increase for lubricant operations amounted to 42.5% is certainly noteworthy. In addition, the mix with more value added products for graphite and lubricants as compared to that of 2015 helped earn better margins for the year.

The operating profit (EBIT) increased to Rs. 85.4 million from Rs.13.7 million compared to 2015. The profit after Tax (PAT) for the year was Rs. 73.8 million compared to that of Rs.0.2 million in 2015. PAT figure also included an exchange gain of Rs. 10.0 million. These results were achieved as a result of the tremendous support we received from our parent company GK.

The performance for the year has been commendable when compared to those of previous years. The growth in sales and the measures taken to increase productivity whilst minimising costs have been the factors that helped in achieving these results.

During the period under review, your management team faced tough times which included a flooding of our production facility which resulted in a closure for a period of 7 days. A long period of work to rule also hampered our production. Workers who took part in a strike underground was in clear violation of the law whilst breaking all safety regulations. These were brought to the notice of the relevant authorities. The Company also had to obtain a court order that workers could not strike underground at anytime. This has been brought to the attention of the workforce. It is in this environment that your management team were able to achieve these results.

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

We have complied with the regulations laid down by the SEC in respect of establishing a Related Party Transaction Review Committee. In addition to the Audit and Remuneration Committees already in place. The requirements of Corporate Governance as laid down by the SEC has been adhered to.

Future Prospects

Greater competition is likely in the near future. In this scenario, our organisation must be lean, cost effective and quality conscious whilst maximising on all competitive advantages that we can muster. The Company is in the process of reviewing its structure to maximise on all competitive advantages we possess. We faced unprecedented challenges in the past year, which proved in no uncertain terms our ability to withstand whatever challenges we may face in the future.

Acknowledgement

In conclusion, on behalf of the Board of Directors let me thank the outgoing CEO/ Managing Director of AMG Mining AG Mr Frank Berger whose contribution during his tenure as a Director of our Company was invaluable.

I thank all our shareholders, including our major shareholder and Parent Company Graphite Kropfmühl, for the continued trust and confidence placed in the management of the Company. I have no doubt that this partnership will help the Company to reach greater heights in the coming years.

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 our esteemed customers. I am confident that they will continue to demonstrate their support in the future.

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



Vijaya Malalasekera
Chairman

3rd February 2017

The year 2016 was indeed an eventful one. It was a year that tested the Company with many adversities, but also proved beyond doubt our strength and resilience to withstand these pressures, demonstrating our capability to rise above challenges that would certainly have debilitated many.

Apart from the ever-present global competition, we faced natural disaster with floods disrupting access to our manufacturing facility, forcing us to close the mine for almost 7 days to ensure the security of the workers and to help those who were stranded.

We encountered rigorous labour union action; a couple of months of sluggish work escalating to labour strikes within the premises and underground, even keeping the whole management team hostage for two days under threat: all this, despite meeting their demands above expectations - an increase of LKR 5000, double the Government recommended amount of LKR 2500. Regardless of these drastic setbacks we ended the year equalling productivity of the previous year (2015) and earning a reasonable profit for the Company.

Throughout the year, we continued to place great importance on achieving our goals and focussed on growing business at all levels; and our commitment brought results for the Company in both profitability and turnover which increased reasonably. This was made possible due to the support of Graphit Kropfmühl sales team and our management's untiring determination to rise above to meet our business goals.

The internal conflicts we faced taught us to rely on our own strengths, to believe in our own abilities to stand up to adversity and overcome them. Something, which we did and indeed are proud of.

The financial year ended 31st December 2016, recorded a revenue of Rs. 702 million (2015 Rs. 583 million), whilst the underlying operating profit was Rs. 85.4 million (2015 Rs. 13.8 million). The Company reported a profit before taxation of Rs. 79.3 million (2015 Rs. 6.3 million). This includes a net currency exchange gain of Rs. 10.0million (2014 Rs. 17.5 million). Earnings per share recorded Rs.0.80 for the year with 94,632,904 shares in circulation compared to 47,316,452 shares in 2015. The achievement of such results as stated above would not have been possible if not for the sales support we received from our parent company and the outstanding support we received from our managers.

Health and Safety

We continue to place the great importance on health and safety measures as one of our key operational areas of focus. During 2016 we were able to maintain the loss time accidents to a very low level, and recorded 5 minor accidents. However, we are making every possible effort to regain and maintain our standard of zero accidents as per 2015. We are confident that in the coming year we will be able to achieve this through the strong commitment and on-going training from all involved at both individual and corporate level.

Despite what is stated above the Company experienced a fatal accident (reported under events after the reporting date in the Annual Report of the Board of Directors on page 23) in the mine on 28th January resulting in the loss of a valuable employees' life. The Company will pay the necessary compensation to the aggrieved family and, has decided to pay deceased's salary until his age of retirement to the family. A press release to this effect has already been published by the Company.

Outlook

Although we encountered major setbacks during the year under review, our consistent business focus, the support of our parent company, along with the commitment from our work force enabled the Company to achieve good results. Internationally the price of graphite was low consequent to the reduction of Chinese export duties for natural graphite. In this environment, it is critical to increase our productivity and to minimise costs. Whilst being conscious of new emerging opportunities globally, the Company will constantly monitor industry developments that are taking place within the country to identify potential threats that we may have to face in the years to come. We believe that our quest for continuous improvement will enable us to align our resources to meet these challenges.

Chief Executive Officer's Review

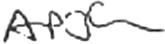
Bogala Graphite Lanka PLC

Appreciation

I would be failing in my duty if I do not place on record the contribution made by Mr Frank Berger our former Deputy Chairman who left the company in November 2016.

In conclusion, I express my heartfelt appreciation to all our shareholders, our parent company Graphite Kropfmühl GmbH, our Board of Directors, our Management Team for their unstinted support to me throughout – and especially during a very demanding and eventful year as the one under review. Thank you for the faith you placed in me, and the Company throughout 2016'

Thank You.



Amila Jayasinghe
Chief Executive Officer
3rd February 2017

Vijaya Malalasekera *(Non-Executive /Independent Director)*

MA (Cantab), Barrister-at-Law (Inner Temple)
Attorney-at-Law

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

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 since April 2008, and presently serve as the Managing Director / CEO Graphite and Qingdao Kropfmühl Graphite Ltd as the General Manager and Board Director since 2011.

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

He was appointed Vice Chairman/CEO of Bogala Graphite Lanka PLC in April 2000. Upon his retirement from the position of CEO he was invited to the Board of the company as a Consultant/Director in January 2008 and holds the position to date.

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

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

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 since January 2012 in various positions at AMG Mining AG and Graphite Kropfmühl GmbH latest as Chief Financial Officer. 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 Limited, Hapugastenne Plantations PLC and Udapussellawa Plantations PLC. She serves as an Independent Director on the Board of Seylan Bank PLC and 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 4th April 2014. He is a member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He possesses 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.

Mohamed Adamaly *(Non-Executive/Independent Director)*

Attorney-at-Law, Marketer

Mr. Adamaly was appointed to the board with effect from 2nd October 2014. He is an Attorney-at-Law, has a Bachelors in Law (LL.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 for Director Training for the Sri Lanka Institute of Directors, a Senior Lecturer in Marketing and serves on several boards of Public and Private companies.

Corporate Governance Report

Bogala Graphite Lanka PLC

Corporate Governance is the framework of rules and practices by which the Board of Directors ensures accountability, fairness and transparency in a Company's relationship with all its stakeholders. The Board provides strategic guidance and sets the tone enhancing stakeholder wealth whilst making certain that proper internal control systems are in place to ensure compliance with 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, comprising 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 and for proper stewardship of the Company's affairs; and share responsibility in ensuring that the highest standards of information - particularly financial information, business ethics and integrity, is observed.

Name	Executive	Non-Executive	Independent
Mr. V.P. Malalasekera		√	√
Mr. Thomas A Junker		√	
Mr. J.C.P. Jayasinghe		√	
Mr. A. P. Jayasinghe	√		
Mr. Torben Müller		√	
Ms. M. Coralie Pietersz		√	√
Mr. A. S. R. Amarasinghe	√		
Mr. Mohamed Adamaly		√	√
Mr. Roger Miller		√	

The Non-Executive Directors do not have any business interest except what is stated under Note 23 Related Party Disclosure on page No 48 of the Annual Report, that could materially interfere with the exercise of their independent judgment. Each Non-Executive Director has submitted a declaration of his or her 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 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 under review the Board met on four (4) occasions. The Directors are provided with 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.

The Role of the Chairman

The Chairman is an Independent Non-Executive Director whose main responsibility is to lead and manage the Board and its Committees so that they can function effectively. While leading the Board, effectively executing its duties towards all stakeholders, ensures that appropriate information is available to the Board to make an informed assessment of the Company's affairs. The Chairman, with the assistance of the Board Secretary, ensures that Board procedures are followed and that the 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 whilst providing leadership to the Board also sets the tone for the governance and ethical framework of the Company, facilitates and solicits the views of all Directors by keeping in touch with local and global industry developments, ensures that Board is sensitive to its obligations to the Company's shareholders and stakeholders. 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.

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 counsellor to the CEO/Managing Director who defines and enforces standards of accountability, all with a view to enabling senior management to execute their responsibilities fully in the interest of the 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.

Board Committees

In addition to Board meetings, individual Directors are members of the various sub committees of the Board; the Audit Committee, Remuneration Committee, and the Related Party Transaction Review 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 familiarising 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 recorded minutes of each committee meeting are circulated to all Directors on completion. The respective roles and responsibilities of each of the 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. Thomas A Junker Non-Executive Director	-	Member	Member
Ms. M. Coralie Pietersz Independent Non-Executive Director	Chairperson	-	Member
Mr. Mohamed Adamaly Independent Non-Executive Director	Member	Member	Member
Mr. Torben Müller Non-Executive Director	Member	-	-

Audit Committee

The Audit Committee is responsible for monitoring the integrity of the financial statements of the Company by ensuring compliance with relevant financial reporting regulations and requirements. The Audit Committee also oversees the relationship between the Company and the Auditors and reviews the Company's financial reporting system. The Audit Committee has formalised its authority, responsibilities, and duties through the Audit Committee Terms of Reference.

The Committee is also responsible for the consideration and recommendation of the appointment of External Auditors, the maintenance of a professional relationship with them, reviewing the accounting principles, policies, and practices adopted in the preparation of public financial information.

