

BOGALA GRAPHITE
LANKA PLC
Annual Report 2020

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GRAPHITE



BOGALA GRAPHITE LANKA PLC
Annual Report 2020

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Year Ended 31st December

Earnings Highlights and Ratios		2020	2019	% Change
Revenue	Rs.million	669.5	815.6	(17.9)
Gross profit	Rs.million	212.8	323.0	(34.1)
Profit/(Loss) from operations	Rs.million	57.5	115.6	(50.3)
Profit/(Loss) before Tax	Rs.million	58.6	116.4	(49.7)
Profit/(Loss) after tax	Rs.million	47.0	97.4	(51.7)
EBITDA	Rs.million	101.0	157.6	(35.9)
Cash from operating activities	Rs.million	144.5	175.4	(17.6)
Gross profit to turnover	%	31.8	39.6	(19.7)
Net income to turnover	%	7.0	11.9	(41.2)
Interest Cover	%	17.1	25.2	(32.3)
Return on equity (ROE)	%	7.5	16.8	(55.4)

Balance Sheet Highlights & Ratios

Total assets	Rs.million	816.7	822.3	(0.7)
Total debt	Rs.million	191.1	243.9	(21.7)
Total shareholders' funds	Rs.million	625.6	578.4	8.2
Number of shares in issue	million	94.6	94.6	-
Net assets	Rs.million	625.6	578.4	8.2
Net assets per share	Rs.	6.6	6.1	8.2
Debt/equity (book value)	%	30.5	42.2	(27.6)

Operational Highlights

Lost-time accident rate	%	Zero	Zero	-
Accident severity rate	%	Zero	Zero	-
Earnings per share	Rs.	0.50	1.03	(51.7)

CHAIRMAN'S REVIEW

It is my pleasure to welcome you once again on behalf of the Board to the 30th Annual General Meeting of our Company.

The year 2020 will undoubtedly go down in history as one that brought the world to a standstill. COVID-19 has been a great equaliser that affected all nations without bias, and countering its effects and repercussions will possibly take a considerable length of time. For us in Sri Lanka, it was a double blow. Just as the nation was recovering from the tragedy of the Easter attacks in 2019 and its aftereffects on the economy, the virus brought the nation to a halt once again, testing our resilience further. Viewed from a positive perspective, however, the COVID-19 global pandemic continues to teach the world important lessons of self-reliance, human values, and survival despite the most unexpected adversities. For our Company too, continuing operations and making progress in such an environment was an uphill task. Persevering as we have always done in the face of trials, we have been able to record a year of adequate performance considering the dire circumstances.

We have always placed great importance on safety measures and standards. During the year under review, they were further raised and expanded to include stringent COVID-19 safety procedures, maintaining guidelines stipulated by the Ministry of Health.

During the year under review your Company recorded a turnover of Rs.669.5 million as compared to Rs.815.5 million in 2019. Albeit a drop of 18%, it is nonetheless a considerable achievement in the face of unprecedented circumstances and achieved through the sheer unwavering support of our staff.

Economic Environment

The Sri Lankan economy, which experienced below-potential growth in recent years, encountered renewed challenges amidst the outbreak of COVID-19. Reflecting the combined effects of the spread of COVID-19 locally and the introduction of lockdown measures, the slowdown in global economic activity, and the adverse weather conditions in the country, the economy contracted by 1.6

percent in the first quarter of 2020, year-on-year, per the provisional estimates of the Department of Census and Statistics. The estimates for the second quarter are not yet released.

Inflation was maintained broadly within the target range of 4-6 percent thus far during 2020. Economic growth is expected to rebound in 2021 consequent to the measures taken by the Government. Policies to boost domestic production are also expected to ease the pressure on the external sector of the economy on a sustained basis. Nevertheless, the success of containing COVID-19 locally and globally remains critical in determining the pace and the magnitude of domestic economic recovery and revival in the period ahead.

International Economic Environment

COVID-19 caused a global recession the depth of which was surpassed over the past century only by those of the two World Wars and the Great Depression. Although global economic activity is growing again, it is not likely to return to business as usual for the foreseeable future.

Following the initial rebound in mid-2020, the global economic recovery has slowed. Most commodity prices rebounded from their mid-2020 lows as strict lockdowns were gradually lifted and demand firmed, especially from China.

Corporate Performance

Despite the COVID-19 pandemic, the Company continued operations - adhering to strict rules and regulations stipulated by the Health Ministry - with the bare minimum workforce needed to meet our targets, utilising two teams in rotation. All our workers received their basic salaries, notwithstanding the crisis, with those on the duty schedules receiving full salaries and allowances.

Despite the serious setbacks to the momentum of our progress made during the previous year, we have been able to strengthen our resolve, face the crisis head-on and record a performance beyond expectations under very difficult circumstances.

CHAIRMAN'S REVIEW

During the past year, a total of 2017 hours were allocated for safety training for all our employees and their families. The year under review recorded zero lost-time accidents reported, resulting in zero working days lost due to accidents.

I am pleased to note that our total revenue for the year was Rs.669.5 million whilst the profit after tax (PAT) was Rs.47.0 million.

Compliance and Risk Management

Per our steadfast commitment to strict adherence of regulatory requirements, effective mechanisms were in place as required, to ensure total compliance and risk management of the Company.

The year under review, however, brought a hitherto unforeseen aspect to risk management due to external circumstances beyond the control of the Company. With the safety and well-being of our staff taking utmost priority, we re-assessed and aligned our policies to comply with the COVID-19 guidelines and safety regulations stipulated by the Government of Sri Lanka.

Risk Management is an essential constituent of our processes. Thus, in alignment with this principle, thorough reviews are conducted in order to identify and analyse risks to the business. A sound disaster recovery plan and a business continuity plan have been put in place to address any issues that may arise. These measures proved invaluable as the Coronavirus pandemic unfolded during the year 2020.

Meticulously observing, as always, the requirements of Corporate Governance as laid down by the SEC, we maintained strict compliance by establishing a Related Party Transaction Review Committee as well as having in place Audit and Remuneration Committees.

Future Prospects

Performing under duress in 2019, we proved our capacity to overcome external challenges. However, we did not foresee that a far greater crisis of global proportions was awaiting us in 2020. Nonetheless, relying on our strength and fortitude we were able to weather the storm and

rise above it to record a positive performance. As the COVID-19 pandemic continues to create uncertainty throughout the world, we will stand strong, certain of our unwavering ability to persevere and progress despite whatever obstacles the future may hold in the year ahead. With renewed confidence we will adapt and adjust as necessary to a journey forward and reach the goals we have set for the years to come.

Acknowledgement

In conclusion, on behalf of the Board of Directors and the employees of the Company, I extend my appreciation to our valued shareholders, our major shareholder and Parent Company Graphit Kropfmühl for their continual support, and the stakeholders for the most resolute trust and confidence they placed in the management of the Company especially during what has been a most turbulent year.

My sincere thanks also to my colleagues on the Board for their guidance and support at such a trying time. Let me also extend my heartfelt appreciation to the Management team and all employees who performed their duties with dedication to bring greater value for our stakeholders. I am truly confident of their continued support as we journey ahead, together.



Vijaya Malalasekara

Chairman

12th February 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

The year under review, the year 2020, is one that truly tested us all – as a Company, and as individuals. Just when our country was beginning to recover from the effects of the Easter attacks of 2019 and seeing a ray of hope with the advent of a more stable political environment, the COVID-19 pandemic brought the nation to a halt. As the global pandemic crisis carries on, its repercussions will linger and it will be a considerable challenge for Sri Lanka, and indeed the rest of the world, to return to normalcy and economic stability. However, adversity has always driven our Company to face challenges fearlessly, and I am proud to say that we have been able to deal with the pandemic situation well enough to carry on operations with the loss of just three working days and meet the production targets set for the year past. We were only able to do so due to the incredible commitment and dedication of all our staff and the support extended to us by the healthcare services, the police, the armed forces and other government bodies.

Keeping abreast of the situation, therefore, we were able to record a year of favourable performance considering the prevailing conditions. Our total revenue for the year was Rs.669.5 million compared to Rs.815.5 million in 2019. Whilst it is a decrease of 18%, it is nonetheless a commendable result to have achieved during a global crisis. We also recorded Rs.58.6 million in profit before taxation. While this is a 49.7% decrease from the previous year (Rs.116.4 million in 2019) it is still an encouraging result given the dire circumstances.

Health, Safety and Operations

Giving priority to health and safety per Company policy, we acted swiftly when the first wave of the Coronavirus pandemic affected Sri Lanka in mid-March 2020. As the curfews and lockdowns were being imposed, we completely shut down operations for three working days with all staff and workers being sent home.

Due to COVID-19 our regular annual health and safety training sessions for the workers and their families had to be postponed. We recorded zero lost-time accidents with only three minor accidents reported. As the COVID-19 pandemic situation remains unresolved, we

are constantly improving our standards, meticulously maintaining all requisite safety procedures to ensure the good health and well-being of our employees and stakeholders.

During that critical time, after thorough consideration of our deadlines and production targets that needed to be met, we set a comprehensive plan in motion to resume operations under strict compliance with the COVID-19 safety regulations. Utilising the bare minimum number of workers needed to function and achieve committed production targets, we deployed two teams in rotation, with one being on standby, while the other was active. Despite the situation, the Company honoured its commitments to the staff, ensuring that all employees were paid their basic salaries, with the employees on duty teams being paid full salaries inclusive of all allowances. The payments thus made were, in fact, above the amounts recommended by the National Tripartite Agreement Prorated Wages per the Employers' Federation of Ceylon circulars.

Appreciation

I wish to offer a special note of heartfelt appreciation to the medical authorities of the area, the police and the armed forces for the unstinted support they continue to extend to us. I also express my gratitude to our ever-faithful employees and especially the Managers, all of whom selflessly risked their lives to stand with us in order to keep the Company operational even during a global pandemic. A note of thanks also to Mr. Saliya Gunasekara, Mr. Kithsiri Muhandiram and Mr. Hemantha Jayasinghe for playing a key role during the first wave of COVID-19 attacks. The support they extended to me as well as to the Company is much appreciated.

I also thank our parent company, Graphit Kropfmühl GmbH, the Chairman, and the Board of Directors for their constant support and guidance, and the utmost confidence they place in me, especially at this difficult time.

In conclusion, I extend my sincere appreciation to all our shareholders, employees, the management team and

CHIEF EXECUTIVE OFFICER'S REVIEW

staff for their loyal support. Together, we have faced two consecutive years of great adversity, and progressed in spite of unprecedented challenges. Drawing strength from what we have overcome so far, let us look forward to the year ahead with hope, to succeed and achieve together.

A handwritten signature in black ink, appearing to read 'APJC' followed by a flourish.

Amila Jayasinghe
Chief Executive Officer
12th February 2021

DIRECTORS' PROFILES

Vijaya Malalasekera (Non-Executive/Independent Director)
MA (Cantab), Barrister-at-Law (Inner Temple), Attorney-at-Law

Mr. Malalasekera has served the Board as Chairman of Bogala Graphite Lanka PLC from April 2000 to 4th April 2020. He was re-appointed as Chairman to the Board on 22nd August 2020. He also serves on the Boards of Carson Cumberbatch PLC and 1990 Suwa Seriya Foundation as a Board Member.

Thomas A. Junker (Non-Executive Director)

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

J. C. P. Jayasinghe (Non-Executive Director)

B.Com (Ceylon)

Mr. Jayasinghe was appointed Vice Chairman/CEO of Bogala Graphite Lanka PLC in April 2000. Upon his retirement from the position of CEO, he was invited to the Board of the Company as a Consultant/Director in January 2008 and served the Board up to 4th April 2020. Mr. Jayasinghe was re-appointed to the Board on 22nd August 2020.

Roger P. Miller (Non-Executive Director)

Mr. Miller served the Board as a Director of Bogala Graphite Lanka PLC from 25th April 2016 to 4th April 2020. He was re-appointed to the Board on 22nd August 2020. He is a founder and Managing Partner of Alterna Capital Partners (a private investment manager in the United States) since 2007 and a Director of AMG GK since March 2015. He holds a BS in Mining Engineering from Montana School of Mines and a MBA from Cornell University.

A. P. Jayasinghe (Executive Director)

B.Bus (Monash), CPA

Mr. Jayasinghe was appointed to Board of Bogala Graphite Lanka PLC in April 2004. He worked in the capacity of Executive Director of the Company from April 2000 to August 2005. Mr. Jayasinghe was appointed 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, a fellow member of the Institute of Chartered Accountants of Sri Lanka and a fellow member of the Institute of Certified Management Accountants of Sri Lanka. She holds a B.Sc. (Honours) degree in Physics from the University of Sussex and an MBA from Heriot-Watt University, Edinburgh. She is an Independent Director/Senior Director at Seylan Bank PLC and an Independent Non-Executive Director at People's Leasing & Finance PLC.

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

Sugath Amarasinghe (Executive Director)

ACA, ASCMA

Mr. Amarasinghe was appointed a Director on 4th April 2014. He is a member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He has worked for 28 years in the mercantile sector at a senior level, and possesses experience in the Manufacturing, FMCG (Foods & Beverages), Automobile, Services (Corporate and Management Consultancy), Information Technology, Garment Manufacturing, and Garment Processing industries.

Mohamed Adamaly (Non-Executive/Independent Director)

Attorney-at-Law, Marketer

Mr. Adamaly was appointed to the Board with effect from 2nd October 2014. He is an Attorney-at-Law, holds a Bachelors in Law (LL.B.) with Honours from the University of Colombo, and a postgraduate diploma in Marketing from the Chartered Institute of Marketing, UK. Mr. Adamaly is a practising lawyer specialising 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 the Board of Amana Bank PLC, and several Boards of public and private companies.

Ulla Neunzert (Non-Executive Director)

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

CORPORATE GOVERNANCE REPORT

The Board provides strategic direction to the Company, adopting a sound governance framework and setting in place proper risk management and internal control systems to ensure compliance with specific mandatory requirements set out in Section 7.10 of the Listing Rules of the Colombo Stock Exchange and the voluntary requirements of the Code of Best Practices on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

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

Board Composition and Skills

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

Per the Listing Rules of the Colombo Stock Exchange, Non-Executive Directors submit an annual declaration of their independence or non-independence. Each Non-Executive Director has submitted a declaration of their independence or non-independence for the year under review. Non-Executive Directors do not have any business interest except what is stated under note 25, Related Party Disclosure on page 77 of the Annual Report.

The Board places a 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, and for overseeing systems of internal control, risk management, and strategic plans, it is the responsibility of the corporate management team to ensure their implementation.

The Board has determined that Mr. Vijaya Malalasekera is an independent Director since he is not directly involved in the day-to-day management of the Company. Having considered these factors the Board is of the opinion that Mr. Vijaya Malalasekera 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.