The Board has appointed an Audit Committee consisting three Independent Non-Executive Directors and a Non-Executive Director which is chaired by Ms. M. Coralie Pietersz. A comprehensive report of the Audit Committee appears on page 15.

Remuneration Committee

The Committee is responsible for setting the remuneration policy of the Company which provides competitive rewards to attract executives of the highest calibre 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 individuals and Company performance. This encourages better performance, and limit pre-established contractual arrangements of the Company to avoid unjustified payments.

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

The remuneration policy and its role is discussed in the report of the Remuneration Committee given on page 17.

Related Party Transaction Review Committee

The Committee was constituted on 11th November 2015. The objective of the Committee is to exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka ("Code")) of the Company with its parent, associate companies, and or any key management persons are undertaken and disclosed in a manner consistent with the Code.

The Committee formulates and has recommended a policy for adoption on RPT transactions of the Company with its parent, associate companies and others which is consistent with the Operating Model. In doing so, transaction threshold values based on recurrent and non-recurrent transactions which require discussion in detail, RPTs which require pre-approval by the Board, RPTs which require to be reviewed quarterly and the reporting templates as specified in the guidelines of SEC are designed for the approval of the Committee. Further, the guidelines which the Key Management Persons of the Company must follow in dealing with Related Parties, including pricing where applicable, is documented.

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

The Committee comprises four Non-Executive Directors and three of them are Independent Directors. The Committee is headed by Mr. Vijaya Malalasekera and the Report of the Related Party Transaction Review Committee is given on page 18. The Chief Executive Officer and Finance Director attend the meetings by invitation and the Company Secretaries serves as the Secretary to the Committee.

Accountability and System of Internal Control

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 reviewed quarterly by the Audit Committee and major observations are reported to the Board through the reports of internal audit. The internal audit function is outsourced to Messrs' B. R. De Silva & Company, Chartered Accountants. The Board reviews the comments arising from the internal audits and monitors their progress through action plans focused to take corrective measures. The Board also evaluates 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. The Company maintains independence from financial and non-financial interest between auditors and re-assesses the same on a regular basis. The fees paid to audit and non-audit services are separately disclosed in the Notes to the Financial Statements.

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.

Corporate Governance Report

Bogala Graphite Lanka PLC

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

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 (a, b, c)	Compliance	Complied	Compliance with Corporate Governance Rules
7.10.1(a, b, c)	Non-Executive Directors (NED)	Complied	Seven out of nine Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors - 2 or 1/3 of NEDs, whichever is higher, should be independent	Complied	Three out of seven Non-Executive Directors are independent
7.10.2 (b)	Independent Directors- each NED should submit a signed and dated declaration of independence or non-independence	Complied	All NED's have submitted their confirmation on independence in line with regulatory requirement
7.10.3 (a, b)	Disclosure Relating to Directors - The Board shall annually determine the independence or otherwise of the NEDs	Complied	Names of the Independent Directors are disclosed on Page 20 and Criteria for independence have been met
7.10.3 (c)	Disclosure relating to Directors - a brief resume of each Director should be included in the Annual Report (AR) including the Director's areas of expertise	Complied	Brief resumes of the Directors are given under Directors' Profiles on Page 08
7.10.3 (d)	Disclosure relating to Directors – provide a brief resume of new Directors appointed to the Board along with details	Complied	Disclosed the appointments of new Directors to the CSE with brief resume when it was disclosed to the public
7.10.4 (a to h)	Criteria for Defining Independence – requirements for meeting criteria to be an independent Director	Complied	Company has established it through their independence statement
7.10.5	Remuneration Committee (RC)	Complied	Company has a Remuneration Committee
7.10.5 (a)	Composition of Remuneration Committee – shall comprise of NEDs, a majority of whom shall be independent, one NED shall be appointed as Chairman of the Committee	Complied	The Committee comprises two Independent Non-Executive Directors and a Non-Executive Director
7.10.5 (b)	Functions of Remuneration Committee – The RC shall recommend the remuneration of the CEO and Executive Director and Senior Management staff	Complied	The Committee has recommended the remuneration of Chief Executive Officer, Finance Director, and Management Committee
7.10.5 (c)	Disclosure in Annual Report relating to Remuneration Committee – Names of the Directors comprising the RC, statement of policy, aggregated remuneration paid to ED and NED	Complied	Refer page 17 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 23.2 to the Financial Statements on page 48

Corporate Governance Report

Bogala Graphite Lanka PLC

7.10.6	Audit Committee (AC)	Complied	Company has an Audit Committee
7.10.6 (a)	Composition of Audit Committee – Shall comprise NED a majority of whom shall be independent, An NED to be the Chairman of the Committee, CEO and FD to attend AC meetings, Chairman of the AC or one member should be a member of a professional accounting body		The Audit Committee comprises three Independent Non-Executive Directors, and a Non-Executive Director. CEO and Finance Director attended committee meetings by invitation
7.10.6 (b)	Audit Committee Functions – Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), compliance with financial reporting requirements, Ensuring that internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS, Assessment of the independence and performance of the external auditors, Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors	Complied	Please refer page 15 for the functions of the Audit Committee
7.10.6 (c)	Disclosure in Annual Report relating to AC- Names of Directors comprising the AC, The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination, The Annual Report shall contain a Report of the AC setting out the manner of compliance with their functions	Complied	The names of the Audit Committee members and the basis of determination of the independence of the auditor are given in the Audit Committee report on page 15

Risk Management

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

Based on the risk management policy, the Company conducts regular reviews of the major risks such as regulatory changes, competitor, political and environment changes that could affect the business and financial performance, and creates 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.

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

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

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

Going Concern and Financial Reporting

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

The financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and all statutory and material declarations are highlighted in the Annual Report of the Board of Directors. The Directors have taken reasonable steps to ensure the accuracy and timeliness of information in the annual financial 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 judgement. Whilst the Board members are free to express their own opinion on matters of importance to the Company and its operation, the Board reviews such potential conflicts from time to time. Related Party Disclosure Note 23 to the Financial Statements on page No 48 provides the information to the exception.

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

Functions of the 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.

Audit Committee Report

Bogala Graphite Lanka PLC

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

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

Composition of the Committee and Meetings

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

Audit Committee Members

Chairman	Ms. Coralie Pietersz, Independent Non-Executive Director
Members	Mr. Vijaya Malalasekera, Independent Non-Executive Director Mr. Torben Müller, Non-Executive Director Mr. Mohamed Adamaly, Independent Non-Executive Director
Secretary	Corporate Services (Private) Limited

The Audit Committee held four meetings which included two meetings with the external auditors without the presence of the Management. The Chief Executive Officer and Finance Director of the Company, the CEO President of AMG Graphite, and the Managing Partner of Alterna Capital attend the meetings of the Audit Committee by invitation. The External Auditor and Internal Auditors attend meetings when required.

The attendance of the Committee members at these meetings were as follows:

Name of the Member	Eligible to attend	Attended
Ms. Coralie Pietersz	4	4
Mr. Vijay Malalasekera	4	4
Mr. Mohamed Adamaly	4	4
Mr. Torben Müller	4	4

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 and consistency and relevance of the accounting policies and compliance with the Sri Lanka Financial Reporting Standards.

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

Internal Audit

The Internal Audit Function conforms to the terms and guidelines of the Internal Audit Charter, which sets out the scope, functions, authority, and responsibility of the internal audit function. The internal audit function is independent and the conduct of internal audits is outsourced to M/s B R de Silva & Co.

During the year, the Audit Committee reviewed and monitored the effectiveness of the internal audit function and reviewed the progress of audits against the internal audit plan for 2016 approved by the Committee. It reviewed the internal audit report and the findings and monitored the implementation of recommendations made by the Internal Auditors.

External Audit

The Committee held meetings with the external auditors during the year to discuss the audit plan, scope approach and procedures to be adopted during the audit.

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

The Committee has recommended to the Board that Messrs. KPMG be re-appointed as the External Auditors for the year ending 31st December 2017, subject to the approval by the shareholders at the forthcoming Annual General Meeting.



Coralie Pietersz
Chairman Audit Committee

3rd February 2017

Remuneration Committee Report

Bogala Graphite Lanka PLC

The Committee comprised two Independent Directors: Mr. Vijaya Malalasekera, Mr. Mohamed Adamaly, and a Non-Executive Director Mr. Thomas A Junker. The Committee is chaired by the Independent Director Mr. Vijaya Malalasekera.

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

Remuneration Policy

The Remuneration Policy of the Company is to attract, motivate, and retain quality management in a competitive environment with relevant experience to achieve the objectives of the Company. The Committee focuses on and is responsible 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 the 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 for them.

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 the Chief Executive Officer consciously balances short-term performance with medium to long-term goals of the Company.

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

The Committee is responsible for determining the compensation of the Chief Executive Officer, Finance Director and the Management 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.

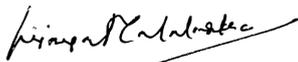
Fees

Independent Directors receive a fee for attendance at Board Meetings and for serving on sub-committees. They do not receive any performance or incentive payments. Total remuneration to Directors is shown in Note 23 to the Financial Statements on page 48.

Meetings

The Committee met on February 2017 to review the 2016 performance of the Management Team, Chief Executive Officer, and Finance Director. Decisions approved and recommended by the Committee have been approved by the Board of Directors.

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



Vijaya Malalasekera

Chairman

3rd February 2017

Code of Best Practice on Related Party Transactions

The Board of Directors of the Company in compliance with the Code of Best Practices on Related Party Transaction issued by the Securities Exchange Commission of Sri Lanka (SEC) constituted a Related Party Transaction Review Committee (RPTRC) on 11th November 2014. With the guidance of RPTRC, Company developed its Compliance Code setting out the policies and procedures, that is required to comply with the rules and laws enacted in Sri Lanka relating to Related Party Transactions.

Purpose of the Committee

The purpose of the RPTRC is to conduct an independent review approval and oversight of all related party transactions to ensure that the Company complies with the rules set out in the Code. The primary objective of the said rules is to ensure that the interests of the shareholders are considered when entering in to related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To achieve this objective the Committee has adopted the related party transaction Code which contains the company's Policy governing the review, approval and oversight of related party transactions.

Composition of the Committee

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

Mr. Vijaya Malalasekera	Chairman	Independent Non-Executive Director
Ms. Coralie Pietersz	Member	Independent Non-Executive Director
Mr. Mohamed Adamaly	Member	Independent Non-Executive Director
Mr. Thomas Junker	Member	Non-Executive Director

A brief profile of the Directors is given on page 08 of the Annual Report.