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

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

The Board's responsibilities include:

- Providing strategic direction and guidance to the Company in the formulation of sustainable strategies which are aimed at promoting the long-term success of the Company

CORPORATE GOVERNANCE REPORT

- Reviewing and approving annual and long-term business plans, tracking actual progress
- Ensuring succession planning to facilitate the business sustainability
- Ensuring that the operations are within the scope of the Company risk management framework
- Providing proper stewardship of the Company's resources and towards this, monitoring systems of governance and overseeing systems of internal control and risk management, and establishing whistle-blowing guidelines
- Determining any changes to the discretions/ authorities delegated by the Board to the executive level.
- Ensuring compliance with all laws, regulations, business ethics and integrity
- Ensuring adoption of appropriate accounting policies and fostering compliance with financial regulations
- Reviewing and approving major acquisitions, disposals and capital expenditure
- Ensuring all Related Party Transactions are compliant with the statutory obligations

Board Meetings

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

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

Attendance at Board and Sub-Committee Meetings

Director		Board Meetings	Audit Committee	Related Party Transaction Review Committee	Remuneration Committee
Vijaya Malalasekera*	INED	2/4	2/4	2/4	1/1
Coralie Pietersz	INED	4/4	4/4	4/4	-
Mohamed Adamaly	INED	4/4	4/4	4/4	1/1
Thomas A. Junker	NED	4/4	4/4	4/4	1/1
J. C. P. Jayasinghe**	NED	2/4	2	-	-
Roger Miller**	NED	2/4	4	4	-
Ulla Neunzert	NED	3/4	2	1	-
Amila Jayasinghe	ED	4/4	4	4	-
Sugath Amarasinghe	ED	4/4	4	4	-

*During the financial year Mr. V. Malalasekera attended two Board meetings, two Audit Committee meetings, and two RPTRC meetings by invitation, and two meetings as a member of the Board and the Committees

** During the financial year Mr. J. C. P. Jayasinghe and Mr. R. Miller attended two Board meetings by invitation and two meetings as members of the Board

NED - Non-Executive Director ED - Executive Director INED - Independent NED

CORPORATE GOVERNANCE REPORT

Board Sub-Committees

The Board has delegated some of its functions to the Sub-Committees, whilst retaining the rights of final decision. Members of these Sub-Committees are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. The Directors dedicate sufficient time at committee meetings to review respective documentation relating to the meeting, and call for additional information or further clarification where necessary. The Committee Chairperson reports to the Board on the activities of the respective Committees at each Board meeting, highlighting matters for the Board's attention.

The Board has appointed three Sub-Committees to assist in the discharge of its duties as summarised below.

Board Committee	Areas of Oversight	Composition
Audit Committee	Financial Reporting	Independent Non-Executive Directors - 3
	Internal Controls	
	Internal Audit	Non-independent Non-Executive Directors - 1
External Audit		
Related Party Transaction Review Committee	Related party transaction policy/ code	Independent Non-Executive Directors - 2
	Review of related party transactions for regulatory compliance	Non-independent Non-Executive Directors - 1
Disclosure of related party transactions		
Remuneration Committee	Remuneration policy and practices	Independent Non-Executive Directors - 2
	Recommend Executive Directors remuneration	Non-independent Non-Executive Directors - 1

The Board Sub-Committees comprise mainly independent Non-Executive Directors. The Committees are provided with all resources to empower them to undertake their

duties in an effective manner. The Company Secretary acts as secretary to these committees with the exception of the Remuneration Committee. The minutes of each committee meeting are circulated to all Directors on completion.

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

Director	Audit Committee	Related Party Transaction Review Committee	Remuneration Committee
Independent Non-Executive Director			
Vijaya Malalasekera*	Member	Chairman	Chairman
Coralie Pietersz	Chairperson	Member	-
Mohamed Adamaly	Member	Member	Member
Non-Executive Director			
Thomas A. Junker	Member	Member	Member

* ceased to be a member w.e.f. 4th April 2020; re-appointed on 22nd August 2020

The Role of the Chairman

The Chairman is responsible for the efficient conduct of Board meetings and ensures effective participation of both Executive and Non-Executive Directors. It is also the responsibility of the Chairman to ensure that views of all Board members on issues under consideration are ascertained, and that the Board is in complete control of the Company's affairs. The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present to ensure appropriate balance of power.

The Chairman, whilst providing leadership to the Board, also sets the tone for the governance and ethical framework of the Company, facilitates and solicits the views of all Directors by keeping in touch with local and global industry developments and also ensures that the Board is sensitive to its obligations to the Company's shareholders and stakeholders.

CORPORATE GOVERNANCE REPORT

Delegation of Authority

The Board is responsible for the overall governance and implementation of sound business strategies for the Company. The Board exercises its ordinary and extraordinary powers in carrying out its duties within the relevant laws/regulations of the country, regulatory authorities, professional institutes and trade associations to achieve the Company objectives. In exercising its business judgement, the Board acts as an advisor and counsellor to the CEO/Managing Director, who defines and enforces standards of accountability, with a view to enabling senior management to execute their responsibilities fully in the interests of the Company and its shareholders.

Audit Committee

The Board has appointed an Audit Committee which has oversight responsibility for considering how the Company should select and apply accounting policies, financial reporting and internal control principles and maintain an appropriate relationship with the external auditors. Names of the members of the Audit Committee, and the independence of the Auditors is disclosed in the Audit Committee Report on pages 22 to 24. The Audit Committee is chaired by Ms. M. Coralie Pietersz, who is an Independent Non-Executive Director.

The Audit Committee is responsible for monitoring and supervising the financial reporting process defined by the management ensuring:

1. Review of the quarterly and annual Financial Statements, including the quality, transparency, integrity, accuracy and compliance with Sri Lanka Financial Reporting Standards
2. Compliance with legal and regulatory requirements of Companies Act No. 7 of 2007 and other relevant financial reporting-related regulations and requirements.
3. Review of the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors. The Audit Committee also reviews the nature and extent of non-audit services provided
4. Review of the adequacy and effectiveness of the Internal Control and Risk Management systems over the financial reporting process.

by the auditors to ensure that auditors are able to maintain objectivity and independence.

The Terms of Reference of the Audit Committee were reviewed and approved by the Board. This addresses the purpose of the Committee and its duties and responsibilities including the scope and functions of the Audit Committee. Terms of Reference are reviewed by the Board annually.

Remuneration Committee

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

The Committee is responsible for determining and agreeing with the Board a framework for remuneration of the Chief Executive Officer, Finance Director and Management Team. They consider industry benchmark principles for any performance-related schemes to determine a total remuneration package. Employee performance is measured through key performance indicators including financial and non-financial measures of performance, and links a significant component of pay to individual as well as Company performance.

Determining the Non-Executive Directors' compensation is not under the scope of this Committee.

The remuneration policy and its role is discussed in the report of the Remuneration Committee given on pages 25 to 26.

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Related Party Transaction Review Committee

The Committee comprises four Non-Executive Directors; three of them are Independent Directors. The Committee is headed by Mr. Vijaya Malalasekera. The Report of the Related Party Transaction Review Committee is given on pages 27 to 28. The Chief Executive Officer and Finance Director attend the meetings by invitation and the Company Secretary serves as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities Exchange Commission (SEC) of Sri Lanka (“the Code”) and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and the CSE.

The Committee in discharging its functions has developed and recommended a policy for adoption by the Board on Related Party Transactions of the Company. The Committee updates the Board on Related Party Transactions on a quarterly basis in compliance with the reporting templates, specifying recurrent and non-recurrent transactions which require discussion in detail. Related Party Transactions which require pre-approval by the Board are reviewed periodically as specified in the guidelines of the SEC, protecting the shareholder interests whilst fairness and transparency are maintained at all times.

Accountability and Audit

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

- Annual Report of the Board of Directors on the affairs of the Company, given on pages 29 to 35
- Statement of Directors’ Responsibilities, given on pages 36 to 37
- Independent Auditors’ Report, given on pages 38 to 42

The Board has taken necessary steps to ensure the integrity of accounting and financial reporting systems and that internal control systems remain robust and effective by reviewing and monitoring such systems on a periodic basis.

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

Internal and External Audit

The internal audit function is outsourced to Messrs. B. R. De Silva & Company, Chartered Accountants. The Board reviews the audit observations arising from the internal audits and monitors the corrective actions proposed by the Management. The Audit Committee evaluates the appropriateness of the Internal Audit function through the Internal Audit Charter, which is reviewed and approved annually to ensure that the internal audit plan adequately covers the significant risks of the Company.

The External Auditor is a qualified independent external party whose objective is to determine whether the Financial Statement of the Company represents a true and fair view of its financial performance, position and cash flow status. Messrs. KPMG, Chartered Accountants, was re-appointed at the AGM in 2019 as external auditors of the Company for the financial year 2020. The Audit Committee reviews the annual audit plan with the recommended work approach.

The knowledge and experience of the Audit Committee ensures effective usage of the expertise of the auditors, while maintaining independence, in order to derive

CORPORATE GOVERNANCE REPORT

transparent Financial Statements. The Company maintains independence from financial and non-financial interests between auditors and re-assesses same on a regular basis. The fees paid to audit and non-audit services are separately disclosed in the Notes to the Financial Statements.

Risk Management and Internal Control

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

The Board is responsible for the Company's internal control and its effectiveness. Internal controls are established with emphasis on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. Financial, operational and compliance control and risk management are all covered. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Company's overall risk management process is overseen by the Board through the Audit Committee. The Audit Committee reviews internal control issues and risk management measures identified by the Company and evaluates the adequacy and effectiveness of the risk management and internal control systems including financial reporting.

The Company conducts regular reviews of the major risks such as regulatory changes, and political and environment changes that could affect business and financial performance, and creates awareness of them. The Company also evaluates the potential threats that

could be posed from possible competitors. The Company analyses the exposure to business risks by identifying vulnerability and probability of occurrence in order to determine how best to handle such exposure.

However, the Company recognises that risk management is a shared responsibility of all employees of the Company in an integrated management system, rather than being a separate and stand-alone process. Hence it is integrated into overall business and decision-making processes including strategy formulation, business planning, business development, investment decisions, capital allocation, internal control and day-to-day functions.

Having the right people to execute strategies is imperative for success in new and diverse opportunities emerging in growth markets. The Board recognises the crucial role of human capital since talent, culture and work attitude are arguably the biggest drivers of competitive advantage. The Board will play an important role in ensuring that the leadership stays focused on building the talent strategy.

The Company also engages consistently in new exploration techniques and processing methods, focusing on overall efficiency improvement 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, maintaining cash and cash equivalent at an appropriate level to support operational and capital expenditure requirements.

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

CORPORATE GOVERNANCE REPORT

Statement of compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure (Mandatory provisions – Fully Compliant)

CSE Rule Reference	Disclosure Requirement	Compliance Status	Reference to Annual Report 2020
7.6 (i)	Names of persons who were Directors of the Entity	Complied	Directors' Profiles, page 9
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year, and any changes therein	Complied	Annual Report of the Board of Directors, pages 29-35
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied	Investor Information, pages 88-89
7.6 (iv)	The public holding percentage	Complied	
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Complied	Annual Report of the Board of Directors, pages 29-35
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Complied	
7.6 (viii)	Extents, locations, valuations and number of buildings of the Entity's land holdings and investment properties	Complied	Notes to the Financial Statements, page 67
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied	Investor Information, pages 88-89
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	
7.6 (xi)	Financial ratios and market price information	Complied	
7.6 (xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Complied	Company has no subsidiaries. Notes to the Financial Statements, page 66
7.6 (xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Complied	Company had no public issue, rights issue or private placement during the year under review
7.6 (xiv)	Information in respect of Employee Share Option Scheme or Employee Share Purchase Scheme	Complied	As at date, the Company has no share option/purchase scheme made available to its Directors or employees

CORPORATE GOVERNANCE REPORT

CSE Rule Reference	Disclosure Requirement	Compliance Status	Reference to Annual Report 2020
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Complied	Refer to pages 10, 25 and 22 of this Annual Report
7.6 (xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity per audited Financial Statements, whichever is lower	Complied	Note 25 to the Financial Statements, page 77

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

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 Principle	Compliance Status	Bogala extent of adoption
7.10 (a,b,c)	Compliance	Complied	Compliance with Corporate Governance Rules
7.10.1 (a, b, c)	Non-Executive Directors (NED)	Complied	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 NEDs have submitted their confirmation on independence in line with regulatory requirements
7.10.3 (a, b)	Disclosure Relating to Directors - the Board shall annually determine the independence or otherwise of the NEDs	Complied	Names of the Independent Directors are disclosed on page 31 and criteria for independence have been met
7.10.3 (c)	Disclosure relating to Directors - a brief resume of each Director should be included in the Annual Report (AR) including the Director's areas of expertise	Complied	Brief resumes of the Directors are given under Directors' Profiles on page 9
7.10.3 (d)	Disclosure relating to Directors – provide a brief resume of new Directors appointed to the Board along with details	Complied	Disclosed the appointments of new Directors to the CSE with brief resumes
7.10.4 (a to h)	Criteria for Defining Independence – requirements for meeting criteria to be an independent Director	Complied	The Company has established criteria through its Independence statement

CORPORATE GOVERNANCE REPORT

CSE Rule Reference	Corporate Governance Principle	Compliance Status	Bogala extent of adoption
7.10.5	Remuneration Committee (RC)	Complied	Company has a Remuneration Committee
7.10.5 (a)	Composition of Remuneration Committee – shall comprise NEDs, a majority of whom shall be independent; one NED shall be appointed as Chairman of the Committee	Complied	The Committee comprises two Independent Non-Executive Directors and a Non-Executive Director
7.10.5 (b)	Functions of Remuneration Committee – the RC shall recommend the remuneration of the CEO and Executive Director and Senior Management Team	Complied	The Committee has recommended the remuneration of the Chief Executive Officer, Finance Director, and Management Team
7.10.5 (c)	Disclosure in Annual Report relating to Remuneration Committee – names of the Directors comprising the RC, statement of policy, aggregated remuneration paid to ED and NED	Complied	Refer to page 25 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 25.2 to the Financial Statements, page 77
7.10.6	Audit Committee (AC)	Complied	Company has an Audit Committee
7.10.6 (a)	Composition of Audit Committee – shall comprise NEDs, a majority of whom shall be independent, a NED to be the Chairman of the Committee, CEO and CFO to attend AC meetings, Chairman of the AC or one member should be a member of a professional accounting body	Complied	The Audit Committee comprises three Independent Non-Executive Directors, and a Non-Executive Director. CEO and CFO attended committee meetings by invitation
7.10.6 (b)	Audit Committee Functions – preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS), compliance with financial reporting requirements, ensuring that internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS, assessment of the independence and performance of the external auditors, making recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors	Complied	Please refer to Audit Committee Report, pages 22-24
7.10.6 (c)	Disclosure in Annual Report relating to AC- names of Directors comprising the AC, the AC shall make a determination of the independence of the Auditors and disclose the basis for such determination, the Annual Report shall contain a report of the AC setting out the manner of compliance with their functions	Complied	The names of the Audit Committee members and the basis of determination of the independence of the Auditor are given in the Audit Committee Report on pages 22-24

CORPORATE GOVERNANCE REPORT

Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Related Party Transactions (Mandatory provisions – Fully Compliant)

CSE Rule Reference	Disclosure Requirement	Compliance Status	Reference to Annual Report 2020
9.3.2 (a)	Details pertaining to Non-Recurrent Related Party Transactions	Complied	Notes to the Financial Statements, page 78
9.3.2 (b)	Details pertaining to Recurrent Related Party Transactions	Complied	
9.3.2 (c)	Report of the Related Party Transactions Review Committee	Complied	Refer to Report of the Related Party Transaction Review Committee, pages 27-28
9.3.2 (d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Complied	

Statement of compliance under Section 168 of Companies Act No. 7 of 2007

Company Act Section	Companies Act Requirement	Compliance Status	Reference to Annual Report 2020
168 (1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Complied	Annual Report of the Board of Directors, pages 29-35
168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed - section 151	Complied	Financial Statements, page 44
168 (1) (c)	Auditors' Report on Financial Statements of the Company	Complied	Independent Auditors' Report, pages 38-42
168 (1) (d)	Accounting policies and any changes therein	Complied	Notes to the Financial Statements, page 49
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Complied	Annual Report of the Board of Directors, pages 29-35
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Notes to the Financial Statements, page 77
168 (1) (g)	Corporate donations made by the Company during the accounting period	Complied	Notes to the Financial Statements, page 63
168 (1) (h)	Information on the Directorate of the Company at the end of the accounting period	Complied	Annual Report of the Board of Directors, pages 29-35
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Complied	Notes to the Financial Statements, page 63

CORPORATE GOVERNANCE REPORT

Company Act Section	Companies Act Requirement	Compliance Status	Reference to Annual Report 2020
168 (1) (j)	Auditors' relationship or any interest with the Company	Complied	Audit Committee Report, pages 22-24
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Complied	Annual Report of the Board of Directors, pages 29-35

Going Concern, Financial Reporting and Transparency

The Board of Directors, after reviewing the Company's business plans for the ensuing year, capital expenditure requirements, prospects and risks, cash flows and ability to raise funds, has a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. Therefore, the going concern principle has been adopted in preparing the Financial Statements presented in this Annual Report.

The Board continues to review and assess the possible impact of COVID-19 on economic conditions and how and what measures the Management has implemented to mitigate them. Constant dialogue with the Management and the monthly business brief helps to monitor the effectiveness of such mitigatory actions.

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 Statements.

The Board discusses full information, both financial and non-financial, within the bounds of commercial realities. Being the only mining company listed on the Colombo Stock Exchange, it is committed to a responsible business discipline.

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 25 of the Annual Report on page 77 provides information regarding the exception. Each Non-Executive Director has submitted a declaration of his or her independence or non-independence for the year under review.

Independent Professional Advice Sought by the Board during the Financial Year

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

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

Investor Relations

The Company encourages communication with shareholders through multiple Annual General Meetings, the Annual Report, interim Financial Statements and announcements to the Colombo Stock Exchange. Shareholders are encouraged to be present, participate and vote at the Annual General Meeting, complying with COVID-19 guidelines issued by the authorities. The Annual Report is circulated to the shareholders not less than 15 working days prior to the Annual General Meeting.

CORPORATE GOVERNANCE REPORT

At the Annual General Meeting the Chairman, Board members including Sub-Committee Chairmen and key management personnel at the request of the Chairman, and external auditors are present and available to answer questions posed by shareholders. Shareholders are also free to informally meet with the Directors at the conclusion of the Annual General Meeting to clarify any outstanding queries.

Release of Information to the Public and CSE

The Board of Directors, where applicable with the Audit Committee, is responsible for ensuring the accuracy and timeliness of published information, and for presenting a true and fair view, along with a balanced assessment of financial results in the interim and annual Financial Statements.

Employee Participation and Industrial Relations

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

The Company continued to pay its employees their full basic salary during the lockdown period, while all related allowances were paid to the employees who are daily attendees at work. This exceeds the requirements of the Tripartite Agreement entered into on 14th May 2020 between Sri Lankan Social Partners, the Ministry of Skills Development and Employment and Labour Relations.

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

The Company is continuously working towards introducing innovative and effective ways of employee communication and employee awareness. The importance of communication top-down, bottom-up and laterally in gaining employee commitment to Company goals has been conveyed extensively through various communications

issued by the Chairman, CEO/Managing Director and the management. Towards this end constant dialogue and facilitation are maintained pertaining to work-related issues and to matters of general interest that could affect employees and their families. Further, the Company promotes an open-door policy for its employees and key stakeholders, at all levels.

The Company provides a safe, secure environment for its employees that is conducive to allowing 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 complement effective Corporate Governance.

Annual General Meeting

Information is provided to the shareholders prior to the AGM to give them an opportunity to raise any issues relating to the business of the Company. Shareholders are provided with the Annual Report of the Company in CD form. Shareholders may at any time elect to receive an Annual Report in printed form, which is provided free of charge by submitting the request form circulated along with the notice of AGM.

AUDIT COMMITTEE REPORT

Role of the Committee

The Audit Committee Terms of Reference defines the role and responsibility of the Audit Committee and is reviewed annually to ensure new developments and other issues are properly addressed. The Terms of Reference of the Committee was last reviewed and approved by the Board in November 2020. The purpose of this report is to describe how the Committee has carried out its responsibilities during the year. In overview the role of the Audit Committee is to monitor and review:

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

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

Composition of the Committee and Meetings

The composition of the Committee, which remained unchanged during the financial year, consists of three Independent Non-Executive Directors and a Non-Executive Director who is not independent. The Committee is chaired by Ms. Coralie Pietersz, a fellow of the Institute of Chartered Accountants of Sri Lanka, who is an Independent Non-Executive Director.

Audit Committee Members	Independent/Executive/Non-Executive
Coralie Pietersz (Chairperson)	Independent Non-Executive
Vijaya Malalasekera *	Independent Non-Executive
Thomas A. Junker	Non-Executive
Mohamed Adamaly	Independent Non-Executive

* ceased to be a member w.e.f. 4th April 2020; re-appointed on 22nd August 2020

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

Attendance at Audit Committee Meetings

Director	Attended	Directors Attended by Invitation	Attended
Coralie Pietersz	4/4	Ulla Neunzert	2
Vijaya Malalasekera*	2/4	Roger Miller	4
Thomas A. Junker	4/4	Amila Jayasinghe (CEO)	4
Mohamed Adamaly	4/4	Sugath Amarasinghe (CFO)	4
		Vijaya Malalasekera	2
		J. C. P. Jayasinghe	2

* ceased to be a member w.e.f. 4th April 2020; re-appointed on 22nd August 2020

Financial Reporting System

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

AUDIT COMMITTEE REPORT

- Ascertaining the consistency and appropriateness of the Accounting Policies adopted, changes in accounting policies and material judgemental matters.
- Adequacy of disclosures in line with the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, and Listing Rules of the Colombo Stock Exchange.
- Requirements of other regulatory bodies as applicable and relevant to the Company.

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

The External Auditors were also engaged to review the appropriateness of disclosure in interim Financial Statements.

Internal Audit

The Internal Audit function conforms to the terms and guidelines of the Internal Audit Charter, which sets out the scope, functions, authority, and responsibility of the Internal Audit function. The Internal Audit Charter is reviewed annually and was last reviewed in November 2020.

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

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

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

External Audit

The Audit Committee held meetings with the External Auditors during the year to discuss the scope of the audit, audit approach and procedures to be adopted during the audit.

The External Auditors kept the Committee advised on an ongoing basis regarding matters of significance that were pending resolution. Before the conclusion of the Audit, the Committee met with the External Auditors and management to discuss audit issues highlighted in the management letter and management response thereto. The Committee also met the External Auditors, without the presence of the management, prior to the finalisation of the Financial Statements, to ascertain whether they had any areas of concern. The Committee also held discussions to review and assess the impact of current developments and changes to the Accounting Standards and other relevant legislation.

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

Appointment of External Auditors

The Committee, having considered that there were no significant material transactions between the External Auditors and the Company, the confirmation received from the External Auditors and the periodic rotation of the Audit Partner, noted that Messrs. KPMG, Chartered Accountants, are eligible for re-appointment as the External Auditors of the Company.

Having noted the above, the Committee recommends to the Board that Messrs. KPMG, Chartered Accountants, be re-appointed as the External Auditors of the Company for the year ending 31st December 2021, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

AUDIT COMMITTEE REPORT

Risk Management and Internal Control

The Internal Audit regularly reports to the Committee on the adequacy and effectiveness of internal control procedures and the risk management mechanism of the Company. The Committee ensures that the principal risks are monitored and controlled by the management appropriately, and mitigating actions are taken as and when required. The Company functions in an environment where not all risks can be completely eliminated and in this context the Committee reviews remedial measures taken to manage risks that do materialise.

The COVID-19 outbreak in the late first quarter of the financial year under review caused disruption not only to many local and global business and economic activities but also to the Company, badly pushing revenue below expectations and causing difficulty in sourcing import supplies. The management's assessment of the possible impact of the pandemic on performance and timely implementation of several measures enabled the Company to reduce the possible adverse impact on business.

Formal confirmations and assurance were obtained from the management of the Company on a quarterly basis regarding the efficiency and status of the internal control systems and risk management systems.

Regulatory Compliance

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

Conclusion

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



Coralie Pietersz

Chairperson Audit Committee
12th February 2021

REMUNERATION COMMITTEE REPORT

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises three Non-Executive Directors of whom two are independent. The Committee is chaired by Independent Non-Executive Director Mr. Vijaya Malalasekera.

REMCO Members	Independent/ Executive/Non-Executive
Vijaya Malalasekera (Chairman)*	Independent Non-Executive
Thomas A. Junker	Non-Executive
Mohamed Adamaly	Independent Non-Executive

* ceased to be a member w.e.f. 4th April 2020; re-appointed on 22nd August 2020

The CEO/MD and CFO/FD assist the Committee by providing relevant information and participating in its analysis and deliberations, except when their own compensation packages are reviewed. The Finance Director acts as the Secretary to the Committee.

Committee Meetings

The Committee formally met once during the year under review with the attendance of all its members. The CEO and CFO attended the meeting by invitation.

Attendance at Committee Meetings

Director	Attendance
Vijaya Malalasekera *	1/1
Thomas A. Junker	1/1
Mohamed Adamaly	1/1

* ceased to be a member w.e.f. 4th April 2020; re-appointed on 22nd August 2020

The Chairman of the Committee can convene a special meeting in the event of requirement, provided all members are given sufficient notice of such meeting. The CEO is invited to participate in the Committee meetings as required by the Chairman, considering the topics for deliberation at such meetings.

Remuneration Policy

The Committee believes that the Company's remuneration policy differentiates us from the competitors to retain top performers. Therefore, the remuneration policy of the Company is to attract, motivate, and retain a qualified and experienced workforce to achieve the objectives of the Company and reward performance accordingly. The Committee focuses on, and is responsible for, developing the Company's remuneration policy to ensure that the total package is competitive to attract the best talent for the Company. The Committee, in consultation with the Chief Executive Officer, designs competitive compensation packages, and consciously balances short-term performance with medium- to long-term goals of the Company. The Committee reviewed the Company's remuneration policy, which remained unchanged during the year under review.

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

Framework and Scope

The Committee is responsible for determining, reviewing and evaluating the performance of the Chief Executive Officer, Finance Director and Management Team of the Company and makes recommendations to the Board for payment.

The Chief Executive Officer, who is responsible for the overall management of the Company, attends all meetings by invitation and participates in all deliberations except when his own performance and compensation package are discussed.

The Committee reviews all significant changes in the corporate sector in determining salary structures, terms and conditions. In this decision-making process, necessary information and recommendations are obtained from the Chief Executive Officer.

Succession Planning

The Committee lays down guidelines and parameters for management's development of succession planning.

REMUNERATION COMMITTEE REPORT

Succession planning is an ongoing process for responding to change so that Company operation can go on with the minimum disruption possible. The Committee reviewed the succession-planning process in place to ensure that our best talent is in place for future leadership and critical roles and to mitigate the risk of future talent shortages.

Fees

All Non-Executive Independent Directors receive a fee for attendance at Board Meetings and serving on Sub-Committees. They do not receive any performance or incentive payments. The aggregate remuneration paid to Executive and Independent Non-Executive Directors is given in note 25.2 to the Financial Statements on page 77.

The Committee has the authority to seek external professional advice on matters within its purview.

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



Vijaya Malalasekera

Chairman

12th February 2021

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

The Board of Directors of the Company formed a Related Party Transaction Review Committee (RPTRC) on 11th November 2014 in accordance with the Code of Best Practices on Related Party Transaction issued by the Securities Exchange Commission of Sri Lanka (SEC) and under Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of related party transactions of the Company.

Composition of the Committee

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

RPTRC Members	Independent/ Executive/Non-Executive
Vijaya Malalasekera (Chairman)*	Independent Non-Executive
Coralie Pietersz	Independent Non-Executive
Thomas A. Junker	Non-Executive
Mohamed Adamaly	Independent Non-Executive

* ceased to be a member w.e.f. 4th April 2020; re-appointed on 22nd August 2020

Purpose of the Committee

The objective of the RPTRC of the Company is to exercise oversight on behalf of the Board, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka (“the Code”) and under Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE). The primary objective of the said rules is to ensure that the interests of the shareholders are considered when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To achieve this purpose the Committee has adopted the Related Party Transaction Code, which contains the Company’s policy governing the review, approval and oversight of related party transactions.

Procedure for Reporting Related Party Transactions

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

The Committee has approved the Related Party Transaction Declaration Form required to be filled out by the Directors and key management personnel of the Company. The Company uses this form to capture the related party transactions at the end of every quarter.

The attendance of the Members of RPTRC was as follows:

Director	Attended
Vijaya Malalasekera *	2/4
Coralie Pietersz	4/4
Thomas A. Junker	4/4
Mohamed Adamaly	4/4
By Invitation Vijaya Malalasekera	2

* ceased to be a member w.e.f. 4th April 2020; re-appointed on 22nd August 2020

The Duties of the Related Party Transactions Committee

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

- To review the related party transactions of the Company presented to the Committee in a specified format and decide upon same.

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

- To seek any information the Committee requires from management, employees, or external parties regarding any transactions entered into with a related party.
- To obtain expertise to assess all aspects of related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the Company are transacted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.
- To meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties to ascertain the reasonableness regardless of whether a price/fee is charged.
- To review the economic and commercial substance of both recurrent and non-recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

Activities during the Year 2020

The Committee reviewed all related party transactions for the financial year ended 31st December 2020 on a quarterly basis to ensure the terms of these transactions were not more favourable to the related parties than those generally available to the public. The Committee

in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the management and in compliance with Section 9 of the CSE Listing Rules. The Committee further communicated its activities to the Board quarterly through tabling the minutes of the Committee meetings at the Board meetings.

Key Management Personnel

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

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

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on page 29 of this Annual Report.



Vijaya Malalasekera

Chairman - Related Party Transaction
Review Committee
12th February 2021

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in presenting the 30th Annual Report of your Company together with the Audited Financial Statements for the year ended 31st December 2020. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange and are guided by the recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 12th February 2021.

Principal Activity

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

Review of Operations

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

Impact of the COVID-19 Pandemic

The management assessed the impact of the pandemic on the performance and cash flows of the Company and took several measures to ensure maintenance of the financial health of the Company. These measures ensured sufficient liquidity and enabled the Company to reduce the possible adverse impact on investments required for operations and future-focused developments.

The Board of Directors continues to review and assess the business plans, and is of the view that the COVID-19 outbreak has not significantly impacted business continuity. However, the Board will continue to monitor the current volatile and evolving landscape relating to the COVID-19 pandemic and actions taken by the management to mitigate the potential impact.

Financial Statements of the Company

The Financial Statements of the Company for the year ended 31st December 2020 have been prepared in accordance with Sri Lanka, Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, and the requirements of Section 151 and 168 of the Companies Act No. 7 of 2007, with the inclusion of the signatures of the Chairman, Managing Director and Finance Director. The Financial Statements are given from pages 43 to 86 of the Annual Report.

Auditors Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 38 to 42.

Accounting Policies and Changes during the Year

The Company prepared the Financial Statements in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The significant accounting policies adopted in the preparation of the Financial Statements of the Company are given on pages 49 to 62. The Board of Directors wishes to confirm that there were no significant changes to the accounting policies used by the Company during the year under review compared to those used in the previous financial year.