The committee held four meetings for the year under review. All the members attended the meetings.

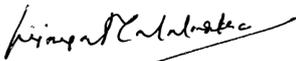
Procedure for Reporting Related Party Transactions

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

In addition, the Company uses Related Party Transaction Declaration Form required to be filled by the Directors and key management personnel to capture the related party transactions at the end of every year.

The Duties of the Committee

- To review the related party transactions of the Company presented to the Committee in specified formats and approving them.
- Seek any information the Committee requires from Management, employees, or external parties regarding any transactions entered in to with related party.
- Obtain knowledge and expertise to assess all aspects of related party transactions where necessary including obtaining appropriate professional and expert advice.
- To monitor the related party transactions of the entity to ensure that they are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- To review the transfer of resources and services between related parties to ascertain the reasonableness of the fee/price charged.



Vijaya Malalasekera
Chairman
Related Party Transaction Review Committee
3rd February 2017

Annual Report of the Board of Directors

Bogala Graphite Lanka PLC

The Board of Directors have pleasure in presenting the 26th Annual Report of your Company together with the Audited Financial Statements of the Company for the year ended 31st December 2016. 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 the 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 the production of lubricants.

Review of Business

A review of the Company's performance during the financial year is given in the Chairman's Review on page 04 and CEO's Review on page 06. These reports, form an integral part of the Directors Report and provide a fair review of the performance of the Company during the financial year ended 31st December 2016.

Results and Appropriations

The Company's Profit before tax was at Rs.79.3 million (2015 – Rs.6.3 million). Results of the Company are given in the statement of profit or loss and other comprehensive income on page 26. Brief description of the results and appropriations are given below:

For the year ended 31st December in Rs.'000s	2016	2015
Profit earned before Interest after providing for all known liabilities, bad and doubtful debts, and depreciation on property, plant and equipment	85,435	13,765
Finance Cost	(8,931)	(10,231)
Finance Income	2,814	2773
Profit before tax	79,318	6,306
Provision for taxation including deferred tax	(5,512)	(6,150)
Amount available to the shareholders (Net Profit)	73,806	156
Other Comprehensive Income	(610)	(1,554)
Balance brought forward from the previous year	192,514	183,610
Re-estimation of fully depreciated Assets	-	13,142
Capitalization of reserves	(24,200)	-
Amount available for appropriation	241,511	195,353
Dividend Paid	-	(2,839)
Balance to be carried forward to next year	241,511	192,514

Accounting Policies

The Company prepared the Financial Statement in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The Board of Directors wish to confirm that there were no changes to the accounting policies and they were used consistently with those of the previous financial year by the Company.

A detailed note of the accounting policies adopted in the preparation of the Financial Statements is provided on pages 30 to 54.

Donations

Total donations made by the company during the year under review amounted to Rs.0.740 million which is given in Note 7 to the Financial Statements on page 41 of the Annual Report.

Property, Plant and Equipment

The carrying value of property, plant and equipment as at the reporting date amounted to Rs 259.8 million compared to Rs.253.5 million for 2015.

The total expenditure incurred on acquisition of property, plant and equipment during the year for the company amounted to Rs.52.6 million. (2015 – Rs. 46.4 million).

Land recognised as property, plant and equipment in the Financial Statements in the Company is recorded at revalued amounts. The land was revalued in 2013 by professionally qualified independent valuer during the financial year 2013. Details of property, plant and equipment and their movements are given in Note 11 to the Financial Statements on page 43.

Stated Capital

The stated capital of the company as at 31st December 2016 was Rs.102.074 million (2015 – Rs.80.074 million) consisting of 94,632,904 ordinary shares as given in Note 16 to the Financial Statements on page 45.

Capitalization of Reserves

The Company in March 2016, capitalised a sum of Rs. 22.0 million lying in the retained earnings of the Company and issued 47,316,452 shares in the proportion of 01 share to every 01 share to the shareholders of the Company.

Transfer to the Dirisavi Board

The Company having satisfied the eligibility criteria for a listing on the Dirisavi Board, was transferred to the Dirisavi Board on 29th April 2016.

Share Information

Information relating to shareholding, net assets per share, market value of shares, and share trading are available on page 57 of the Annual Report.

There were 9,500 registered shareholders as at 31st December 2016. The 20 major shareholders and public shareholding as at 31st December 2016 and the number of shares held and the percentage shareholding are disclosed on page 56 in the Share Information section of the Annual Report.

Reserves

Total reserves of the Company as at 31st December 2016 amounts to Rs.247.2 million (2015 – Rs.198.2 million) and the movement and composition is given in the Statement of Changes in Equity on page 28 of the Annual Report.

Directors

The Directors of the Company as at 31st December 2016 were:

Name of the Director	Status of the Director
Mr. Vijaya Malalasekera	Independent Non-Executive Director
Mr. J.C.P. Jayasinghe	Non-Executive Director
Mr. Amila P. Jayasinghe	Executive Director (CEO/MD)
Mr. Torben Müller	Non-Executive Director
Ms. M. Coralie Pietersz	Independent Non-Executive Director
Mr. Sugath Amarasinghe	Executive Director (FD)
Mr. Mohamed Adamaly	Independent Non-Executive Director
Mr. Roger Miller	Non-Executive Director

New Appointments/ Resignation during the year

Mr. Roger Miller was appointed a Director with effect from 25th April 2016.

Mr. Frank Berger resigned from the Board with effect from 30th November 2016.

Mr. Thomas A. Junker was appointed a Director with effect from 2nd January 2017.

In accordance with the provisions of the Companies Act No 7 of 2007, section 210, the Company has received a notice, from Graphite Kropfmuhl GmbH, the principal shareholder giving notice to the Company of their intention to move a resolution to re-elect Mr. J.C.P. Jayasinghe who has reached the age of 73 years for a further period of one year until conclusion of the next Annual General Meeting.

In accordance with the provisions of the Companies Act No 7 of 2007, section 210, the Company has received a notice, from Graphite Kropfmuhl GmbH, the principal shareholder giving notice to the Company of their intention to move a resolution to re-elect Mr. V. P. Malalasekera who attained the age of 71 years on the 11th August 2016, for a further period of one year until conclusion of the next Annual General Meeting.

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

The Board, having considered the said fact, believes Mr. Vijaya Malalasekera should continue to serve on the Board as an Independent Director notwithstanding the fact that he has served on the Board for more than 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 has formed the following committees and the members serving the committees and the Reports of such committees are given on pages 15 to 18 of the Annual Report.

Name	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Mr. V. P. Malalasekera	Member	Chairman	Chairman
Mr. Thomas A Junker	-	Member	Member
Ms. M. Coralie Pietersz	Chairman	-	Member
Mr. Mohamed Adamaly	Member	Member	Member
Mr. Torben Müller	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 2016 except as stated in Note 23 to the Financial Statements on page 48.

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

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

Mr. Thomas A Junker is also the Managing Director / CEO Graphite of Graphit Kropfmühl GmbH which owns 79.58% of the shareholding of Bogala Graphite Lanka PLC.

Mr. Torben Müller is also CFO and a Member of the Executive Board of AMG Mining AG and MD of Graphite Kropfmühl GmbH, which owns 79.58% of the shareholding of Bogala Graphite Lanka PLC.

Related party disclosures in terms of the section 192 are given below and disclosed in Note 23 to the Financial Statements on page 48.

Name of the Company	Relationship	Name of Director	Nature of Transaction	Value Rs.
Graphite Kropfmühl GmbH	Parent Entity	Mr. Thomas A Junker Mr. Torben Müller	Sale of Goods	120,285,681
			Purchase of Goods	60,130,765
			Technical Service Fees	35,122,722
			Interest Paid	7,984,351
			Loan Settlement	27,780,716
Qingdao Kropfmühl Graphite Co. Ltd.	Affiliate	Mr. Thomas A Junker	Sale of Goods	10,990,337
Graphite Tyn Spol. S.r.o	Affiliate		Sale of Goods	58,129,484
Mr. Mohamed Adamaly	Director	Mr. Mohamed Adamaly	Consultancy Fee (legal)	650,000

Related Party Transaction Review Committee

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transaction Review Committee and are in compliance with the Section 09 of the CSE Listing Rules. The Committee comprises three Independent Non-Executive Directors and a Non-Executive Directors as shown under the Board Committees of this report. The report of Related Party Transaction Review Committee is given on page No 18 of the Annual Report

Corporate Governance

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

- the Company complied with all applicable Laws and Regulations in conducting its business,
- the Directors have declared all material interests in contract involving the Company and refrained from voting on matters in which they were materially interested,
- the Company has made all endeavours to ensure the equitable treatment to all shareholders,
- the business is a going concern with supporting assumptions or qualifications as necessary; and

Annual Report of the Board of Directors

Bogala Graphite Lanka PLC

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

The Corporate Governance Report is given on pages 09 to 14 of the Annual Report.

Directors Remuneration

The Directors emoluments and fees for the financial year ended 31st December 2016 are stated below and are also given in Note 23 to the Financial Statements on pages 48 of the Annual Report.

Directors' Emoluments	Executive Directors	Rs 21,405,560
	Non-Executive Directors	Rs 3,331,521

Directors' Responsibilities for Financial Statements

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the status of its affairs. The Directors are of the view that the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 30 to 54 have been prepared in conformity with Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and provide the information required by the Companies Act No 7 of 2007, and the Listing Requirements of the Colombo Stock Exchange.

Statement of Directors' Responsibility is given on page 24 of the Annual Report.

Directors' Shareholding

The relevant interest of Directors in the shares of the Company as at 31st December 2016 and 31st December 2015 are as follows:

Name	31 st December 2016	31 st December 2015
Mr. V.P. Malalasekara - Chairman	Nil	Nil
Mr. Thomas A Junker	Nil	Nil
Mr. J.C.P. Jayasinghe	Nil	Nil
Mr. Roger Miller	Nil	Nil
Mr. A.P. Jayasinghe - CEO/MD	Nil	30,369
Ms. C. Pietersz	Nil	Nil
Mr. Torben Müller	Nil	Nil
Mr. Sugath Amarasinghe - CFO/FD	Nil	Nil
Mr. Mohamed 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 owing and payable by the Company as at the reporting date have been paid or, where relevant, provided for.

Employees and Industrial Relations

The number of persons employed by the Company as at 31st December 2016 was 187 (2015 – 197). The Company is committed to pursuing various HR initiatives that provides a culture that recognises the competencies, and commitment of its employees. Career growth and advancement opportunities facilitate the creation of value for themselves, the Company and other stakeholders.