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

Profit and Appropriations

The Company's net profit before tax was at Rs.58.6 million (2019 – net profit Rs.116.4 million). Financial results of the Company are given in the statement of profit or loss and other comprehensive income on page 43. A brief description of the results and appropriations is given below:

ANNUAL REPORT OF THE BOARD OF DIRECTORS

For the year ended 31st December in Rs. '000s	2020	2019
The Net Profit/(Loss) after providing for all expenses, known liabilities, depreciation on property, plant and equipment and slow-moving stock	57,490	115,573
Finance Cost	(3,644)	(4,807)
Finance Income	4,728	5,653
Profit before tax	58,573	116,418
Provision for taxation including deferred tax	(11,551)	(19,004)
Net profit after tax	47,022	97,414
Other comprehensive income net of tax	202	332
Total Comprehensive Income attributable to shareholders	47,224	97,746
Balance brought forward from the previous year	466,076	368,330
Amount available for appropriation	513,301	466,076
Final Dividend Paid	-	-
Balance to be carried forward to next year	513,301	466,076

Corporate Donations

During the year, donations amounting to Rs.0.7 million were made by the Company, which is given in note 7 to the Financial Statements on page 63 of the Annual Report.

Taxation

A detailed statement of the income tax reconciliation of the accounting profits with the taxable profits is given in note 9 of the Financial Statements.

It is the policy of the Company to provide for deferred taxation on all known material timing differences

between the carrying amounts of assets and liabilities for financial reporting purposes.

The deferred tax balances of the Company are given in note 22 of the Financial Statements.

Stated Capital and Reserves

The stated capital of the Company as at 31st December 2020 was Rs.102.1 million (2019 – Rs.102.1 million) consisting of 94,632,904 Ordinary Shares as given in note 17 of the Financial Statements on page 71.

Total reserves of the Company as at 31st December 2020 amount to Rs.523.5 million (2019 – Rs.476.3 million) and the movement and composition are given in the Statement of Changes in Equity on page 45 of the Financial Statements.

Property, Plant and Equipment

The carrying value of property, plant and equipment as at the reporting date amounted to Rs 306.3 million compared to Rs.312.7 million for 2019. Land recognised as property, plant and equipment of the Company in the Financial Statements is recorded at revalued amounts. The land was reassessed by a professionally qualified independent valuer during the financial year 2020.

The total expenditure incurred during 2020 on acquisition of property, plant and equipment for the Company amounted to Rs.41.7 million (2019 – Rs.34.5 million).

Details of property, plant and equipment and their movements are given in note 11 of the Financial Statements on page 66. Information in respect of extent, location, valuation of land and buildings held by the Company is detailed in note 11 of the Financial Statements on page 67.

Shareholder Information

There were 9375 registered shareholders as at 31st December 2020. The distribution and composition of shareholders and the information relating to earnings, net assets per share, market value per share, and share trading is given in the Investor Information section on pages 88 and 89 of the Annual Report. As additional

ANNUAL REPORT OF THE BOARD OF DIRECTORS

disclosures, market capitalisation, public holding percentage and the number of public shareholders are given in the Investor Information section of the Annual Report.

Major Shareholders

Details of the twenty largest shareholders of the Company and the percentage held by each of them are disclosed in the Investor information on page 88 of the Annual Report.

The Board of Directors

The Board of Directors of the Company as at 31st December 2020 comprised:

Director	Independent / Non-Executive/Executive
Vijaya Malalasekera	Independent Non-Executive
Thomas A. Junker	Non-Executive
J. C. P. Jayasinghe	Non-Executive
Amila Jayasinghe	Executive
Coralie Pietersz	Independent Non-Executive
Sugath Amarasinghe	Executive
Mohamed Adamaly	Independent Non-Executive
Roger Miller	Non-Executive
Ulla Neunzert	Non-Executive

Changes to the Directorate

There were no new appointments or resignations during the year.

Re-appointment of Directors Who Are over 70 years of Age

In accordance with the provisions of the Companies Act No. 7 of 2007, section 210, the Company has received notice from Graphit Kropfmühl GmbH, the principal shareholder, notifying the Company of their intention to move a resolution to re-elect Mr. J. C. P. Jayasinghe, who reached the age of 77 years on 20th February 2021, for a further period of one year, until the 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 notice from Graphit Kropfmühl GmbH, the principal shareholder, notifying the Company of their intention to move a resolution to re-elect Mr. R. P. Miller, who reached the age of 71 years on 28th April 2020, for a further period of one year, until the 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 Graphit Kropfmühl GmbH, the principal shareholder, notifying the Company of their intention to move a resolution to re-elect Mr. V. P. Malalasekera, who attained the age of 75 years on 11th August 2020, for a further period of one year until the 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.

Board Sub-Committees

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

Directors' Interest and Interests Register

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors all have made a general disclosure relating to share dealings and indemnities and remuneration to the Board of Directors as permitted by Section 192 (2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any Director except as stated in note 25 of the Financial Statements on page 77.

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

Mr. Thomas A. Junker is also the Managing Director/CEO Graphite of Graphit Kropfmühl GmbH, which owns 79.58 percent of the shareholding of Bogala Graphite Lanka PLC, and Managing Director of Qingdao Kropfmühl Graphite Ltd and a Board Director and Board member of GK Ancuabe Graphite Mine, S.A.

Mr. Roger P. Miller is also the Founder and Managing Partner of Alterna Capital Partners, the Investment Manager of Alterna GK LLC, which owns 10.33 percent of the shareholding of Bogala Graphite Lanka PLC.

Related party disclosures in terms of section 192 of the Companies Act No. 7 of 2007 are given below and disclosed in note 25 of the Financial Statements on page 77.

Related Party	Director	Relationship	Nature of Transaction	Value Rs.
Graphit Kropfmühl GmbH	Thomas A. Junker	Managing Director/ CEO Graphite	Sale of Goods	98,539,806
			Purchase of Goods	71,709,812
	Ulla Neunzert	Managing Director/ CFO	Technical Service Fees	33,477,143
			Interest Paid	3,235,795
			Rental Paid	5,794,649
		Loan Settlement	36,602,613	
Qingdao Kropfmühl Graphite Co. Ltd.	Thomas A. Junker	Managing Director/ Board Director	Sale of Goods	14,407,886

Related Party Transactions (RPTs)

The Company's recurrent and non-recurrent transactions with related parties, disclosed in note 25 of the Financial Statements in the Annual Report, have complied with the Colombo Stock Exchange Listing Rule 9.3.2 and the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures.

During the financial year RPTs have been reviewed by the Related Party Transaction Review Committee (RPTRC) and are in compliance with Section 9 of the CSE Listing Rules. The RPTRC has communicated its affairs to the Board by tabling the minutes of the Committee meetings quarterly. The Related Party Transaction Review Committee Report is given on pages 27 and 28 of the Annual Report whilst the related party transactions are given in note 25 of the Financial Statements on page 77.

Corporate Governance

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

- the Company complied with all applicable Laws and Regulations in conducting its business,
- the Directors have declared all material interests in contracts 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 of all shareholders,
- the business is a going concern with supporting assumptions or qualifications as necessary; and
- they have conducted a review of internal controls covering financial, operational, compliance and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence herewith.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The table from pages 17 to 18 shows the manner in which the Company has complied with Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance. The Corporate Governance Report is given on pages 10 to 21 of the Annual Report.

Directors' Remuneration

Details of the Directors' remuneration and other benefits for the financial year ended 31st December 2020 are stated below and are also given in note 25 of the Financial Statements on page 77.

Directors' Emoluments

Executive Directors	Rs 35,994,518
Non-Executive Directors	Rs 3,281,564

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 49 to 62 have been prepared in conformity with Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and provide the information required by the Companies Act No. 7 of 2007, and the Listing Requirements of the Colombo Stock Exchange.

The Statement of Directors' Responsibilities is given on pages 36 to 37 of the Annual Report.

Directors' Shareholding

The relevant interest of Directors in the shares of the Company as at 31st December 2020 and 31st December 2019 are as follows:

Director	31 st December 2020	31 st December 2019
Vijaya Malalasekera	Nil	Nil
Thomas A. Junker	Nil	Nil
J. C. P. Jayasinghe	Nil	Nil
Amila Jayasinghe	Nil	Nil
Coralie Pietersz	Nil	Nil
Sugath Amarasinghe	Nil	Nil
Mohamed Adamaly	Nil	Nil
Roger Miller	Nil	Nil
Ulla Neunzert	Nil	Nil

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company and all other known statutory dues as were due and payable by the Company, as at the reporting date have been either duly paid or adequately provided for in the Financial Statements. A confirmation of same is included in the Statement of Directors' Responsibilities on pages 36-37.

Compliance with Laws and Regulations

To the best of the Directors' knowledge and belief, the Company has not engaged in any activity which contravenes the laws and regulations of the country.

Ratios and Market Price Information

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

Employees and Industrial Relations

The number of persons employed by the Company as at 31st December 2020 was 162 (2019 – 174). The Company is committed to pursuing various HR initiatives that

ANNUAL REPORT OF THE BOARD OF DIRECTORS

provide a culture that recognises the competencies and commitment of its employees. Career growth and advancement opportunities facilitate the creation of value for themselves, the Company and other stakeholders.

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

Risk Management and Internal Control

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

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

The Audit Committee receives regular reports on the adequacy and effectiveness of the internal controls of the Company, the compliance with laws and regulations, and the established policies and procedures. The Audit Committee reviews the reports of the outsourced internal audit function regularly to ensure effective implementation of the systems and procedures.

However, any system can only provide reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable period.

Events after the Reporting Period

There have been no events subsequent to the reporting period which would have material effect on the Company, requiring an adjustment to or a disclosure in the Financial Statements other than those disclosed above and in note 30 of the Financial Statements on page 85.

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 10, has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Appointment and Remuneration of Independent Auditors

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

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

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

Based on the declaration made by Messrs. KPMG, Chartered Accountants, and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company. Details of the Auditors' remuneration are set out in note 7 to the Financial Statements on page 63.

Annual Report

The Board of Directors approved the Company Financial Statements on the 12th of February 2021. 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 10th April 2021 at 9.30 a.m. The Notice of the Annual General Meeting is on page 90 of the Annual Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors is closely monitoring the ongoing developments in the country due to the COVID-19 pandemic and the resultant directives issued by the regulatory authorities. Given the unprecedented nature of these events and the fact that the health and well-being of all Meeting attendees is of paramount importance, any changes may affect the time stated above, Shareholders will be notified in time through public media.

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

12th February 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are also responsible under Section 148, to ensure that the Company maintains proper accounting records to enable the determination of financial position with reasonable accuracy, and to enable the preparation of Financial Statements in accordance with the Companies Act No. 7 of 2007, the Sri Lankan Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange, and the audit of such Statements to be carried out readily and properly.

The Financial Statements Comprise:

- the 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;
- the Statement of Profit or Loss and Other Comprehensive Income, which presents a true and fair view of the profits and loss of the Company for the financial year;
- the Statement of Changes in Equity, Statement of Cash Flow and summary of Significant Accounting Policies and other explanatory notes.

The Directors Wish to Confirm that:

- the Financial Statements have been prepared using appropriate accounting policies which have been selected and applied on a consistent basis and material departures, if any, are disclosed and explained, and
- the Financial Statements for the year 2020 were prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and that reasonable and prudent judgements and estimates

have been made so that the form and substance of transactions are properly reflected, and

- the Financial Statements provide the information required in compliance with the Companies Act and the Listing Rules of the Colombo Stock Exchange, and
- the Financial Statements have been prepared using a financial reporting system that is directly reviewed by them at their quarterly meetings and also through the Audit Committee. The Board of Directors approves the interim Financial Statements following a review and recommendation by the Audit Committee, and
- they accept the responsibility for the integrity and objectivity of the Financial Statements presented in the 2020 Annual Report.

The Directors are of the opinion, based on their knowledge of the Company and review of its current and business plans, that adequate resources are available to support the Company to continue its operation and to justify applying the going concern principle in preparing the Financial Statements.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors have established appropriate internal control systems with a view to providing reasonable, though not absolute, assurance that assets are safeguarded to carry on the business in an orderly manner.

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

As required by Sections 166 (1) and 167 (1) of the Companies Act, the Directors have prepared this Annual Report in time and ensured that the soft copy containing the Annual Report thereof has been published in the websites of the Company and the Colombo Stock Exchange. The Directors have delivered a hard copy to

STATEMENT OF DIRECTORS' RESPONSIBILITIES

shareholders who have expressed a desire to receive such within the stipulated period of time as required by the Companies Act and Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange.

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

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the balance sheet date have been duly paid, or where relevant provided for except as specified in note 29 to the Financial Statements covering contingent liabilities.

By Order of the Board



Director

Corporate Services (Private) Limited

Secretaries

12th February 2021

INDEPENDENT AUDITORS' REPORT



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

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Bogala Graphite Lanka PLC ("the Company"), which comprise the statement of financial position as at 31st December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies as set out on pages 43 to 86 of this Annual Report.

In our opinion, the accompanying Financial Statements of the Company give a true and fair view of the financial position of the Company as at 31st December 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements

section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's Financial Statements of the current period. These matters were addressed in the context of our audit of the Company's Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition - Refer to note 3.3 (page 51) - accounting policy and note 5 (Financial Statement disclosures) of the Financial Statements.

The revenue of the Company for the year ended 31st December 2020 was Rs.670 million.

Risk Description	Our Audit Responses
The timing of revenue recognition depends on the terms of individual sales transactions and revenue is generally recognised for graphite and	Our audit procedures included: <ul style="list-style-type: none"> Understanding and assessing the design, implementation and operating effectiveness of the key controls in respect of the Company's revenue recognition process

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
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LL.B. Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA

INDEPENDENT AUDITORS' REPORT

Risk Description	Our Audit Responses
<p>lubricant sales based on the shipping terms. Accordingly, there is a risk that revenue is recognised for sales of individual products before the control of the goods sold has been transferred to the customers and recognised during an incorrect reporting period.</p>	<ul style="list-style-type: none"> • Inspecting invoices raised to customers on a sample basis, to ensure revenue is measured and recognised in accordance with the contractual terms of the contracts and the Company's accounting policies. • Assessing the appropriateness of the recognition of revenue on a gross or net basis. • On a sample basis, testing revenue cut-off around the year-end date. • Testing of manual journal entries and reasonability of credit notes approved. • Assessing the adequacy of Financial Statement disclosures.

Carrying Value of Inventories - Refer to note 3.7 (page 58) - accounting policy and note 14 (Financial Statement disclosures) of the Financial Statements. The Company carried inventories of Rs.105 million as at 31st December 2020 at the lower of cost or net realisable value.

Risk Description	Our Audit Responses
<p>Assessing net realisable value is an area which involves significant judgement, particularly with regard to the estimation of provisions for slow-moving and obsolete inventory. Therefore, there is a risk that slow-moving inventories have not been adequately provided for.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Testing the design, implementation and operating effectiveness of the key controls management has established to manage inventories including purchases, sales and holding of inventories. • Assessing the valuation of reporting date, inventory levels, including assessing the reasonability of judgement/estimate made regarding obsolescence. • Evaluating the adequacy and consistency of provisioning for inventories at the reporting date and comparing with the Company's inventory provision policy. • On a sample basis, comparing the carrying amounts of the Company's inventories with net realisation value of those inventories subsequent to the end of reporting period. • Testing the existence of inventories through physical verification as at year end for a sample selected based on professional judgement. • Assessing, on a sample basis, whether items in the inventory-ageing report were classified within the appropriate ageing brackets by comparing individual items in the report with underlying documentation, including purchase invoices and goods received notes.

INDEPENDENT AUDITORS' REPORT

Accounting for capitalisation of exploration, evaluation and development cost - Refer to note 3.4 and 3.5 (pages 51-54) - accounting policy, note 11 and 12 (Financial Statement disclosures) of the Financial Statements.

As at reporting date, exploration, evaluation and development cost, capitalised under Property, Plant and Equipment and Intangible Assets, amounted to Rs.42.2 million and Rs.70.9 million.

Risk Description	Our Audit Responses
<p>Capitalisation of costs incurred on exploration and evaluation of potential mineral resources under Intangible Assets, transfer of such costs to Construction- in-Progress under Property, Plant and Equipment when commercially recoverable reserves are determined and finally transfer to Mining Assets under Property, Plant and Equipment on completion of development and commencement of production involves judgement and estimates.</p> <p>This area is a key audit matter due to the significant judgement involved in capitalisation of costs incurred on exploration and evaluation of potential mineral resources and transfer of such costs to Construction- in-Progress under Property, Plant and Equipment.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Understanding the cost allocation methodology applied by the Company (Mining cost capitalised and those expensed) and assessing whether the classification of such costs are in compliance with the requirements of Sri Lanka Accounting Standards. • Testing a sample of cost capitalised by tracing to underline support in order to ensure the completeness, existence and accuracy, with specific focus on major projects during the year. • Confirming whether the right to explore in the area of interest remained current as at reporting date with the renewal option to cover the proposed period of the projects. • Reviewing approved future budgeted expenditure and related work programmes, • Obtaining a status report from the internal geologist specialist to understand the status of the ongoing exploration projects and assess whether the projects are based on reasonable assessment of the existence of economically recoverable reserves. • Assessing the competency, qualifications, objectivity and independence of the internal geologist. • Assessing whether any facts or circumstances indicate the need for impairment testing. • Assessing the appropriateness of the related Financial Statement disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Financial Statement and our auditors' report thereon.

Our opinion on the Financial Statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required

INDEPENDENT AUDITORS' REPORT

to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 7 of 2007, 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is 2618.



Colombo, Sri Lanka
12th February 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31st December

	Note	2020 Rs.	2019 Rs.
Revenue	5	669,542,852	815,576,397
Cost of sales		(456,724,908)	(492,604,527)
Gross profit		212,817,944	322,971,870
Other income	6	7,302,755	4,065,783
Net exchange gain		7,509,523	270,283
Administrative expenses		(79,993,642)	(103,885,718)
Selling and distribution expenses		(90,146,868)	(107,849,596)
Profit from operations	7	57,489,712	115,572,622
Finance income		4,727,520	5,652,643
Finance expense		(3,644,415)	(4,806,887)
Net finance income/(expense)	8	1,083,105	845,756
Profit before tax		58,572,817	116,418,378
Income tax expense	9	(11,550,853)	(19,004,403)
Profit for the year		47,021,964	97,413,975
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit liability	21	235,369	386,404
- Related tax	22	(32,952)	(54,097)
Other comprehensive income, net of tax		202,417	332,307
Total comprehensive income		47,224,381	97,746,283
Basic earnings per share (Rs.)	10	0.50	1.03

The notes to the Financial Statements from pages 47 to 86 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

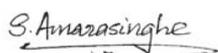
STATEMENT OF FINANCIAL POSITION

As at 31st December

	Note	2020 Rs.	2019 Rs.
Assets			
Property, plant and equipment	11	306,310,681	312,772,277
Intangible assets	12	70,982,682	32,814,638
Other financial assets	13	8,650,275	22,622,068
Non-current assets		385,943,638	368,208,983
Inventories	14	105,022,336	156,267,378
Trade and other receivables	15	153,094,426	130,828,588
Advance and prepayments		6,266,943	7,204,599
Other financial assets	13	7,999,264	14,439,648
Cash and cash equivalents	16	158,368,733	145,326,789
Current assets		430,751,702	454,067,002
Total assets		816,695,340	822,275,985
Equity			
Stated capital	17	102,074,201	102,074,201
Reserves	18	10,230,816	10,230,816
Retained earnings		513,300,967	466,076,586
Total equity		625,605,984	578,381,603
Liabilities			
Loans and borrowings	19	12,542,810	45,542,921
Provision for restoration	20	1,143,874	-
Employee benefits	21	70,383,596	62,182,709
Deferred tax liabilities	22	10,598,809	14,581,124
Non-current liabilities		94,669,089	122,306,754
Trade and other payables	23	45,486,364	64,047,904
Current taxation	24	13,343,501	14,553,697
Loans and borrowings	19	37,590,402	42,986,027
Current liabilities		96,420,267	121,587,628
Total liabilities		191,089,356	243,894,382
Total equity and liabilities		816,695,340	822,275,985

The notes to the Financial Statements from pages 47 to 86 form an integral part of these Financial Statements.

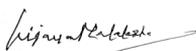
These Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Finance Director

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

12th February 2021
Colombo


Director

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Year ended 31st December

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1 st January 2019	102,074,201	10,230,816	368,330,303	480,635,320
Profit for the year	-	-	97,413,975	97,413,975
Other comprehensive income, net of income tax - Actuarial gain on defined benefit plan	-	-	332,307	332,307
Total comprehensive income for the year	-	-	97,746,283	97,746,283
Transactions with owners of the Company - Contributions and Distributions	-	-	-	-
Total transactions with owners of the Company	-	-	-	-
Balance as at 31st December 2019	102,074,201	10,230,816	466,076,586	578,381,603
Balance as at 1 st January 2020	102,074,201	10,230,816	466,076,586	578,381,603
Profit for the year	-	-	47,021,964	47,021,964
Other comprehensive income, net of income tax - Actuarial gain on defined benefit plan	-	-	202,417	202,417
Total comprehensive income for the year	-	-	47,224,381	47,224,381
Transactions with owners of the Company - Contributions and Distributions	-	-	-	-
Total transactions with owners of the Company	-	-	-	-
Balance as at 31st December 2020	102,074,201	10,230,816	513,300,967	625,605,984

The notes to the Financial Statements from pages 47 to 86 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

Year ended 31st December

	Note	2020 Rs.	2019 Rs.
Cash flows from operating activities			
Profit before taxation		58,572,817	116,418,378
Adjustments for:			
Property, plant and equipment depreciation	11	43,354,252	41,910,071
Intangible asset amortisation	12	132,510	132,510
Effect on exchange loss on borrowings	19	6,370,706	(4,002,123)
Gain on sale of property, plant and equipment	6	(5,002,102)	(1,089,386)
Interest expense	8	3,644,415	4,806,887
Interest income	8	(4,727,520)	(5,652,643)
Provision for slow-moving inventories	14	15,065,783	2,143,102
Property, plant and equipment written off	11	223,012	-
Provision for employee benefits	21	11,204,574	10,305,586
Changes in working capital			
Inventories		36,179,258	(42,878,799)
Trade and other receivables		(23,321,679)	48,828,713
Advances and prepayments		937,656	2,228,537
Other financial assets		20,412,177	2,653,546
Trade and other payables		(18,561,540)	(387,614)
Cash generated from operating activities		144,484,319	175,416,766
Current taxes paid	24	(15,720,475)	(4,502,814)
Interest paid	8	(2,467,388)	(4,262,637)
Gratuity paid	21	(2,768,318)	(4,342,766)
Net cash generated from operating activities		123,528,138	162,308,548
Cash flows from investing activities			
Interest received	8	4,727,520	5,652,643
Proceeds from sale of property, plant and equipment		5,630,597	1,089,386
Acquisition of property, plant and equipment	11	(41,772,724)	(24,387,284)
Acquisition of intangible assets	12	(32,359,711)	(17,750,882)
Net cash used in investing activities		(63,774,318)	(35,396,136)
Cash flows from financing activities			
Repayment of borrowings	19	(36,602,613)	(35,087,694)
Repayment of lease liabilities	19	(10,109,263)	(8,960,946)
Net cash used in financing activities		(46,711,876)	(44,048,640)
Net increase in cash and cash equivalents		13,041,944	82,863,772
Cash and cash equivalents at 1 st January	16	145,326,789	62,463,017
Cash and cash equivalents at 31st December		158,368,733	145,326,789

The notes to the Financial Statements from pages 47 to 86 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Corporate information

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

The Company is primarily engaged in the mining, processing and preparation, production of Lubricants, and sale of Graphite and Lubricants

1.2 Parent enterprise and Ultimate parent enterprise

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

The number of persons employed by the Company as at 31st December 2020 was 162 (2019 – 174).

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 per the provisions of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility for the Financial Statements as set out in the 'Annual Report of the Board of Directors,

Statement of Directors' Responsibilities' 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 to page 43;

a Statement of Financial Position providing information on the financial position of the Company as at the year-end. Refer to page 44;

a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company. Refer to page 45;

a Statement of Cash Flows providing information to the users, on the ability of the Company to generate cash and cash equivalents and the utilisation of those cash flows. Refer to page 46.

Notes to the Financial Statements comprising Accounting Policies and other explanatory information. Refer to pages 47 to 86.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31st December 2020 were authorised for issue by the Company's Board of Directors on 12th February 2021.

2.4 Basis of measurement

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

Items	Basis of Measurement	Note No.
Freehold Land	Fair Value	3.4
Provision for Restoration Cost	Present Value of estimated cost	3.12
Net Defined Benefit Obligation	Actuarially valued and recognised at the present value	3.13

NOTES TO THE FINANCIAL STATEMENTS

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 realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Profit or Loss, unless required or permitted by an Accounting Standard and as specifically disclosed in the accounting policies of the Company.

2.7 Materiality and aggregation

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

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.

Except when a standard permit requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the Financial Statements is amended, comparative amounts are reclassified unless it is impracticable and immaterial.

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 judgements and estimates

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

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

a. Judgements

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st December 2020 is included in the following notes.

Note 3.2.2 recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used

Note 3.3 revenue recognition: point of time the control transfers.

NOTES TO THE FINANCIAL STATEMENTS

Note 3.4	revaluation of freehold land and useful lives of PPE
Note 3.9	recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
Note 3.12	estimation of provision for restoration cost
Note 3.13	measurement of defined benefit obligations: key actuarial assumptions
Note 32	Impact of COVID-19 in Financial Statements

2.11 Measurement of fair values

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

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

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

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

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

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

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

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

Fair value of the land has been determined under Level 3 valuation as mentioned in note 11.1 of the Financial Statements.

The Company's Management Committee determines the policies and procedures for recurring fair value measurement of freehold land. External valuers are involved for valuation of freehold land. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include 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 per the Company's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

A number of new standards are effective from 1st January 2020, but they do not have a material effect on the Financial Statements.

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

NOTES TO THE FINANCIAL STATEMENTS

otherwise indicated. These accounting policies have been applied consistently by the Company.

3.1 Foreign Currency

3.1.1 Foreign currency translations

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

3.1.2 Foreign currency transactions and balances

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

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

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

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

3.2 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

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted, at the reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto, at the rates specified in note 9 on page 64. 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 realised.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

3.2.3 Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of sales tax included;
- When the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.3 Revenue

3.3.1 Revenue recognition

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

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Under SLFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

3.4 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 the 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 includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs that are directly attributable to the asset under construction.

NOTES TO THE FINANCIAL STATEMENTS

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 capitalised 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 any property, plant and equipment are required to be replaced at regular intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciates it accordingly.

Ongoing repair and maintenance costs are expensed as incurred.

Derecognition

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

Depreciation

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

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

The estimated useful lives of the assets are as follows:

Class of asset	Years of useful life
Buildings on freehold land	25
Road development	10
Access tunnels/Mining assets	5 - 20
Plant and machinery	5 - 20
Other equipment	10
Office equipment	5
Furniture and fittings	5
Computer equipment	3
Motor vehicles	5
Right-of-use asset - Machinery	4
Restoration Cost	43

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

NOTES TO THE FINANCIAL STATEMENTS

Impairment of property, plant and equipment

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

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.

Mining assets

a) Recognition of mining assets

Costs associated with developing mine reserves are recognised in property, plant and equipment when they are established as commercially viable. These costs can include amounts that were previously recognised as Exploration and Evaluation expenditure under Intangible Assets during the exploration and evaluation phase of mine development.

b) Exploration, evaluation and development expenditures

When commercially recoverable reserves are determined, and such development receives the appropriate approvals, capitalised exploration and evaluation expenditures are transferred to construction-in-progress under Property, Plant and Equipment. Upon completion of development and commencement of production, capitalised development costs as well as exploration and evaluation expenditures are transferred to Mining

Assets under Property, Plant and Equipment and depreciated using the straight-line method over 5-20 years.

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

3.5 Intangible assets

Recognition and measurement

(a) Exploration and evaluation expenditure

Assets which are included in intangible assets include exploration and evaluation expenditures incurred on finding potential graphite reserves. These costs are recorded as Intangible Assets while exploration is in progress. When commercially recoverable reserves are determined, and such development receives the appropriate approvals, capitalised exploration and evaluation expenditures are transferred to construction-in-progress under Property, Plant and Equipment. Exploration and evaluation expenditure are measured at cost as and when it is incurred until the development commences.

(b) Software and license

Other intangible assets such as software and licenses that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful life and is recognised in profit or loss.

The estimated useful life for licenses is three years.

3.6 Financial instruments

(a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to

NOTES TO THE FINANCIAL STATEMENTS

the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash

flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and

NOTES TO THE FINANCIAL STATEMENTS

	impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in

profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

Impairment policy

Non-derivative financial assets - Financial instruments and contract assets

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss (ECLs).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present

value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment Policy: Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have

NOTES TO THE FINANCIAL STATEMENTS

indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of other assets, recognised in prior periods, is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Inventories

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

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

Raw materials – Purchased cost on a weighted average cost basis

Finished goods and work-in-progress – Direct cost incurred on excavation, cost of raw materials, processing, finishing and manufacturing overheads (excluding borrowing cost)

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

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 unit's (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.

NOTES TO THE FINANCIAL STATEMENTS

3.9 Provisions

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

3.10 Commitments and contingencies

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

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

3.11 Leases

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset

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reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those as property, plant and equipment (refer to note 3.4). In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected

to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

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

Short-term leases and leases of low-value assets

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

3.12 Provision for restoration cost

The amount presented in the statement of financial position is estimated using the expected cost that would be incurred after 43 years from the date of the statement of financial position. The estimated cost expected to be incurred is derived from the current cost to restore the mining land inflated using the rates publicly available. The inflated cost is discounted using a suitable discount rate to arrive at the present value. The key assumptions used in estimating the amount presented is mentioned in note 20 of this Financial Statement.

The mining land is expected to be restored after 43 years as the resources (i.e. graphite) can be extracted over the particular period. The cost is capitalised to the Mining asset because the cost incurred on developing the land for production purpose and cost related to the initial exploration activities on the land have been capitalised as mentioned in note 3.4.

NOTES TO THE FINANCIAL STATEMENTS

3.13 Employee benefits

Defined contribution plans

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

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

3.14 Stated Capital

Per the Companies Act No. 7 of 2007, section 58 (1), stated capital in relation to a company means the total of all amounts received by the company or due and payable to the company in respect of the issue of shares and in respect of call-in arrears. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

3.15 Events after Reporting Period

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

3.16 Earnings Per Share

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

3.17 Related Party Transactions

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

The relevant details are disclosed in the respective notes to the Financial Statements.

3.18 Statement of Cash Flows

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

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1st January 2020 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

The following amended standards are not expected to have a significant impact on the Company's Financial Statements.