During the year workers held a strike supported by the Inter Company Employees Union, within the Company premises demanding a salary increase of Rs.5,000.00 which was double the Government recommended amount. Union won their demands by holding the Management Team as hostages for two days.

Risk Management and Internal Control

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

Annual Report of the Board of Directors

Bogala Graphite Lanka PLC

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

The Audit Committee receives regular reports on the adequacy and effectiveness of the internal controls within the Company, the compliance with laws and regulations, and the 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 period.

Events after the Reporting Date

The Company experienced a fatal accident in the mine during working hours, resulting a loss of valuable life of an employee on 28 January 2017. A sum of Rs. 2.4 Million as compensation is to be paid to the aggrieved family. In addition the Company has decided to pay the deceased employee's salary for 151 months i.e. until his retirement age, amounting to Rs. 9.9 Million to the aggrieved family on a monthly basis.

With regard to the said event, there has been no other commitment or contingent liability arising to the Company. Accordingly, no adjustments have been made to the Financial Statements.

There have been no other events subsequent to the reporting period, which would have material effect and which requires an adjustment to or a disclosure in the Financial Statements other than those disclosed above and in Note 28 to the Financial Statements on page 54.

Going Concern

The Board of Directors after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance report on page 09, have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Auditors

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' KPMG, Chartered Accountants, and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company. Details of the Auditors remuneration are set out in Note 07 to the Financial Statements on page 41.

Annual Report

The Board of Directors approved the Company Financial Statements on 3rd of February 2017. The appropriate number of Copies of this report will be submitted to the Colombo Stock Exchange and Sri Lanka Accounting and Auditing Standards Monitoring Board.

Annual General Meeting

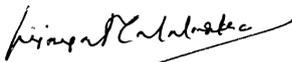
The Annual General Meeting will be held at the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 02 on Saturday the 29th April 2017 at 11.00a.m. The Notice of the Annual General Meeting is on page 58 of the Annual Report.

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

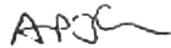
By order of the Board



Corporate Services (Private) Limited
Secretaries



Vijaya Malalasekera
Chairman



Amila Jayasinghe
CEO/Managing Director

3rd February 2017

Statement of Directors' Responsibility

Bogala Graphite Lanka PLC

The Companies Act No 7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the Financial Statements and other statutory reports. The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provisions of the Companies Act No.7 of 2007, is set out in the Report of the Auditors.

The Directors are also responsible under Section 148, to ensure that the Company maintains proper accounting records to disclose, to enable the determination of the financial position with reasonable accuracy and 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:

- 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.

The Directors are required to confirm that the financial statements have been prepared:

- Using appropriate accounting policies which have been selected and applied in a consistent basis and material departures, if any, are disclosed and explained.
- In accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, and stipulations as relevant, have been followed.
- Using reasonable and prudent judgments and estimates.
- Ensuring that the information required is in compliance 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 are also responsible for taking 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 controls, with a view to providing reasonable, though not absolute, assurance that assets are safeguarded to carry on the business in an orderly manner.

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

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

Compliance Report

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

The Directors further confirm that they promote the highest ethical, environmental and safety standards within the Company. The Directors also ensure full compliance with relevant national laws, international laws, and codes of regulatory authorities, professional institutes and trade associations, by the Company.

By Order of the Board



Director
Corporate Services (Private) Limited
Secretaries

3rd February 2017



KPMG
(Chartered Accountants)
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOGALA GRAPHITE LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Bogala Graphite Lanka PLC, ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 26 to 54.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board 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 Sri Lanka Auditing Standards. 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' judgment, 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 of the financial statements that give a true and fair view 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 Board, 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, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- The basis of opinion and scope and limitations of the audit are as stated above.
- 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 and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

CHARTERED ACCOUNTANTS
Colombo
03 February 2017

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rakakariyer FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyratne FCA	S.T.D.L. Pierera FCA
G.A.U. Karanaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

Statement of Profit or Loss and Other Comprehensive Income

Bogala Graphite Lanka PLC

Year ended 31 December 2016

	Note	2016 Rs.	2015 Rs.
Revenue	5	702,454,446	582,860,906
Cost of sales		(432,079,989)	(396,261,185)
Gross profit		270,374,457	186,599,721
Other income	6	11,312,655	514,670
Exchange gain		10,010,387	17,546,834
Administrative expenses		(107,115,315)	(104,020,055)
Selling and distribution expenses		(99,147,080)	(86,876,176)
Operating profit	7	85,435,104	13,764,994
Finance income	8	2,814,117	2,772,712
Finance cost	8	(8,930,781)	(10,231,919)
Net finance cost		(6,116,664)	(7,459,207)
Profit before tax		79,318,440	6,305,787
Income tax expense	9	(5,512,475)	(6,149,977)
Profit for the year		73,805,965	155,810
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation		(692,909)	(1,766,204)
- Deferred tax charge on actuarial loss		83,149	211,944
Other comprehensive income, net of tax		(609,760)	(1,554,260)
Total comprehensive income		73,196,205	(1,398,450)
Basic earnings per share (Rs.)	10	0.78	0.00

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

Statement of Financial Position

Bogala Graphite Lanka PLC

As at 31 December 2016

	Note	2016 Rs.	2015 Rs.
ASSETS			
Property, plant and equipment	11	259,841,373	253,502,894
Other financial assets	12	18,434,971	18,481,894
Non-current assets		278,276,344	271,984,788
Inventories	13	112,020,923	115,368,047
Trade and other receivables	14	102,798,312	83,146,413
Advance and prepayments		11,551,674	9,063,307
Other financial assets	12	11,787,496	12,252,811
Cash and cash equivalents	15	63,250,862	32,804,003
Current assets		301,409,267	252,634,581
Total assets		579,685,611	524,619,369
EQUITY			
Stated capital	16	102,074,201	80,074,201
Reserves	17	5,718,298	5,718,298
Retained earnings		241,510,580	192,514,375
Total equity		349,303,079	278,306,874
LIABILITIES			
Loans and borrowings	18	108,592,147	128,511,023
Employee benefits	19	48,011,112	43,670,171
Deferred tax liabilities	20	4,384,020	7,414,100
Non-current liabilities		160,987,279	179,595,294
Trade and other payables	21	32,206,336	35,193,002
Current taxation	22	6,905,519	182,165
Loans and borrowings	18	30,283,398	31,342,034
Current liabilities		69,395,253	66,717,201
Total liabilities		230,382,532	246,312,495
Total equity and liabilities		579,685,611	524,619,369

The Notes to the Financial Statements from pages 30 to 54 form an integral part of these Financial Statements.

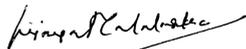
These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.



Chief Financial Officer

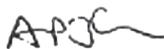
The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved for and on behalf of the Board of Directors:



Director

3 February 2017
Colombo



Director

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

Statement of Changes in Equity

Bogala Graphite Lanka PLC

Year ended 31 December 2016

	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 1 Jan 2015	80,074,201	5,718,298	196,751,812	282,544,311
Profit for the year	-	-	155,810	155,810
Other comprehensive income, net of income tax				
- Actuarial loss on defined benefit plan	-	-	(1,554,260)	(1,554,260)
Total comprehensive income for the year	-	-	(1,398,450)	(1,398,450)
Transactions with owners of the Company				
Interim dividends	-	-	(2,838,987)	(2,838,987)
Total transactions with owners of the Company	-	-	(2,838,987)	(2,838,987)
Balance as at 31 December 2015	80,074,201	5,718,298	192,514,375	278,306,874
Balance as at 1 January 2016	80,074,201	5,718,298	192,514,375	278,306,874
Profit for the year	-	-	73,805,965	73,805,965
Other comprehensive income, net of income tax				
- Actuarial loss on defined benefit plan	-	-	(609,760)	(609,760)
Total comprehensive income for the year	-	-	73,196,205	73,196,205
Transactions with owners of the Company				
Capitalization of Reserves	22,000,000	-	(24,200,000)	(2,200,000)
Total transactions with owners of the Company	22,000,000	-	(24,200,000)	(2,200,000)
Balance as at 31 December 2016	102,074,201	5,718,298	241,510,580	349,303,079

Capitalization of reserves

The Board of Directors of the Company by circular resolution passed on 19 January, 2016 resolved to recommend a distribution by the issue of new shares in the Company credited as fully paid up by way of capitalization of sum of Rs.22,000,000 from and out of its retained earnings, to the shareholders of the Company.

Further, issuance of Rs.22 Mn shares were subject to a withholding tax of 10% amounted to Rs. 2,200,000/- which was borne by the Company on behalf of the shareholders.

Revaluation reserve

The reserve relates to a revaluation surplus recorded as at 31 December 2001. The Company opted to record freehold land at revalued amount less impairment losses if any. As described in Note 11.1 to the Financial Statements, the revaluation surplus of Rs. 978,000 was not recorded based on materiality. Accordingly, the reserve does not show any movement since 2001. This will be transferred to retained earnings when the related land is disposed.

The Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Cash Flow

Bogala Graphite Lanka PLC

Year ended 31 December 2016

	Note	2016 Rs.	2015 Rs.
Cash Flows From Operating Activities			
Profit before taxation		79,318,440	6,305,787
Adjustments for			
Depreciation	11	46,274,392	49,179,836
Amortisation		-	855,945
Exchange gain		(10,010,387)	(17,546,834)
Gain on sale of property, plant and equipment	6	(10,336,739)	(766)
Interest expense	8	8,930,781	(10,231,919)
Interest income	8	(2,814,117)	(2,772,712)
Reversal of slow moving inventories	13.1	(659,982)	-
Provision for employee benefits	19.2.1	7,750,552	6,842,998
Income taxes written off		-	88,097
Assets written off	11	-	224,800
Changes in working capital			
Inventories		4,007,106	(25,743,930)
Trade and other receivables		(19,651,899)	5,629,418
Advance and prepayments		(2,488,368)	1,644,147
Other financial assets		512,238	(969,415)
Trade and other payables		(2,986,666)	9,821,110
Cash generated from operating activities		97,845,350	23,326,562
Income taxes paid		(4,011,513)	(3,010,370)
Gratuity paid		(4,027,058)	(1,412,340)
Net cash from operating activities		89,806,779	18,903,852
Cash flows from investing activities			
Interest received	8	2,814,117	2,772,712
Proceeds from sale of property, plant and equipment	6	10,336,739	36,025
Net acquisition of property, plant and equipment	11	(44,112,870)	(46,445,469)
Transfer of assets	11	-	28,540,600
Assets written off		-	(224,800)
Net cash used in investing activities		(30,962,014)	(15,320,932)
Cash flows from financing activities			
Interest paid	8	(8,930,781)	10,231,919
Repayment of borrowings	18.1	(27,780,716)	(26,164,162)
Payment of finance lease liabilities	18.2	(5,201,580)	(6,694,190)
Dividends paid		-	(2,838,987)
Net cash used in financing activities		(41,913,077)	(25,465,420)
Net increase/(decrease) in cash and cash equivalents		16,931,688	(21,882,500)
Net foreign exchange difference		13,515,171	10,429,498
Cash and cash equivalents at 1 January	15	32,804,003	44,257,005
Cash and cash equivalents at 31 December	15	63,250,862	32,804,003

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

1. REPORTING ENTITY

1.1 Corporate information

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

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

1.2 Parent enterprise and Ultimate parent enterprise

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

2. BASIS OF ACCOUNTING

2.1 Statement of compliance

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

2.2 Responsibility for Financial Statements

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

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

These Financial Statements include the following components:

a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review. Refer page 26;

a Statement of Financial Position providing the information on the financial position of the Company as at the year-end. Refer page 27;

a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company. Refer page 28;

a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer page 29.