- Interest rate benchmark reforms – Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)
- Annual Improvements to SLFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- References to the Conceptual Framework (Amendments to SLFRS 3)
- Classification of Liabilities as Current and Non-Current (Amendments to LKAS 1)
- SLFRS 17 Insurance Contracts and amendments to SLFRS 17 Insurance Contracts
- Onerous Contracts – Cost of fulfilling a contract (Amendments to LKAS 37)
- COVID-19 – Related Rent Concessions (Amendments to SLFRS 16)

SLFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. SLFRS 17 introduces a new measurement model for insurance contracts and becomes effective in 2023.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

	2020 Rs.	2019 Rs.
5. REVENUE		
Export sales	664,780,807	809,307,867
Local sales	4,762,045	6,268,530
	669,542,852	815,576,397
6. OTHER INCOME		
Income from sales of obsolete items	913,707	1,045,528
Gain on disposal of property, plant and equipment	5,002,102	1,089,386
Miscellaneous income (note 6.1)	1,386,946	1,930,869
	7,302,755	4,065,783

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

7. PROFIT FROM OPERATIONS

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

Directors' remuneration	39,276,082	41,215,259
Auditors' remuneration		
Audit and audit-related fees	745,000	745,000
Non-audit fees	-	-
Professional charges	874,778	633,120
Depreciation of property, plant and equipment	43,354,252	41,910,071
Amortisation of intangible assets	132,510	132,510
Impairment provision on inventories	15,065,783	2,143,102
Royalty charges (note 7.1)	34,210,458	44,707,398
Technical service fees (note 7.2)	33,477,143	40,725,270
Donations	650,844	1,407,445
Legal charges	975,819	758,904
Death compensation cost (note 7.3)	453,072	480,022
Early retirement compensation cost (note 7.4)	-	2,280,698
Staff costs (note 7.5)	191,978,811	259,661,735

7.1 Royalty charges are paid to GSMB (Geological Survey and Mines Bureau) on Graphite sales at 7% and 6% for Export and Local sales respectively.

7.2 Technical service fee is paid to Graphite Kropfmühl GmbH at 5% on total sales of the Company.

7.3 Death compensation cost relates to the provision made for compensation to be paid to the aggrieved family of the mine worker who died during working

hours in the mine on 28th January 2017. Consequently, the Company decided to pay the salary of the deceased employee until his retirement age to the aggrieved family on a monthly basis. Accordingly, a provision of Rs.9.9 million was recognised in the Financial Statements for a period of 152 months from year 2017. The current year provision includes the increment for the employee.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

7. PROFIT FROM OPERATIONS (Cont.)

7.4 Early retirement compensation cost includes the amounts paid to the outgoing employees as compensation amounts decided by the Company. The

basis of compensation was equal for all employees. The employees who left the Company were nil for 2020 (2019 - 1).

7.5 Staff costs

Salaries and wages
Defined contribution plan cost - EPF and ETF
Defined benefit plan cost - retiring gratuity (note 21.2.1)
Performance bonuses (note 7.5.1)
Overtime
Other staff expenses

2020 Rs.	2019 Rs.
121,826,039	138,874,940
20,157,064	24,069,539
11,204,574	10,305,586
4,041,157	15,091,837
3,222,325	7,112,295
31,527,652	64,207,538
191,978,811	259,661,735

Staff costs reported above include benefits paid to the Executive Directors during the year as disclosed in note 25.

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

8. NET FINANCE INCOME/(EXPENSE)

Interest income on staff loans
Interest income on savings deposits

Finance income

Interest on interest-bearing borrowings
Finance charge on lease liabilities

Finance expense

Net finance income/(expense) recognised in profit or loss

2,482,703	3,638,690
2,244,817	2,013,953
4,727,520	5,652,643
(2,467,388)	(4,262,637)
(1,177,027)	(544,250)
(3,644,415)	(4,806,887)
1,083,105	845,756

9. INCOME TAX EXPENSE

The charge for income tax expense is made up as follows:

Current tax expense (note 9.1)
Adjustment for prior years
Deferred taxation

15,534,529	20,655,801
31,591	(17,821)
(4,015,267)	(1,633,577)
11,550,853	19,004,403

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

9. INCOME TAX EXPENSE (Cont.)

9.1 Reconciliation of accounting profit to income tax expense

Accounting profit before tax from continuing operations
 Aggregated disallowable expenses
 Aggregated allowable expenses
 Aggregated other income

Taxable profit

Statutory tax rate

- Tax rate 14% (on export income)
- Tax rate 18% (on manufacturing income)
- Tax rate 24% (on balance taxable income)

Current tax expense

	2020 Rs.	2019 Rs.
	58,572,817	116,418,378
	86,241,615	65,917,064
	(41,764,814)	(40,446,652)
	4,173,179	5,652,643
Taxable profit	107,222,797	147,541,433
Statutory tax rate		
- Tax rate 14% (on export income)	14,120,293	20,655,801
- Tax rate 18% (on manufacturing income)	339,060	-
- Tax rate 24% (on balance taxable income)	1,075,176	-
Current tax expense	15,534,529	20,655,801

The bill approving the budget proposal to change the income tax rate from 14% (on total taxable income) to 14%, 18% & 24% (on export income, manufacturing income, other sources of income respectively) was passed in Parliament and is pending further legal proceedings to be completed to make the proposed

income tax rate a substantively enacted rate. However, the proposed rate was used instead of the presently legislated rate, and the impact of Rs. 523,337.00 is considered immaterial to the Financial Statements.

9.2 Recognition of deferred tax origination/(reversal) in the total comprehensive income

Profit or loss
 Other comprehensive income

(4,015,267)	(1,633,577)
(32,952)	(54,097)
(4,048,219)	(1,687,674)

10. BASIC EARNINGS PER SHARE

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

Profit attributable to ordinary shareholders
 Weighted average number of ordinary shares

Basic earnings per share (Rs.)

47,021,964	97,413,975
94,632,904	94,632,904
0.50	1.03

10.1 Diluted earnings per share

There were no potentially diluted ordinary shares as at 31st December 2020 and there have been no transactions involving ordinary shares or potential

ordinary shares at the reporting date which would require restatement of EPS.

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

In Rs.	Freehold land	Buildings on freehold land	Road develop-ment	Access tunnels/ Mining assets	Plant and machinery	Other equipment	Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	Right-of-Use Asset Machinery	Capital WIP		Total 2020	Total 2019
												Mining costs	Others		
Cost	17,600,000	56,207,345	12,807,789	152,638,824	324,036,064	62,238,389	10,628,894	2,711,534	6,279,666	53,471,953	20,689,744	33,668,316	726,110	753,704,629	793,707,829
Balance as at 1 st January 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of right-of-use asset on initial application of SLFRS 16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance as at 1st January 2020	17,600,000	56,207,345	12,807,789	152,638,824	324,036,064	62,238,389	10,628,894	2,711,534	6,279,666	53,471,953	20,689,744	33,668,316	726,110	753,704,629	814,397,573
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	5,336,037	5,235,479	-	-	-	-	-	-	23,240,375	79,60,833	41,772,724	34,467,284
Disposals	-	-	-	(9,506,943)	(2,085,152)	(71,598)	(17,598)	(254,671)	(7,600)	(5,612,740)	-	-	-	(17,638,704)	(2,881,971)
Transfers from CWIP - Others	-	-	-	14,743,059	860,000	-	-	-	-	-	-	(14,743,059)	(3,187,939)	-	-
Restoration cost capitalised (note 20)	-	-	-	1,143,874	-	-	-	-	-	-	-	-	-	1,143,874	-
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-	(23,012)	(23,012)	(92,278,257)
Balance as at 31st December 2020	17,600,000	56,207,345	12,807,789	168,525,757	322,193,097	66,248,716	10,457,296	2,456,863	6,272,066	47,859,213	20,689,744	42,165,632	5,275,992	778,759,511	753,704,629
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 st January 2020	-	29,492,607	7,663,642	95,696,363	220,400,556	42,561,268	7,619,976	2,711,294	5,696,031	24,046,429	5,044,236	-	-	440,932,352	489,138,273
Depreciation charged to profit or loss	-	1,531,272	969,020	10,437,797	16,703,875	3,601,683	1,026,505	-	255,887	8,828,213	-	-	-	43,354,252	41,910,071
Depreciation capitalised to exploration and evaluation assets (note 11.8)	-	-	-	-	-	-	-	-	-	-	5,172,436	-	-	5,172,436	5,044,236
Disposals	-	-	-	(8,903,449)	(2,060,152)	(71,598)	(17,598)	(254,671)	(7,600)	(5,612,740)	-	-	-	(17,010,210)	(2,881,972)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(92,278,257)
Balance as at 31st December 2020	-	31,023,879	8,632,662	106,194,160	228,200,982	44,102,799	8,474,833	2,456,623	5,944,318	27,261,902	10,216,672	-	-	477,448,830	440,932,352
Carrying amount															
Balance as at 31 st December 2020	17,600,000	25,183,466	4,175,127	62,391,597	93,992,115	22,145,917	1,982,463	240	327,748	20,597,311	10,473,072	42,165,632	5,275,992	306,310,681	
Balance as at 31 st December 2019	17,600,000	26,714,738	5,144,147	56,942,461	103,635,508	19,671,121	3,008,968	240	583,635	29,425,524	15,645,508	33,668,316	726,110	312,772,277	

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

11. PROPERTY, PLANT AND EQUIPMENT (CONT.)

11.1 Revaluation of freehold land

Freehold land was last revalued as at 31st December 2018 by Mr. N. M. Jayatilake (F.I.V), who is a professionally qualified independent valuer. The valuation method adopted was open market value on an existing use basis without considering mineral

deposits and underground works. There is no major change in value especially with regard to COVID-19 as confirmed by the independent valuer on 31st December 2020.

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

Location	Extent	Cost Rs.	Freehold land revalued Rs.	Price per perch Rs.	Pledged	Number of buildings
Welathuduwa village, Kotiyakumbura	13.2268 hectares	5,703,702	9,600,000	100,000-800,000	No	48
Welathuduwa village, Kotiyakumbura	9.7159 hectares		4,900,000		No	
Kendawa village, Bulathkohupitiya	7.2361 hectares		3,100,000	150,000-600,000	No	4
		5,703,702	17,600,000			

Description of the valuation technique used together with narrative description on sensitivity of the

fair value measurement to changes in significant unobservable inputs are as follows:

Valuation technique	Significant unobservable inputs	Sensitivity of fair value measurement to inputs
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for any differences in the nature, location or condition of the specific property.	Price per perch for land according to respective lots (as disclosed above)	Estimated fair value would increase/(decrease) if the price per perch would be higher/(lower).

The fair value measurement for the freehold land of the Company has been categorised at Level 3. Fair value measurements based on the inputs to the valuation technique used were unobservable.

Significant increases/(decreases) in estimated price per square meter and price per perch in isolation would result in a significantly higher/(lower) fair value on a linear basis.

11.2 Capital WIP - Mining cost

As set out in note 3.4(b), the Company has capitalised Rs.33.6 million relating to a major drilling programme. The results of the drilling programme data then were used to calculate the estimated resources by the internal geologist. The 3-4 year development programme has already commenced. Accordingly, the cost of exploration and evaluation of Rs. 33.6 million after assesment has been classified under

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

Construction-in-Progress – Mining asset in PPE. In addition costs amounting to Rs.23.2 million were incurred on development activities during the year, which include activities related to the preparation of the mine before commencement of extraction of graphite.

11.3 Transfers from Capital WIP - Others

These are the transfers made to respective asset categories from other capital projects in relation to the operations inside and outside the mine. The major projects capitalised during the year were the water consumption monitoring project, lighting for production areas, and the scale installation project.

11.4 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.195,063,219 as at 31st December 2020. (2019 - Rs. 126,994,335).

11.5 Permanent fall in value of property, plant and equipment

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

11.6 Title restriction on property, plant and equipment

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

11.7 Assets pledged as collaterals

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

11.8 Right-of-use asset

The right-of-use asset relating to the machinery has been recognised on 1st January 2019. As explained in note 3.11, the depreciation charge of right-of-use assets has been capitalised in exploration and evaluation expenditure under Intangible Assets.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

	Software and licenses Rs.	Exploration and Evaluation Expenditure Rs.	Total 2020 Rs.	Total 2019 Rs.
12. INTANGIBLE ASSETS				
Cost				
Balance as at 1 st January	8,238,328	32,604,832	40,843,160	17,047,894
Additions (note 12.1)	-	32,359,711	32,359,711	17,750,882
Interest expense capitalised (note 19.2.2)	-	768,407	768,407	1,000,148
Depreciation charge capitalised (note 11.8)	-	5,172,436	5,172,436	5,044,236
Balance as at 31st December	8,238,328	70,905,386	79,143,714	40,843,160
Amortisation				
Balance as at 1 st January	8,028,522	-	8,028,522	7,896,012
Charge for the year	132,510	-	132,510	132,510
Balance as at 31st December	8,161,032	-	8,161,032	8,028,522
Carrying value as at 31st December	77,296	70,905,386	70,982,682	32,814,638

12.1 Exploration and evaluation expenditure recorded under intangible assets above refers to the expenditure associated with exploration of potential graphite resources in Rangala mine in year 2018, and Pankohena mine during the year, which are owned

by the Company. The exploration project continues further as the technical and commercial viabilities were demonstrable as at the reporting date (refer to note 3.5).

13. OTHER FINANCIAL ASSETS

Loans to Company employees

The movement of loans is as follows:

Balance as at 1st January

Loans granted

Loan repayments

Balance as at 31st December

Non-current

Current

	2020 Rs.	2019 Rs.
	16,649,539	37,061,716
Balance as at 1 st January	37,061,716	39,715,262
Loans granted	8,375,900	27,706,068
Loan repayments	(28,788,077)	(30,359,615)
Balance as at 31st December	16,649,539	37,061,716
Non-current	8,650,275	22,622,068
Current	7,999,264	14,439,648
	16,649,539	37,061,716

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

14. INVENTORIES

Raw materials - Lubricants	
Raw materials - Graphite	
Work-in-Progress - Graphite	
Finished goods - Graphite	
Consumables and spares	
Impairment for slow-moving stocks (note 14.1)	

Goods in transit

14.1 Impairment for slow-moving stocks

Balance as at 1 st January	
Provision for the year (note 14.1.1)	
Write-off against provisions	
Consumed amount	

Balance as at 31st December

14.1.1 The inventory provision for the year is included in Cost of Sales and was written off as they became obsolete.

15. TRADE AND OTHER RECEIVABLES

Trade receivables	
Trade receivables due from related companies (note 25)	
Total trade receivables (note 15.1)	
VAT receivables	
Other receivables	

15.1 Age analysis of total trade receivables

Neither past due nor impaired

Past due but not impaired

0-30 days	
31-60 days	
61-90 days	
Over 90 days	

	2020 Rs.	2019 Rs.
	17,382,017	15,383,048
	20,640,315	50,864,157
	16,261,083	13,799,152
	6,727,408	6,371,400
	40,539,286	63,911,808
	101,550,109	150,329,565
	-	(3,222,022)
	101,550,109	147,107,543
	3,472,227	9,159,835
	105,022,336	156,267,378
	3,222,022	7,429,848
	15,065,783	2,143,102
	(18,276,152)	(6,350,928)
	(11,653)	
	-	3,222,022

	95,095,776	58,432,606
	15,936,719	13,061,074
	111,032,495	71,493,680
	41,255,045	58,930,815
	806,886	404,093
	153,094,426	130,828,588

	106,916,970	71,493,680
	4,115,525	-
	-	-
	-	-
	-	-
	111,032,495	71,493,680

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

	2020 Rs.	2019 Rs.
16. CASH AND CASH EQUIVALENTS		
Cash in hand	181,276	216,155
Cash at bank	158,187,457	145,110,634
Cash and cash equivalents per statement of cash flows	158,368,733	145,326,789

	2020		2019	
	Number	Rs.	Number	Rs.
17. STATED CAPITAL				
Fully paid ordinary shares	94,632,904	102,074,201	94,632,904	102,074,201
	94,632,904	102,074,201	94,632,904	102,074,201

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

There were no dividends declared during the year (2019- Nil).