Notes to the Financial Statements comprising Accounting Policies and other explanatory information. Refer pages 30 to 54.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements were authorized for issue by the Company's board of directors on 3 February, 2017.

2.4 Basis of measurement

The Financial Statements of the Company have been prepared on the historical cost basis except for Freehold land and Defined benefit obligations which have been measured at fair value basis.

2.5 Going concern basis of accounting

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

2.6 Offsetting

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

2.7 Materiality and aggregation

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

2.8 Comparative information

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

2.9 Functional and presentation currency

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

2.10 Use of judgments and estimates

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

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

a. Judgments

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December, 2016 is included in the following notes:

- Note 3.11 measurement of defined benefit obligations: key actuarial assumptions;
- Note 3.2.2 recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used
- Note 3.4 revaluation of freehold land
- Note 3.4 useful life time of the property, plant and equipment
- Note 3.9/3.10 recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

i. Measurement of fair values

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1.1 Foreign currency translations

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

3.1.2 Foreign currency transactions and balances

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

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

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

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

3.2 Income tax expense

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

3.2.1 Current tax

year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted, at the reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, at the rates specified in Note 09 on page 42. This Note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

3.2.2 Deferred tax

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

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

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

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

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

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

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

3.2.1 Sales tax

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

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

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

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

3.3 Revenue

3.3.1 Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers, to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The Company separately identifies different components of a single transaction in order to reflect the substance of the transaction. The following specific criteria are used for the purpose of recognition of revenue.

(i) Sale of goods

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

3.4 Property, plant and equipment

Basis of recognition

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

Basis of measurement

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

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

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

Cost model

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

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

Revaluation model

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

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

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

Subsequent costs

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

De-recognition

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

Depreciation

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

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

The estimated useful lives of assets are as follows:

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

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

Impairment of property, plant and equipment

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

Capital work-in-progress

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

3.5 Leases

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

3.5.1 Finance leases – Company as a lessee

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

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

3.6 Financial instruments

3.6.1 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.

3.6.2 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, trade and other receivables and staff loans to employees.

Subsequent measurement

Staff loans and receivables

This category is the most relevant to the Company. 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 amortization 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.

De-recognition

A financial asset (or, where applicable, a part of financial assets) is primarily derecognized (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.

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, the probability that they will enter bankruptcy or other financial re-organisation.

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.

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 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 profit or loss when the liabilities are de-recognised 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 profit or loss.

De-recognition

A financial liability is de-recognised 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 profit or loss.

3.7 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.

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.

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

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

3.8 Cash and cash equivalents

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

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

3.9 Provisions

Provisions are recognized when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of benefits will be required to settle the obligation and it can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.10 Commitments and contingencies

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

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

3.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed determinable contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Employees are eligible to Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions as per the respective statutes. These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognised in Profit or Loss as incurred.

Defined benefit obligation

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

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

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

The liability is not externally funded.

3.12 Share Issue

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

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

A number of new standards and amendments to standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these Financial Statements. Accordingly, these accounting standards have not been applied in preparing these Financial Statements.

New or amended standard	Summary of the Requirement	Possible impact on Financial Statements
SLFRS 15 Revenue from Contracts with Customers	<p>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 on 'Revenue' and LKAS 11 on 'Construction Contracts'.</p> <p>SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.</p>	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 15.

Notes to the Financial Statements

Bogala Graphite Lanka PLC

New or amended standard	Summary of the Requirement	Possible impact on Financial Statements
SLFRS 16 Leases	<p>SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting</p> <p>SLFRS 16 is effective for reporting periods beginning on or after 01 January 2019.</p>	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.
SLFRS 9 Financial Instruments	<p>SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments.</p> <p>It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.</p> <p>SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.</p>	The Company is assessing the potential impact on its financial statements resulting from the application of SLFRS 9.

The above two new standards (SLFRS 16 and 9) are not expected to have a significant impact on the Company's Financial Statements.

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2016

	2016 Rs.	2015 Rs.
5 REVENUE		
Export sales	698,475,529	577,382,805
Local sales	3,978,917	5,478,101
	702,454,446	582,860,906
6 OTHER INCOME		
Income from sales of obsolete items	389,098	213,772
Gain on disposal of property, plant and equipment	10,336,739	766
Miscellaneous income	586,818	300,132
	11,312,655	514,670
7 PROFIT FROM OPERATIONS		
Profit from operations are stated after charging all expenses including the following;		
Directors' fee	1,980,000	1,565,000
Auditor's remuneration		
Audit fees	770,000	873,000
Non audit related fees	-	502,620
Professional charges	1,294,947	301,950
Depreciation of property, plant and equipment	46,274,391	49,179,836
Amortization of intangible assets	-	855,957
(Reversal) for impairment of inventory	(659,982)	-
Inventory written off - Obsolete	1,122,057	-
Royalty charges on exports	40,588,057	34,730,462
Technical service fees	35,122,722	29,143,045
Donations	740,033	720,025
Legal charges	984,500	71,476
Staff costs (Note 7.1)	215,359,947	193,145,348
7.1 Staff costs		
Salaries and wages	118,771,180	109,040,358
Defined contribution plan cost - EPF and ETF	19,806,730	18,262,292
Defined benefit plan cost - retiring gratuity (Note 19.2.1)	7,750,552	6,842,998
Performance bonuses	9,999,000	6,308,623
Overtime	8,442,808	9,930,059
Other staff expenses	50,589,677	42,761,018
	215,359,947	193,145,348
8 NET FINANCE COST		
Interest income on staff loans	2,632,398	2,523,841
Interest income on fixed deposits	-	43,603
Interest income on savings deposits	181,719	205,268
Finance income	2,814,117	2,772,712
Interest on bank overdraft	-	(286,857)
Interest on interest bearing borrowings	(7,984,351)	(8,841,222)
Finance charge on lease liabilities	(946,430)	(1,103,840)
Finance cost	(8,930,781)	(10,231,919)
Net finance cost recognised in profit or loss	(6,116,664)	(7,459,207)

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2016

	2016 Rs.	2015 Rs.
9 INCOME TAX EXPENSE		
The charge for income tax expense is made up as follows.		
Current tax expense (Note 9.1)	7,318,793	610,290
Adjustment for prior years	1,140,613	688,501
Deferred taxation	(2,946,931)	4,851,186
	<u>5,512,475</u>	<u>6,149,977</u>

The Company is liable for Income tax at the rate of 12% on profit derived from Export sales. The profit derived from Local sales and Interest income 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.

	2016 Rs.	2015 Rs.
9.1 Reconciliation of accounting profit to income tax expense		
Accounting profit before tax from continuing operations	79,318,440	6,305,787
Aggregated disallowable expenses	69,968,024	65,317,557
Aggregated allowable expenses	(58,269,901)	(67,704,598)
Aggregated other income	2,814,117	2,772,712
Statutory deductions - tax loss (Note 9.1.1)	(32,840,738)	(1,967,245)
Taxable profit	<u>60,989,942</u>	<u>4,724,213</u>
Statutory tax rate		
- Income tax rate 12%	6,530,840	534,367
- Income tax rate 28%	787,953	75,923
Current tax expense	<u>7,318,793</u>	<u>610,290</u>
9.1.1 Tax loss analysis is as follows;		
Tax losses brought forward	178,722,894	180,690,139
Set off against current year profits	(32,840,738)	(1,967,245)
Tax losses carried forward	<u>145,882,156</u>	<u>178,722,894</u>
9.2 Recognition of deferred tax expense/(reversal) in the Comprehensive income		
Profit or loss	(2,946,931)	4,851,186
Other comprehensive income	83,149	211,944
	<u>(2,863,782)</u>	<u>5,063,130</u>

10. EARNINGS PER SHARE

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

	2016 Rs.	2015 Rs.
Profit attributable to ordinary shareholders	73,805,965	155,810
Weighted average number of ordinary shares	94,632,904	94,632,904
Basic earnings per share (Rs.)	<u>0.78</u>	<u>0.00</u>
Dividend per share		
Dividend paid during the year	-	2,838,987
Dividend per share (Rs.)	<u>-</u>	<u>0.06</u>