	2020 Rs.	2019 Rs.
18. RESERVES		
Revaluation reserve	10,230,816	10,230,816
18.1 The movement is as follows:		
Balance as at 1 st January	10,230,816	10,230,816
Revaluation during the year	-	-
Balance as at 31 st December	10,230,816	10,230,816

The revaluation reserve relates to the revaluation of freehold land which was revalued by the Company

based on its policy. It will be ultimately realised when the land is sold or reclassified as investment property.

19. LOANS AND BORROWINGS

Loans from Graphit Kropfmühl GmbH (note 19.1)
Lease Liability (note 19.2)

	30,034,180	62,125,909
	20,099,031	26,403,038
	50,133,211	88,528,947
Non-current		
Loan from Graphit Kropfmühl GmbH	-	26,625,390
Lease Liability	12,542,810	18,917,531
	12,542,810	45,542,921
Current		
Loan from Graphit Kropfmühl GmbH	30,034,180	35,500,520
Lease Liability	7,556,222	7,485,508
	37,590,402	42,986,027

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

19. LOANS AND BORROWINGS (Cont.)

19.1 The movement of the loan is as follows:

Balance as at the beginning of the year
Loans obtained during the year
Repayments during the year
Effect on exchange (gain)/loss

Balance as at the end of the year

	2020 Rs.	2019 Rs.
Balance as at the beginning of the year	62,125,909	100,307,243
Loans obtained during the year	-	-
Repayments during the year	(36,602,613)	(35,087,694)
Effect on exchange (gain)/loss	4,510,884	(3,093,640)
Balance as at the end of the year	30,034,180	62,125,909

Terms and conditions of the loan

Graphit Kropfmühl GmbH Loan

The repayment terms of borrowing and the security offered for the loan are set out below:

Rate of interest	EUR 5.53%
Terms of repayment - equal capital installments	EUR 43,616.25 (Quarterly)
Grace period	2 years up to October, 2011
Loan repayment period	10 years ending 2021
Security offered	NIL

19.2 Lease liabilities

Balance as at 1st January
Recognition of lease liability on initial application of SLFRS 16
Adjusted balance as at the beginning of the year
Lease obtained during the year
Interest expense recognised in finance expense
Interest expense capitalised (note 19.2.2)
Exchange (gain)/loss (note 19.2.1)
Repayment during the year
Balance as at 31st December

Balance as at 1 st January	26,403,038	3,958,324
Recognition of lease liability on initial application of SLFRS 16	-	20,689,744
Adjusted balance as at the beginning of the year	26,403,038	24,648,068
Lease obtained during the year	-	10,080,000
Interest expense recognised in finance expense	1,177,027	544,250
Interest expense capitalised (note 19.2.2)	768,407	1,000,148
Exchange (gain)/loss (note 19.2.1)	1,859,822	(908,483)
Repayment during the year	(10,109,263)	(8,960,946)
Balance as at 31st December	20,099,031	26,403,038

19.2.1 Exchange gain relates to revaluation of lease liability payable in euros as at reporting date at the closing exchange rate.

19.2.2 As explained in note 3.11, the interest charge on lease liability relating to drilling machinery has been capitalised in exploration and evaluation expenditure under Intangible Assets.

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

19.2.4 Undiscounted lease cash flow

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

19.2.4 Undiscounted lease cash flow (Cont.)

	2020 Rs.	2019 Rs.
Less than one year	8,987,127	9,780,476
One to two years	8,462,643	8,159,178
Two to three years	2,693,316	7,703,727
Three to four years	2,120,185	2,693,316
Four to five years	-	2,120,185
Total	22,263,271	30,456,881

20. PROVISION FOR RESTORATION

Balance at the beginning of the year	-	-
Provision made during the year	1,143,874	-
Interest expense charged during the year	-	-
Balance at the end of the year	1,143,874	-

The provision reflects the present value of the future estimated cost of restoration of the land once the Company extracts graphite through its activities over 43 years. The Company does not plan to close the mine after 43 years, but the number of years is estimated based on the period over which the estimated resources are expected to be extracted. The cost will be estimated annually to reflect the

best estimate, and at each reporting date, a year will be roll-forwarded and included in the estimate to continue the plan for the next 43 years. The plan will be roll-forwarded until the earliest date of the resources being completely extracted from the particular property or the Company actually incurring cost on restoration and completing its restoration activities.

The following assumptions and data were used in estimating the provision for restoration as at 31st December 2020.

	2020
Discount Rate	10%
Inflation Rate (based on available public information)	5%

20.1 Sensitivity analysis

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

	2020	
	Increase by 1%	Decrease by 1%
Discount rate	(368,742)	550,168
Inflation Rate	592,065	(393,137)

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

21. EMPLOYEE BENEFITS

21.1 Defined contribution plans

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

Employees' Provident Fund
Employers' contribution
Employees' contribution
Employees' Trust Fund

21.2 Defined benefit plan

Balance at the beginning of the year
Provision recognised during the year (note 21.2.1)
Actuarial gain during the year (note 21.2.2)

Payments made during the year
Payable during the year
Balance at the end of the year

21.2.1 Recognised in profit or loss

Current service cost
Interest on obligation

21.2.2 Recognised in other comprehensive income

Actuarial gain for the year

An actuarial valuation for gratuity liability was carried out as at 31st December 2020 by Mr. M. Poopalanathan, AIA, of Messrs. Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries.

Discount rate
Salary increment rate

21.2.3 Defined benefit plan

Assumptions regarding future mortality are based on the A1967-70 mortality table, issued by the Institute and Faculty of Actuaries, London.

The normal retirement age of an individual is assumed to be 55 years and employees over 55

	2020 Rs.	2019 Rs.
	18,653,740	19,624,081
	15,544,783	16,353,401
	4,663,433	4,906,020
	62,182,709	57,217,883
	11,204,574	10,305,586
	(235,369)	(386,404)
	73,151,914	67,137,065
	(2,768,318)	(4,342,766)
	-	(611,591)
	70,383,596	62,182,709
	4,364,476	4,011,618
	6,840,098	6,293,968
	11,204,574	10,305,586
	(235,369)	(386,404)

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

8%	11%
6%	8%

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 five years of continuous service.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

21.2.4 Sensitivity analysis

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

	2020		2019	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Discount rate	(4,177,449)	4,633,140	(3,750,031)	4,151,462
Salary increment rate	5,072,695	(4,638,712)	4,541,766	(4,155,432)

22. DEFERRED TAXATION

Net deferred tax liabilities

Deferred tax liabilities (note 22.1)

Deferred tax assets (note 22.2)

	2020 Rs.	2019 Rs.
	21,747,793	24,940,471
	(11,148,984)	(10,359,347)
	10,598,809	14,581,124
	24,940,471	26,471,185
	(3,192,678)	(1,530,714)
	-	-
	21,747,793	24,940,471
	10,359,347	10,310,581
	822,589	102,863
	(32,952)	(54,097)
	11,148,984	10,359,347

The movement on the deferred tax account is as follows:

22.1 Deferred tax liabilities

Balance as at 1st January

Reversed during the year through profit or loss

Originated during the year through other comprehensive income

Balance as at 31st December

22.2 Deferred tax assets

Balance as at 1st January

(Reversed)/originated during the year through profit or loss

Reversed during the year through other comprehensive income

Balance as at 31st December

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

22. DEFERRED TAXATION (Cont.)

Deferred tax assets and liabilities are attributable to the following:

	2020		2019	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Deferred tax liabilities				
Property, plant and equipment	144,901,308	20,286,183	165,700,161	23,198,023
Revaluation of freehold land (note 22.3)	11,896,298	1,665,482	11,896,298	1,665,482
Intangible assets	77,296	10,821	77,285	10,820
Right-of-Use assets	10,473,072	1,466,230	15,645,509	2,190,369
Lease Liability	(12,006,589)	(1,680,922)	(15,173,009)	(2,124,223)
	155,341,385	21,747,793	177,673,744	24,940,471
Deferred tax assets				
Employee benefits	(70,383,596)	(9,853,703)	(62,182,709)	(8,705,579)
Provision for death compensation	(8,108,137)	(1,135,139)	(8,590,609)	(1,202,685)
Provision for restoration	(1,143,874)	(160,142)	-	-
Impairment provision for inventories	-	-	(3,222,022)	(451,083)
	(79,635,607)	(11,148,984)	(73,995,340)	(10,359,347)
Net deferred tax liabilities	75,705,778	10,598,809	103,678,404	14,581,124

22.3 Per the new Inland Revenue Act which came into effect from 1st April 2018, Business Assets will attract Capital Gains Tax at the corporate tax rate of 14%, at the time of disposal. Accordingly, the Land

under revaluation model, which is considered as a business asset by the entity, computed a deferred tax liability on revaluation reserve as at reporting date.

23. TRADE AND OTHER PAYABLES

Trade payables - Others
Trade payables - Related companies (note 25.2)
Other Payables - Related companies (note 25.2)
Sundry creditors
Accrued expenses

	2020 Rs.	2019 Rs.
	7,586,819	9,563,652
	4,319,276	9,132,458
	4,256,834	3,324,911
	5,929,381	5,110,459
	23,394,054	36,916,425
	45,486,364	64,047,904
	14,553,697	2,779,345
	15,534,529	20,655,801
	31,591	(17,821)
	(15,720,475)	(4,502,814)
	(1,053,409)	(4,216,379)
	(2,432)	(144,435)
Current tax liability	13,343,501	14,553,697

24. CURRENT TAXATION

Balance as at 1st January
Provision for the year
Adjustments for prior years
Tax payments
ESC setoff
WHT setoff

Current tax liability

NOTES TO THE FINANCIAL STATEMENTS

year ended 31st December

25. RELATED PARTY DISCLOSURES

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

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 has been classified as KMP.

Being the parent and ultimate undertaking, Graphit Kropfmühl GmbH and AMG Advanced Metallurgical Group N.V. (Netherlands) respectively as noted in note 1.2, the Board of Directors has the authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors of the parent company has also been classified as KMP.

25.1 Transactions with KMP of the Company are as follows:

Name of KMP	Relationship	Nature of transaction	Amount (Rs.)	Balance as at 31 st December 2020 (Rs.)
Mr. A. P. Jayasinghe	Managing Director/ CEO	Staff loan granted	-	-
		Staff loan repaid	-	-
Mr. Sugath Amarasinghe	Finance Director/ CFO	Staff loan granted	-	-
		Staff loan repaid	(387,500)	-

The above loans were granted to the Executive Directors in their capacity as employees.

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

	2020 Rs.	2019 Rs.
Short-term employee benefits		
Executive Directors - Emoluments	35,994,518	38,062,782
Non-Executive Directors - Fees and other benefits	3,281,564	3,152,477
	39,276,082	41,215,259
Post-employment benefits		
Executive Directors	5,904,812	5,606,828
Total compensation applicable to KMP	45,180,894	46,822,087

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

25. RELATED PARTY DISCLOSURES (CONT.)

25.3 Transactions with related companies

Nature of transaction	Name of the company and its relationship										Total	
	Parent		Affiliate				Affiliate					
	Graphit Kropfmühl GmbH		Graphite Tyn. Spol. s.r.o		Qingdao Kropfmühl Graphite (Co.)		G.K Ancuabe Graphite Mine S.A.				2020	2019
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Recurrent related party transactions												
Balance receivable/(payable) as at 01st January	(83,762,719)	(95,907,157)	-	4,825,005	7,067,506	7,056,092	-	-	(76,695,213)	(84,026,060)		
Lease Liability as at 01 st January (SLFRS 16)	-	(20,689,744)	-	-	-	-	-	-	-	(20,689,744)		
Sale of goods/services	98,539,806	138,523,122	-	15,163,041	14,407,886	14,487,588	-	-	112,947,692	168,173,752		
Purchase of goods/services	(71,709,812)	(79,146,321)	-	-	-	-	-	-	(71,709,812)	(79,146,321)		
Expenses reimbursable from related companies	-	-	-	-	-	-	-	1,282,524	-	1,282,524		
Finance cost (interest expenses)	(3,235,795)	(5,262,785)	-	-	-	-	-	-	(3,235,795)	(5,262,785)		
Technical service fee payments	(33,477,143)	(40,725,270)	-	-	-	-	-	-	(33,477,143)	(40,725,270)		
Repayment of loans and borrowings	36,602,613	35,087,694	-	-	-	-	-	-	36,602,613	35,087,694		
Payment of rental on hired machinery	5,794,649	5,608,400	-	-	-	-	-	-	5,794,649	5,608,400		
Net settlements	22,938,946	(25,252,780)	-	(19,988,046)	(21,475,392)	(14,476,175)	-	(1,282,524)	1,463,554	(60,999,525)		
Net exchange loss	(6,370,705)	4,002,123	-	-	-	-	-	-	(6,370,705)	4,002,123		
Balance receivable/(payable) as at 31st December on recurrent transactions	(34,680,160)	(83,762,719)	-	-	-	7,067,506	-	-	(34,680,160)	(76,695,213)		
Above balance included in	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade receivables	15,936,719	5,993,568	-	-	-	7,067,506	-	-	15,936,719	13,061,074		
Trade payables	(4,319,276)	(9,132,458)	-	-	-	-	-	-	(4,319,276)	(9,132,458)		
Other payables	(4,256,834)	(3,324,911)	-	-	-	-	-	-	(4,256,835)	(3,324,911)		
Loans and borrowings	(30,034,180)	(62,125,909)	-	-	-	-	-	-	(30,034,180)	(62,125,909)		
Lease liability (SLFRS-16)	(12,006,589)	(15,173,009)	-	-	-	-	-	-	(12,006,589)	(15,173,009)		
	(34,680,160)	(83,762,719)	-	-	-	7,067,506	-	-	(34,680,160)	(76,695,213)		

25.3.1 Total aggregated value of the sales made to Graphit Kropfmühl and Qingdao Kropfmühl are 14.7% and 2.2% respectively from the total revenue of the Company. There have not been any non-recurrent related party transactions during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

26. 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 st December 2020		31 st December 2019	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Assets carried at amortised cost				
Other financial assets	16,649,539	16,649,539	37,061,716	37,061,716
Trade receivables	111,032,495	111,032,495	71,493,680	71,493,680
	127,682,034	127,682,034	108,555,396	108,555,396
Cash and cash equivalents	158,368,733	158,368,733	145,326,789	145,326,789
	286,050,767	286,050,767	253,882,185	253,882,185
Liabilities carried at amortised cost				
Loans and borrowings	50,133,211	50,133,211	88,528,948	88,528,948
Trade payables	11,906,094	11,906,094	18,696,110	18,696,110
	62,039,306	62,039,306	107,225,058	107,225,058

The carrying amounts 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.

27. FINANCIAL RISK MANAGEMENT

27.1 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 these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

27. FINANCIAL RISK MANAGEMENT (Cont.)

27.2 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 analyse 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 controlled environment in which all employees understand their roles and obligations.

27.3 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 represent the maximum open amount without requiring approval from the Management Committee; these limits are reviewed quarterly. Customers who fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

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

27.3.1 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:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

27. FINANCIAL RISK MANAGEMENT (Cont.)

27.3 Credit risk (Cont.)

27.3.1 Exposure to credit risk (Cont.)

	2020 Rs.	2019 Rs.
Trade receivables	111,032,495	71,493,680
Cash and cash equivalents	158,368,733	145,326,789

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

EUR	229.53	203.48
GBP	254.49	238.35
USD	186.65	181.50

Impairment losses

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

Neither past due nor impaired	106,916,970	71,493,680
Past due but not impaired	4,115,525	-
Due and impaired	-	-

27.4 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 optimising 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.