Notes to the Financial Statement

Bogala Graphite Lanka PLC

11. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016

	Freehold land		Buildings on freehold land		Road development		Access tunnels		Plant & machinery		Other equipment		Office equipment		Furniture & fittings		Computer equipment		Motor vehicles		Assets on finance lease		Capital WIP		Total 2016		Total 2015			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Cost	11,422,000	47,200,792	8,807,789	227,285,752	253,120,737	41,595,331	6,043,909	3,194,314	8,930,587	15,900,362	41,304,075	7,819,055	671,695,437	688,264,652	52,612,870	16,500,000	1,986,300	1,863,300	12,119,355	418,182,542	397,813,898	48,445,469	14,484,085	259,841,373	253,502,894	(15,716,689)	(14,448,815)	(28,540,600)		
Accumulated depreciation and impairment losses	-	520,998	-	-	18,573,247	2,151,047	(21,100)	(125,000)	(130,750)	(3,514,959)	(11,926,880)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Balance as at 1 Jan 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Depreciation	-	24,222,149	-	125,899,504	172,528,675	31,231,696	3,649,455	1,010,847	8,480,439	16,220,059	7,449,220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Re-estimation adjustment of PPE	-	1,347,116	779,272	15,193,017	15,497,483	2,803,693	1,010,847	241,606	330,079	1,622,059	7,449,220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at 31 December 2016	11,422,000	47,721,790	8,807,789	227,285,752	271,693,984	43,725,278	9,113,223	2,865,048	8,799,837	11,961,703	45,877,195	19,306,019	708,579,618	671,695,436	52,612,870	16,500,000	1,986,300	12,119,355	418,182,542	397,813,898	48,445,469	14,484,085	259,841,373	253,502,894	(15,716,689)	(14,448,815)	(28,540,600)			
Carrying amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at 31 December 2016	11,422,000	22,152,525	3,787,607	86,193,231	83,666,826	9,710,789	4,577,921	264,366	120,069	1,735,248	16,904,772	19,306,019	259,841,373	253,502,894	11,488,964	16,500,000	1,986,300	12,119,355	418,182,542	397,813,898	46,274,392	14,484,085	7,819,055	259,841,373	253,502,894	(15,716,689)	(14,448,815)			
Balance as at 31 December 2015	11,422,000	22,976,643	4,566,879	101,386,248	80,591,062	10,363,435	2,394,454	505,972	450,148	3,171,007	7,853,992	7,819,055	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

11.1 Revaluation of freehold land

Freehold land was revalued as at 31 December 2013 by Mr. N.M. Jayatilake, (F.I.V.) who is a professionally qualified independent valuer. The valuation method adopted was open market value on an existing use basis without considering mineral deposits and under ground works.

The value of freehold land has been written up to correspond with the market value and the details are as follows:

Location	Extent		Freehold land revalued Rs.	No of buildings		Pledged
	Area	Volume		No of buildings	Volume	
Anugammama village, Kottiyakumbura	13,2113 Hectares		6,300,000	41	No	
Weethuduwa village, Kottiyakumbura	9,7159 Hectares		3,400,000	4	No	
Kendawa village, Bulathkothupitiya	7,2361 Hectares		2,700,000	4	No	
			12,400,000			

As the increase in value of Rs.978,000 was not material it has not been recognized

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

Valuation technique

This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for any differences in the nature, location or condition of the specific property.

Significant unobservable inputs

Price per perch for land according to respective lots

Estimated fair value would increase/(decrease) price per perch would higher/(lower).

11.2 Fully depreciated but still in use

The cost of fully-depreciated property, plant and equipment of the Company which are still in use amounted to Rs. 149,516,872 (2015 - Rs.106,391,704).

11.3 Permanent fall in value of property, plant and equipment

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

11.4 Title restriction on property, plant and equipment

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

Notes to the Financial Statement

Bogala Graphite Lanka PLC

As at 31 December 2016

	2016 Rs.	2015 Rs.
12. OTHER FINANCIAL ASSETS		
Loans to company officers	30,222,467	30,734,705
The movement of loans are as follows;		
Balance as at 1 Jan 2016	30,734,705	29,265,290
Loans granted	19,168,505	14,899,896
Loan repayments	(19,680,743)	(13,430,481)
Balance as at 31 Dec 2016	30,222,467	30,734,705
Non-current	18,434,971	18,481,894
Current	11,787,496	12,252,811
	30,222,467	30,734,705
13. INVENTORIES		
Raw materials - Lubricants	21,918,596	24,969,883
Raw materials - Graphite	11,195,139	14,362,444
Work-in-progress - Graphite	6,621,986	12,903,353
Finished goods - Graphite	9,617,375	6,677,686
Consumables and spares	60,732,213	55,756,599
	110,085,309	114,669,965
Impairment for slow moving stocks (Note 13.1)	(1,341,139)	(2,001,121)
	108,744,170	112,668,844
Goods-in-transit	3,276,753	2,699,203
	112,020,923	115,368,047
	2016 Rs.	2015 Rs.
13.1 Impairment for slow moving stocks		
Balance as at 1 Jan	2,001,121	2,001,121
Reversal for the year	(659,982)	-
Balance as at 31 Dec	1,341,139	2,001,121
14. TRADE AND OTHER RECEIVABLES		
Trade receivables	55,664,094	45,637,174
Trade receivables due from related companies	9,909,113	7,847,503
	65,573,207	53,484,677
VAT receivable	36,188,470	28,980,560
Other receivables	1,036,635	681,176
	102,798,312	83,146,413
	2016 Rs.	2015 Rs.
As at 31 December, Age analysis of trade receivables		
Neither past due nor impaired	63,090,081	50,049,197
Past due but not impaired		
0-30 days	2,483,126	3,435,480
31-60 days	-	-
61-90 days	-	-
Over 90 days	-	-

Notes to the Financial Statement

Bogala Graphite Lanka PLC

As at 31 December 2016

	2016 Rs.	2015 Rs.
15. CASH AND CASH EQUIVALENTS		
Cash in hand	118,670	273,555
Cash at bank	63,132,192	32,530,448
	63,250,862	32,804,003
Bank overdraft	-	-
Cash and cash equivalents as per statement of cash flows	63,250,862	32,804,003

16. STATED CAPITAL

	2016		2015	
	Number	Rs.	Number	Rs.
Fully paid ordinary shares (Note 16.1)	94,632,904	102,074,201	47,316,452	80,074,201
	94,632,904	102,074,201	47,316,452	80,074,201

16.1 The movement of the stated capital is as follows;

	2016 No. of shares	2015 No. of shares	2016 Rs.	2015 Rs.
in issue at 1st January	47,316,452	47,316,452	80,074,201	80,074,201
Capitalization of reserves (1:1 Share issue)	47,316,452	-	22,000,000	-
in issue at 31st December - fully paid	94,632,904	47,316,452	102,074,201	80,074,201

	2016 Rs.	2015 Rs.
17. RESERVES		
Revaluation reserve	5,718,298	5,718,298
18. LOANS AND BORROWINGS		
Loan from Graphit Kropfmuhl GmbH (Note 18.1)	129,910,870	154,186,802
Finance lease obligations (Note 18.2)	8,964,675	5,666,255
	138,875,545	159,853,057
Non current		
Loan from Graphit Kropfmuhl GmbH	102,561,213	127,371,706
Finance lease obligations	6,030,934	1,139,317
	108,592,147	128,511,023
Current		
Loan from Graphit Kropfmuhl GmbH	27,349,657	26,815,096
Finance lease obligations	2,933,741	4,526,938
	30,283,398	31,342,034

18.1 The movement of the loan is as follows;

Balance as at the beginning of the year	154,186,802	187,468,313
Repayments	(27,780,716)	(26,164,162)
Effect on exchange loss/(gain)	3,504,784	(7,117,349)
Balance as at the end of the year	129,910,870	154,186,802

Terms and conditions of the loan

Graphit Kropfmuhl GmbH Loan

The repayment terms of borrowing and the security offered to the loan are set out below;

Rate of interest

EURO 5.53%

Terms of repayment - equal capital installments

EURO 43,616.25

(Quarterly)

Grace period

2 years upto October, 2011

Loan repayment period

10 years end in 2021

Security offered

NIL

Notes to the Financial Statement

Bogala Graphite Lanka PLC

As at 31 December 2016

	2016 Rs.	2015 Rs.
18. LOANS AND BORROWINGS (CONT.)		
Finance lease obligations		
18.2 The movement of the finance lease is as follows;		
Balance as at 1 Jan	5,666,255	12,360,445
Leases obtained	8,500,000	-
Lease repayments	(5,201,580)	(6,694,190)
Balance as at 31 Dec	8,964,675	5,666,255

19. EMPLOYEE BENEFITS

19.1 Defined contribution plans

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

	2016 Rs.	2015 Rs.
Employees' Provident Fund		
Employers' contribution	15,845,368	14,554,627
Employees' contribution	13,778,581	12,656,197
Employees' Trust Fund	3,961,362	3,707,665
19.2 Defined benefit plan		
Balance at the beginning of the year	43,670,171	36,473,309
Provision recognized during the year (Note 19.2.1)	7,750,553	6,842,998
Actuarial loss during the year	692,909	1,766,204
	52,113,633	45,082,511
Payments made during the year	(4,027,058)	(1,412,340)
Payments to be made	(75,463)	-
Balance at the end of the year	48,011,112	43,670,171
19.2.1 Provision recognized in the Statement of profit or loss		
Current service cost	3,383,536	3,195,667
Interest on obligation	4,367,017	3,647,331
	7,750,553	6,842,998

An actuarial valuation for gratuity liability was carried out as at 31 December 2016 by Mr. M.Poopalanathan, AIA of Messers Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries.

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

	2016	2015
Discount rate	11.5%	10%
Salary increment rate	10%	9%

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

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

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

Notes to the Financial Statement

Bogala Graphite Lanka PLC

As at 31 December 2016

19. EMPLOYEE BENEFITS (CONT.)

19.2.2 Sensitivity analysis

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

	2016		2015	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Discount rate	(3,098,674)	3,453,281	(2,847,501)	3,188,926
Salary increment rate	3,753,964	(3,411,707)	3,521,603	(3,179,076)

20. DEFERRED TAXATION

Deferred tax liabilities/(assets)		
Deferred tax liabilities (Note 20.1)	20,975,330	21,107,429
Deferred tax assets (Note 20.2)	(16,591,309)	(13,693,329)
	4,384,020	7,414,100

The movement on the deferred tax account is as follows:

	2016 Rs.	2015 Rs.
20.1 Deferred tax liabilities		
Balance as at 1 Jan	21,107,429	17,081,266
(Reversed)/ Originated during the year	(132,099)	2,805,888
PPE re-estimation (Directly charged to Equity)	-	1,220,275
Balance as at 31 Dec	20,975,330	21,107,429
20.2 Deferred tax assets		
Balance as at 1 Jan	13,693,329	15,526,682
Originated/ (Reversed) during the year through profit or loss	2,814,832	(2,045,298)
Originated during the year through other comprehensive income	83,149	211,944
Balance as at 31 Dec	16,591,309	13,693,329

Deferred tax assets and liabilities are attributable to the following:

	2016		2015	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Deferred tax liabilities				
Property, plant and equipment	174,794,414	20,975,330	165,726,282	19,887,154
PPE re-estimation (Directly charged to Equity)	-	-	10,168,960	1,220,275
	174,794,414	20,975,330	175,895,242	21,107,429
Deferred tax assets				
Employee benefits	(48,011,112)	(5,761,333)	(43,670,171)	(5,240,421)
Tax loss (Note 20.3)	(90,249,800)	(10,829,976)	(70,440,901)	(8,452,908)
	(138,260,912)	(16,591,309)	(114,111,072)	(13,693,329)
Net deferred tax liabilities	36,533,502	4,384,021	61,784,170	7,414,100

20.3 Tax loss

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 tax asset arising from the remaining carried forward losses amounted to Rs. 10,829,976/- (2015 - Rs. 8,452,908/-) have been recognised in the financial statements only to the extent that it could be realised in the future such losses considered for deferred tax amounted to Rs. 90,249,800/- (2015 - Rs. 70,440,901/-).

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2016

	2016		2015	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	Rs.	Rs.	Rs.	Rs.
Recognised	90,249,800	10,829,976	70,440,901	8,452,908
Un-recognised	55,632,356	6,675,883	108,281,993	12,993,839
	145,882,156	17,505,859	178,722,894	21,446,747

	2016 Rs.	2015 Rs.
21. TRADE AND OTHER PAYABLES		
Trade payables - Others	7,842,800	5,205,047
Trade payables - Related companies	4,752,291	8,262,936
	12,595,091	13,467,983
Sundry creditors	5,536,633	6,789,231
Accrued expenses	14,074,612	14,935,788
	32,206,336	35,193,002
22. CURRENT TAXATION		
Current tax liability	6,905,519	182,165

23. RELATED PARTY DISCLOSURES

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

Key Management Personnel (KMP)

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

Being the parent and ultimate undertaking, Graphit Kropfmuhl GmbH and AMG Advanced Metallurgical Group N.V (Netherlands) respectively as noted in Note 1.2, the Board of directors have the authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors of those companies (Executive and Non-Executive Directors) have been classified as KMP.

23.1 Transactions with KMP of the Company are as follows:

Name of KMP	Relationship	Nature of transaction	Amount Rs.	Balance as at 31.12.2016 Rs.
Mr. A P Jayasinghe	Managing Director/CEO	Distress loan	-	1,220,573
Mr. Sugath Amarasinghe	Finance Director/CFO	Distress loan	-	46,875
		Special loan	-	21,448
<i>The above loans were granted to the executive directors in their capacity as employees</i>				
Mr. Mohamed Adamaly	Independent	Consultancy fee	650,000	-
	Non Executive Director	on legal matters		

23.2 Compensation to Key Management Personnel of the Company are as follows:

For the year ended 31 December, 2016

	2016 Rs.	2015 Rs.
Short-term employment benefits		
Executive Directors – Emoluments	18,958,406	18,390,950
Non-Executive Directors – Fees and other benefits	3,331,521	2,187,733
	22,289,926	20,578,683
Post - employment benefits		
Executive Directors	2,447,155	2,563,510
Total compensation applicable to KMP	24,737,081	23,142,194

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2016

23. RELATED PARTY DISCLOSURES (CONT.) 23.2 Transactions with related companies

	Name of Company & Relationship										Total			
	Parent Graphite Kroppmuhl GmbH		Affiliate Graphite Tyn spol. s.r.o		Affiliate Qingdao Kroppmuhl Graphite Co. Ltd.		2016		2015		2016		2015	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance receivable/(payable) as at 01 January	(162,449,738)	(175,061,771)	5,181,136	3,088,286	2,666,367	-	(154,602,235)	(171,973,485)	120,285,681	71,865,829	58,129,484	51,558,187	189,405,502	147,878,594
Sale of goods/services	(60,130,765)	(54,242,810)	-	-	10,990,337	24,454,578	(60,130,765)	(54,242,810)	1,255,608	7,099,566	-	-	1,255,609	7,099,567
Purchase of goods/services	1,255,608	2,564,569	-	-	-	-	-	-	(7,984,351)	(8,841,222)	-	-	(7,984,351)	(8,841,222)
Expenses reimbursable from related companies	(7,984,351)	(8,841,222)	-	-	-	-	-	-	(35,122,722)	(29,143,045)	-	-	(35,122,722)	(29,143,045)
Dividends	(35,122,722)	(29,143,045)	-	-	-	-	-	-	27,780,716	26,164,162	-	-	27,780,716	26,164,162
Finance cost (Interest expense)	(9,605,675)	(9,972,365)	(59,835,184)	(49,465,337)	(12,410,158)	(21,788,211)	(81,851,017)	(81,225,913)	(3,504,784)	7,117,349	-	-	(3,504,784)	7,117,349
Technical service fee payments	(3,504,784)	7,117,349	-	-	-	-	-	-	(129,476,030)	(162,449,738)	3,475,436	5,181,136	(124,754,047)	(154,602,234)
Repayment of loans and borrowings	(129,476,030)	(162,449,738)	3,475,436	5,181,136	1,246,546	2,666,367	(124,754,047)	(154,602,234)						
Net settlements														
Net exchange gain/(loss)														
Balance receivable/(payable) as at 31 December														
Above balance included in														
Trade receivables	5,187,131	-	3,475,436	5,181,136	1,246,546	2,666,367	9,909,113	7,847,504						
Trade payables	(4,752,291)	(8,262,936)	-	-	-	-	(4,752,291)	(8,262,936)						
Loans and borrowings	(129,910,870)	(154,186,802)	-	-	-	-	(129,910,870)	(154,186,802)						
	(129,476,030)	(162,449,738)	3,475,436	5,181,136	1,246,546	2,666,367	(124,754,047)	(154,602,234)						

23.2.1 Total aggregated value of the sales made to Graphite Kroppmuhl, Graphite Tyn and Qingdao Kroppmuhl are 17.1%, 8.3% and 1.6% respectively from the total revenue of the Company.

Terms and conditions:

All related party transactions have been conducted on an agreed commercial terms with the respective parties.

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2016

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value of assets and liabilities

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

	31 December 2016		31 December 2015	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Assets carried at amortised cost				
Other financial assets	30,222,467	30,222,467	30,734,705	30,734,705
Trade receivables	65,573,207	65,573,207	53,484,677	53,484,677
Cash and cash equivalents	63,250,862	63,250,862	32,804,003	32,804,003
	159,046,536	159,046,536	117,023,385	117,023,385
Liabilities carried at amortised cost				
Loans and borrowings	138,875,545	138,875,545	159,853,057	159,853,057
Trade payables	12,595,091	12,595,091	13,467,983	13,467,983
	151,470,636	151,470,636	173,321,040	173,321,040

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

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

Non financial assets measured at fair value

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

25. FINANCIAL RISK MANAGEMENT

25.1 Overview

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

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

Introduction and overview

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

25.2 Risk management framework

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2016

25.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables

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

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

25.3.1 Exposure to credit risk

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

	2016 Rs.	2015 Rs.
As at 31 December,		
Trade receivables	65,573,207	53,484,677
Cash and cash equivalents	63,250,862	32,804,003
The maximum exposure to credit risk for loans and receivables at the reporting date by currency wise;		
EUR	156.76	153.74
GBP	183.10	208.61
USD	148.72	140.93
Impairment losses		
The aging of trade receivables at the end of the reporting period that was as follows.		
	2016 Rs.	2015 Rs.
Neither past due nor impaired	65,573,207	53,484,677
Due and impaired	-	-

Year ended 31 December 2016

25. FINANCIAL RISK MANAGEMENT (CONT.)

25.4 Liquidity risk

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

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

25.4.1 Exposure to liquidity risk

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

	Carrying Amount Rs.	Less than 3 months Rs.	3 - 12 months Rs.	> 5 Years Rs.
31 December, 2016				
Non-derivative financial liabilities				
Loans and borrowings	138,875,545	8,029,767	22,253,631	108,592,147
Trade payables	12,595,091	12,595,091	-	-
	151,470,636	20,624,858	22,253,631	108,592,147
31 December, 2015				
	Carrying amount months Rs.	Less than 3 months Rs.	3 - 12 Rs.	> 5 years Rs.
Non-derivative financial liabilities				
Loans and borrowings	159,853,057	7,835,552	23,506,656	128,510,849
Trade payables	13,467,983	13,467,983	-	-
	173,321,040	21,303,535	23,506,656	128,510,849

25.4.2 Management of liquidity risk

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

25.5 Market risk

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

25.5.1 Currency risk

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

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

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2016

25. FINANCIAL RISK MANAGEMENT (CONT.)

25.5 Market risk (Cont.)

25.5.1 Currency risk (Cont.)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
EUR	158.90	147.73	156.76	153.74
USD	144.08	134.01	148.72	140.93
GBP	193.72	204.37	183.10	208.61

The Company's exposure to foreign currency risk is as follows;

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

	31 December, 2016		31 December, 2015	
	EUR	USD	EUR	USD
Cash and cash equivalents	104,705	30,691	81,453	38,454
Trade receivables	161,014	270,600	152,119	207,037
Loans and borrowings - GK	(828,709)	-	(1,003,174)	-
Trade payables	(26,710)	-	(16,097)	-
Net statement of financial position exposure	(589,700)	301,291	(785,699)	245,491
Next six months forecast sales	1,031,248	1,625,087	738,250	1,262,985
Next six months forecast purchases	(185,855)	(56,744)	(149,439)	(42,467)
Net forecast transaction exposure	845,393	1,568,343	588,811	1,220,518
Net exposure	255,693	1,869,634	(196,888)	1,466,009

The following significant exchange rates have been applied.

	Average rate		Year end spot rate	
	2016	2015	2016	2015
EUR	158.90	147.73	156.76	153.74
USD	144.08	134.01	148.72	140.93

Sensitivity analysis

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

	Profit or loss (Rs.)		Equity, net of tax (Rs.)	
	Strengthening	Weakening	Strengthening	Weakening
31 December, 2016				
EUR (1% movement)	2,557	(2,557)	(2,557)	2,557
USD (1% movement)	18,696	(18,696)	(18,696)	18,696

Notes to the Financial Statement

Bogala Graphite Lanka PLC

Year ended 31 December 2016

25. FINANCIAL RISK MANAGEMENT (CONT.)

25.5 Market risk (Cont.)

25.5.1 Currency risk (Cont.)

	Profit or loss (Rs.)		Equity, net of tax (Rs.)	
	Strengthening	Weakening	Strengthening	Weakening
31 December, 2015				
EUR (1% movement)	(1,969)	1,969	1,969	(1,969)
USD (1% movement)	14,660	(14,660)	(14,660)	14,660

Interest rate risk

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

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

Sensitivity analysis

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

	Increase/ decrease in basis points	Effect on profit before tax (Rs.)
2016	+50	(649,554)
	-50	649,554
2015	+50	(770,934)
	-50	770,934

26. CAPITAL COMMITMENTS

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

27. CONTINGENT LIABILITIES

There are no cases have been filed against the Company or claims have been made in reconviction. Accordingly, no provision has been made in the Financial Statements.

28. EVENTS AFTER THE REPORTING DATE

The Company experienced a fatal accident in the mine during working hours, resulting a loss of valuable life of an employee on 28 January 2017. A sum of Rs. 2.4 Million as compensation is to be paid to the aggrieved family. In addition the Company has decided to pay the deceased employee's salary for 151 months i.e. until his retirement age, amounting to Rs. 9.9 Million to the aggrieved family on a monthly basis.

With regard to the said event, there has been no other commitment or contingent liability arising to the Company. Accordingly, no adjustments have been made to the Financial Statements.

29. COMPARATIVE FIGURES

The previous year's figures have been re-classified where necessary to conform to current year's presentation.

30. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

TEN YEAR FINANCIAL SUMMARY

(In Rupees '000)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Trading Results										
Turnover	702,454	582,861	607,425	535,758	556,226	399,324	386,373	241,382	383,976	403,005
Gross Profit	270,374	186,600	239,628	177,488	184,222	115,004	130,098	19,319	108,606	157,662
Other Income	14,127	3,287	9,440	7,718	13,813	6,925	36,132	6,926	2,195	3,346
Profit before Interest	88,249	16,538	92,223	47,757	40,741	38,069	88,405	(76,387)	(53,603)	72,883
Interest Cost	8,931	10,232	13,796	17,928	18,548	16,406	15,144	47,630	48,270	34,529
Profit after interest before Tax	79,318	6,306	78,426	29,829	22,193	21,663	73,261	(124,017)	(101,873)	37,764
Taxation	5,512	6,150	3,968	5,072	1,652	(1,552)	(2,844)	-	1,845	(3,229)
Net Profit/(Loss)	73,806	156	74,459	24,757	23,845	20,111	70,417	(124,017)	(100,028)	34,525
Reversal of Unclaimed Dividend	-									
Actuarial loss	610	1,554	2,075	126	1,738	-				
Total Comprehensive Income for the Year	73,196	(1,398)	72,384	24,656	22,108	-				
Balance Sheet										
Stated Capital	102,074	80,074	80,074	80,074	80,074	80,074	80,074	547,142	397,290	397,290
Reserves	247,229	198,233	189,328	116,944	92,313	82,009	76,135	(461,350)	(337,333)	(237,304)
Shareholders' Funds	349,303	278,307	289,402	197,018	172,362	162,083	156,209	85,792	59,957	159,986
Property, Plant & Equipment	259,841	253,503	270,451	297,136	282,859	275,276	242,700	262,043	303,916	270,929
Current & Non Current Assets	319,844	271,116	263,130	238,042	241,997	227,833	255,636	205,422	215,938	223,168
Current Liabilities	69,395	66,717	61,645	86,875	81,542	80,198	40,674	47,200	306,145	278,378
Non Current Liabilities	160,987	179,595	203,389	253,684	270,952	260,827	301,453	334,471	153,752	55,734
Net Assets	349,303	278,307	269,402	197,018	172,362	162,083	156,209	85,792	59,957	159,986
Key Indicators										
Gross Profit to Turnover%	38%	32%	39%	33%	33%	29%	33.67%	8.00%	28.28%	39.12%
Net Income to Turnover %	10.51%	0.03%	12.26%	4.62%	4.29%	5.04%	18.23%	-51.38%	-26.05%	8.57%
Earnings Per Share	0.78	0.00	1.57	0.52	0.50	0.43	1.49	(2.62)	(2.52)	0.87
Price Earnings Ratio	18	9,839	19.89	35.17	47.03	91.76	39.31	(6.87)	(3.57)	23.59
Market Value per share as at 31st December	14.40	32.40	31.30	18.40	13.70	39.00	58.50	18.00	9.00	20.50
Return on Equity %	21.13%	0.06%	27.64%	12.57%	13.83%	12.41%	45.08%	-144.55%	-166.63%	21.58%
Net Assets per share	3.69	5.88	5.69	4.16	3.64	3.43	3.30	1.81	1.51	4.03
No of Shares in Issue	94,632,904	47,316,452	47,316,452	47,316,452	47,316,452	47,316,452	47,316,452	47,316,452	39,729,000	39,729,000

Notes:

- 1) In Year 2004 a Loan of Euro 1,000,000 obtained from GK was converted to 11,768,000 shares
- 2) In Year 2009 further 7,587,452 shares were issued by capitalising Euro loan due to GK.
- 3) In year 2010 BGL reduced its stated capital to Rs.80,074,201 by setting off the accumulated losses as at 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 2016

	Name of Shareholders	No. of shares	%
1	GRAPHIT KROPFMUHL GMBH	75,310,068	79.58
2	ALTERNA GK LLC	9,775,580	10.33
3	SECRETARY TO THE TREASURY	509,000	0.54
4	MRS. N.TIRIMANNE	374,200	0.40
5	SANDWAVE LIMITED	363,869	0.38
6	PEOPLES LEASING & FINANCE PLC/L.P.HAPANGAMA	204,446	0.22
7	MR. W.A.DE SILVA (DECEASED)	181,800	0.19
8	MR. D.M.KODIKARA	121,386	0.13
9	MR. A.J.M.JINADASA	103,000	0.11
10	UNIVOGUE GARMENTS (PVT) LIMITED.	99,000	0.10
11	MRS. N.MULJIE	69,902	0.07
12	ASHA FINANCIAL SERVICES LIMITED/MR.C.N.PAKIANATHAN	68,258	0.07
13	MR. K.S.M.RODRIGO	61,300	0.06
14	MR. M.H.HANIFFA	58,700	0.06
15	MR. N.A.WITHANA	54,604	0.06
16	MR. M.S.HIRIPITIYA	53,026	0.06
17	MR. A.R.IBRAHIM	53,000	0.06
18	MR. T.K.FERNANDO	42,600	0.05
19	DR. K.SRIRANJAN	40,000	0.04
20	MR. W.A.D.G.KARUNANAYAKE	37,040	0.04

SHARES NOT TAKEN INTO ACCOUNT TO COMPUTE PUBLIC HOLDING

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

Number of Shares held by Public	9,547,256
Number of shareholders holding the Public Shares	9,498
Percentage	10.09

Number of shares representing stated capital	94,632,904
Total number of shareholders	9,500

Net Assets Value per Share as at 31st December 2016 (2015 - Rs.2.94)	Rs. 3.69
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Summary of Shareholders

Bogala Graphite Lanka PLC

As at 31st December 2016

Shareholding	No. of Shareholders	Total No. of Shares	Percentage %
1-1000	8,434	2,907,848	3.07
1001-5000	853	1,977,932	2.09
5001-10000	126	970,817	1.03
10001-50000	70	1,315,168	1.39
50001-100000	8	517,790	0.55
100001-500000	6	1,348,701	1.43
500001-1000000	1	509,000	0.54
OVER 1000000	2	85,085,648	89.91
TOTAL	9,500	94,632,904	100.00

SHARE TRADING DETAILS FOR THE YEAR 2015

Highest Market Price (01-02-2016)	Rs.	37.00
Lowest Market Price (07-07-2016)	Rs.	13.50
Market Price as at 31 st December 2016	Rs.	14.40
Traded Share Volume		4,352,758
No of Trades		5,315
Trading Turnover		82,544,753.40

Notice of Meeting

Bogala Graphite Lanka PLC

NOTICE IS HEREBY GIVEN THAT the TWENTY SIXTH Annual General Meeting of the Company will be held at 11.00 a.m. on Saturday the 29th April 2017 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 2016 together with the Auditors' Report thereon.
2. To propose the following resolution as an ordinary resolution for the reappointment of Mr. J. C. P. Jayasinghe who has reached the age of 73 years.
"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. J.C.P Jayasinghe who has reached the age of 73 years prior to this Annual General Meeting and that he be reappointed as a director of the Company".
3. To propose the following resolution as an ordinary resolution for the reappointment of Mr. V. P. Malalasekera 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. V.P. Malalasekera 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 re-appoint KPMG, Chartered Accountants, 32 A, Sir Mohamed Macan Markar Mawatha, Colombo 03 as the Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31st December 2017.
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 03rd February 2017

Note:

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

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



Form of Proxy

Bogala Graphite Lanka PLC

I/We of
 being
 a member/s of BOGALA GRAPHITE LANKA PLC hereby appoint
 of
or failing him Mr.V.P.Malalasekera or failing him
 Mr.Roger Miller or failing him Mr.J.C.P.Jayasinghe or failing him Mr.A.P.Jayasinghe or failing him
 Mr.T.Mueller 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.Adamally as my/our proxy to speak/vote for me/us and on my/our behalf at the 26th Annual
 General Meeting of the Company to be held on theday of2017 at 11.00 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 ofTwo Thousand and
 Seventeen.

.....
 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. Thomas A Junker - Vice Chairman
 - Mr. Jayampathi Jayasinghe
 - Mr. Roger Miller
 - Mr. Amila Jayasinghe - CEO / Managing Director
 - Mr. Torben Müller
 - Ms. Coralie Pietersz
 - Mr. Sugath Amarasinghe - Finance Director
 - Mr. Mohamed Adamaly
7. **Business Address** Bogala Mines, 71041 Aruggammana
Website : www.gk-graphite.lk
8. **Secretaries** Corporate Services (Private) Limited
216, De Saram Place, Colombo 10.
Tel: 004718200 Fax 004718220
email: csl@figdesaram.com
- Lawyers** F J & G De Saram
216 De Saram Place, Colombo 10.
Tel: 0114605100 Fax 0112669769
email: fjgdesaram@fjgdesaram.com
9. **External Auditors** KPMG,
Chartered Accountants
32A, Sir Mohammed Macan Marker Mw.,
Colombo 03
- 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
 - Chief Information Officer / Head of Engineering - Waruna Illukpitiya
 - Assistant General Manager (HR & ADM) - Dimuth Mahaliyana
 - Assistant General Manager (Underground) - Chaminda Ekanayake
 - Assistant General Manager (Processing) - Anura Liyanage
 - 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
 - Quality Control Manager - Chandana Weerasinghe