27.4.1 Exposure to liquidity risk

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

As at 31st December 2020

	Carrying amount Rs.	Less than 3 months Rs.	3 - 12 months Rs.	> 1 year Rs.
Non-derivative financial liabilities				
Loans and borrowings	50,133,211	12,402,471	26,458,015	13,276,142
Trade payables	11,906,094	11,906,094	-	-
	62,039,306	24,308,566	26,458,015	13,276,142

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

27. FINANCIAL RISK MANAGEMENT (Cont.)

27.4 Liquidity risk (Cont.)

27.4.1 Exposure to liquidity risk (Cont.)

As at 31st December 2019

	Carrying amount Rs.	Less than 3 months Rs.	3 - 12 months Rs.	> 1 year Rs.
Non-derivative financial liabilities				
Loans and borrowings	88,528,948	12,415,100	35,351,174	48,009,769
Trade payables	18,696,110	18,696,110	-	-
	107,225,058	31,111,210	35,351,174	48,009,769

27.4.2 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.

27.5 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 optimising the return.

27.5.1 Currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

27. FINANCIAL RISK MANAGEMENT (Cont.)

27.5 Market risk (Cont.)

27.5.1 Currency risk (Cont.)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
EUR	212.21	200.22	229.53	203.48
USD	185.49	178.88	186.65	181.50
GBP	238.56	228.11	254.49	238.35

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

	31 st December 2020		31 st December 2019	
	EUR	USD	EUR	USD
Cash and cash equivalents	350,268	260,728	285,432	158,665
Trade receivables	358,812	153,619	175,298	197,377
Loans and borrowings - GK	130,849	-	305,314	-
Trade payables	18,819	-	46,288	891
Net statement of financial position exposure	858,747	414,347	812,332	356,933

The following significant exchange rates have been applied.

	Average rate		Year-end spot rate	
	2020	2019	2020	2019
EUR	212.21	200.22	229.53	203.48
USD	185.49	178.88	186.65	181.50

Sensitivity analysis

A reasonably possible strengthening/(weakening) of the euro and US dollar against all other currencies at 31st December would have affected the measurement of financial instruments denominated in a foreign

currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

31 st December 2020	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
EUR (1% movement)	8,587	(8,587)	8,587	(8,587)
USD (1% movement)	4,143	(4,143)	4,143	(4,143)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

27. FINANCIAL RISK MANAGEMENT (Cont.)

27.5 Market risk (Cont.)

27.5.1 Currency risk (Cont.)

31 st December 2019	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
EUR (1% Movement)	8,123	(8,123)	8,123	(8,123)
USD (1% Movement)	3,569	(3,569)	3,569	(3,569)

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 a 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
2020	+50	(150,171)
	-50	150,171
2019	+50	(310,630)
	-50	310,630

27.6 Capital Management

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

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

	2020 Rs.	2019 Rs.
Interest-bearing loans and borrowings	50,133,211	88,528,947
Trade and other payables	45,486,364	64,047,904
Less: cash and cash equivalents	(158,368,733)	(145,326,789)
Net debt	(62,749,158)	7,250,062
Equity	625,605,984	578,381,603
Capital and net debt	562,856,826	585,631,665
Gearing ratio	15%	26%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December 2020 and 31st December 2019.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

28. CAPITAL COMMITMENTS

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

29. CONTINGENT LIABILITIES

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

29.1 Case No 10180M

A supplier/constructor had filed a case against the Company on 21st February 2019 in relation to a road construction project undertaken by him and claimed that the Company had not paid the due amount per the agreement. The Company counterfiled the case, stating that the work had not been completed per the contract. Based on the confirmation received from the Company lawyer, the outcome of the case cannot be assessed as at reporting date. As such no provision was required to be made in the Financial Statements as at reporting date.

30. EVENTS AFTER THE REPORTING DATE

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

31. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

32. IMPACT OF COVID-19

The outbreak of COVID-19 in the late first quarter of the financial year caused disruption to many local and global business and economic activities. The Company too was affected badly, in particular during the third quarter of the year where actual revenue was below expected as customers exercised a cautious approach towards unknown business patterns and deferred orders. However, the

Company fulfilled all demands on it during the second quarter and the last quarter of the year, resulting in a come-back in performance.

The management assessed the impact of the pandemic on the performance and cash flows of the Company and took several measures to reduce costs and preserve cash, including the suspension of capital expenditure and the implementation of cost optimisation activities. These measures ensured sufficient liquidity. This enabled the Company to reduce the possible adverse impact on investments required for operations and future-focused developments. The Company experienced disturbance in sourcing import supplies due to non-availability of shipping space, coupled with berthing issues in Sri Lanka ports. Timely identification of the Company's needs and initiating the sourcing process helped to minimise the overall impact to operations. The Company followed up on the collection of customer dues throughout the year and year-end satisfactorily. Further, the Company does not have any COVID-19-related contingencies that require disclosure.

The COVID-19 pandemic has not impacted assets of the Company and hence no impairment provisioning is required due to same. The Company continues to monitor the impact of the COVID-19 pandemic on business operations in order to take appropriate and corrective action if and when the necessity arises. Hence, regular monitoring of the situation and adjustments to operations are made, scaling down manpower. Monitoring includes the employees updating their status and surroundings regularly with HR in order to enable immediate corrective action as required to maintain a safe and secure workplace. The basic salary of all staff continued to be paid in full during the lockdown period, while all related allowances are paid to the employees who are daily attendees at work. This exceeds the requirements of the tripartite agreement entered into on 14th May 2020 between Sri Lankan Social Partners, the Ministry of Skills Development and Employment and Labour Relations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

32. IMPACT OF COVID-19 (Cont.)

Whilst implementing measures recommended by the authorities, the Company has taken various additional precautionary measures to protect its employees and their families, and the ecosystem with which they interact. Employees went through a voluntary COVID-19 PCR with the assistance of Kegalle Hospital on 17th October 2020. Hospital authorities have confirmed that all the test results relating to the sample employees were negative.

The Board of Directors continues to review and assess the business plans, and is of the view that the COVID-19 outbreak has not significantly impacted business continuity, while the day-to-day impact is monitored and action taken by the management. Their actions minimised the overall impact on our current performance and the Board will continue to monitor the economic conditions and their impact on business operations, and take necessary mitigatory actions to minimise the potential impact.

Based on currently available information, the management is satisfied that, having taken into consideration factors that could impact revenue,

supply chain, cash flows, accessibility to funds and costs, the Company can continue as a going concern. The management will continue to monitor new developments and events in the present market and take appropriate and timely actions as and when required.

The Board of Directors is satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future. The Board of Directors is satisfied that the Company has adequate liquidity and business plans to continue to operate the business and mitigate the risks for the next 12 months from the date of approval of these Financial Statements.

In preparing the Annual Financial Statements, the Company has considered the “Guidance Notes on Accounting Considerations of the COVID-19 Outbreak (updated on 11th May 2020)” issued by the Institute of Chartered Accountants of Sri Lanka.

33. NET ASSETS PER SHARE

Net Assets attributable to shareholders - Rs.
Number of Shares
Net Assets per Share - Rs.

	2020 Rs.	2019 Rs.
Net Assets attributable to shareholders - Rs.	625,605,984	578,381,603
Number of Shares	94,632,904	94,632,904
Net Assets per Share - Rs.	6.61	6.11

TEN-YEAR FINANCIAL SUMMARY

TEN-YEAR FINANCIAL SUMMARY (In Rupees '000)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Trading Results										
Turnover	669,543	815,576	877,761	732,888	702,454	582,861	607,425	535,758	556,226	399,324
Gross Profit	212,818	322,972	389,472	255,039	270,374	186,600	239,628	177,488	184,222	115,004
Other Income	12,030	9,718	14,079	7,773	14,127	3,287	9,440	7,718	13,813	6,925
Profit/(Loss) before Interest	62,217	121,225	182,372	(12,971)	88,249	16,538	92,223	47,757	40,741	38,069
Interest Cost	(3,644)	(4,807)	(6,836)	(8,015)	8,931	10,232	13,796	17,928	18,548	16,406
Profit/(Loss) after Interest before Tax	58,573	116,418	175,536	(20,986)	79,318	6,306	78,426	29,829	22,193	21,663
Taxation	(11,551)	(19,004)	(23,314)	1,332	5,512	6,150	3,968	5,072	1,652	(1,552)
Net Profit/(Loss)	47,022	97,414	152,222	(19,653)	73,806	156	74,459	24,757	23,845	20,111
Other Comprehensive Income/(Loss), Net of Tax	202	332	4,641	(5,877)	610	1,554	2,075	126	1,738	-
Total Comprehensive Income for the Year	47,224	97,746	156,863	(25,531)	73,196	(1,398)	72,384	24,656	22,108	-
Balance Sheet										
Stated Capital	102,074	102,074	102,074	102,074	102,074	80,074	80,074	80,074	80,074	80,074
Reserves	523,532	476,307	378,561	221,698	247,229	198,233	189,328	116,944	92,313	82,009
Shareholders' Funds	625,606	578,382	480,635	323,772	349,303	278,307	269,402	197,018	172,362	162,083
Property, Plant & Equipment	306,311	312,772	304,570	265,539	259,841	253,503	270,451	297,136	282,859	275,276
Current & Non-Current Assets	439,402	476,689	411,161	343,188	319,844	271,116	263,130	238,042	241,997	227,833
Current Liabilities	96,420	121,588	105,473	138,871	69,395	66,717	61,645	86,875	81,542	80,198
Non-Current Liabilities	94,669	122,307	138,775	146,083	160,987	179,595	203,389	253,684	270,952	260,827
Net Assets	625,606	578,382	480,635	323,772	349,303	278,307	269,402	197,018	172,362	162,083
Key Indicators										
Gross Profit to Turnover	31.8%	39.6%	44%	35%	38%	32%	39%	33%	33%	29%
Net Income to Turnover	7.02%	11.94%	17.34%	-2.68%	10.51%	0.03%	12.26%	4.62%	4.29%	5.04%
Earnings per Share	0.50	1.03	1.61	-0.21	0.78	0.00	1.57	0.52	0.50	0.43
Price Earnings Ratio	55	16	8	(64)	18	9,839	19,89	35.17	47.03	91.76
Market Value per Share as at 31 st December	27.4	16.00	13.30	13.30	14.40	32.40	31.30	18.40	23.70	39.00
Return on Equity	7.52%	16.84%	31.67%	-6.07%	21.13%	0.06%	27.64%	12.57%	13.83%	12.41%
Net Assets per Share	6.61	6.11	5.08	3.42	3.69	5.88	5.69	4.16	3.64	3.43
Number of Shares in Issue	94,632,904	94,632,904	94,632,904	94,632,904	94,632,904	47,316,452	47,316,452	47,316,452	47,316,452	47,316,452

Notes:

- 1) In year 2004 a loan of euro 1,000,000 obtained from GK was converted to 11,768,000 shares
- 2) In year 2009 a further 7,587,452 shares were issued by capitalising euro loan due to GK.
- 3) In year 2010 BCL reduced its stated capital to Rs.80,074,201 by setting off the accumulated losses as at 31/12/2009 of Rs.467,067,988 against the stated capital of Rs.547,142,189 without affecting the number of shares in issue.
- 4) In year 2016, the Company capitalised a sum of Rs.22.0 million of retained earnings and issued 47,316,452 shares in the proportion of 1:1 shares to the shareholders.

INVESTOR INFORMATION

As at 31st December 2020

Top 20 shareholders of the Company

	Name of Shareholders	No. of Shares	%
1	GRAPHIT KROPFMÜHL GMBH	75,310,068	79.58
2	ALTERNA GK LLC	9,775,580	10.33
3	BANSEI SECURITIES CAPITAL (PVT) LTD/ DAWI INVESTMENT TRUST (PVT) LTD	542,500	0.57
4	SECRETARY TO THE TREASURY	509,000	0.54
5	MRS. N. TIRIMANNE	374,200	0.40
6	MR. W. A. DE SILVA (DECEASED)	181,800	0.19
7	MR. A. J. M. JINADASA	165,000	0.17
8	MR. D. M. KODIKAR	121,386	0.13
9	MR. S. R. S. DE SARAM	104,156	0.11
10	MR. K. RAJADURAI	103,085	0.11
11	MR. K. S. M. RODRIGO	89,622	0.09
12	MR. R. R. S. ANANDA	85,000	0.09
13	BIMPUTH FINANCE PLC	79,092	0.08
14	MERCHANT BANK OF SRI LANKA & FINANCE PLC/ P. B. C. VIDURANGA	75,830	0.08
15	MRS. N. MULJIE	69,902	0.07
16	MERCHANT BANK OF SRI LANKA & FINANCE PLC/ C. N. PAKIANATHAN	62,371	0.07
17	MR. B. G. P. GUNATHILAKA	50,000	0.05
18	DR. K. SRIRANJAN	40,000	0.04
19	MRS. C. A. D. S. WOODWARD	35,600	0.04
20	MR. L. A. J. F. MORAIS	32,845	0.03

Shares not taken into account to compute public holding

GRAPHIT KROPFMÜHL GMBH	75,310,068	79.58
ALTERNA GK LLC	9,775,580	10.33
TOTAL	85,085,648	89.91

Percentage of public holding as at 31st December 2020

10.09%

Total number of shareholders	9,375
Total number of shareholders holding the public shares	9,373
Number of shares held by public	9,547,256
Float-adjusted market capitalisation of LKR	261,627,804.37

In terms of rule 7.13.1(b) of the Listing Rules of the Colombo Stock Exchange, the Company qualifies under Option Two of the minimum public holding requirement.

Number of shares representing stated capital	94,632,904
Total number of shareholders	9,375
Net Assets Value per Share as at 31 st December 2020 (2019 - Rs.6.11) Rs.	6.61

INVESTOR INFORMATION

As at 31st December 2020

Shareholders' Distribution Schedule

Shareholding	Number of Shareholders	Total Number of Shares	%
1-1000	8,352	2,820,057	2.98
1001-5000	812	1,884,691	1.99
5001-10000	119	913,473	0.97
10001-50000	76	1,366,091	1.44
50001-100000	6	461,817	0.49
100001-500000	6	1,049,627	1.11
500001-1000000	2	1,051,500	1.11
OVER 1000000	2	85,085,648	89.91
TOTAL	9,375	94,632,904	100.00

Share-trading details for the year 2020

Highest Market Price (31-12-2020)	Rs.	28.50
Lowest Market Price (20-03-2020)	Rs.	10.00
Market Price as at 31 st December 2020	Rs.	27.4
Traded Share Volume		3,489,682
Number of Trades		3,739
Trading Turnover		71,478,786.00

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirtieth Annual General Meeting of the Company will be held at 9.30 a.m. on Saturday the 10th April 2021 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 2020 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 77 years.

"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J. C. P. Jayasinghe, who has reached the age of 77 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 75 years.

"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. V.P. Malalasekera, who has reached the age of 75 years prior to this Annual General Meeting, and that he be reappointed as a Director of the Company".

4. To propose the following resolution as an ordinary resolution for the reappointment of Mr. Roger P. Miller, who has reached the age of 72 years.

"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. Roger P. Miller, who has reached the age of 72 years prior to this Annual General Meeting, and that he be reappointed as a Director of the Company".

5. To reappoint KPMG, Chartered Accountants, 32 A, Sir Mohamed Macan Markar Mawatha, Colombo 03 as the Auditors of the Company until the next Annual General Meeting, at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31st December 2021.
6. To authorise the Directors to determine contributions to charities for the ensuing year.

By Order of the Board

CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries
BOGALA GRAPHITE LANKA PLC

Colombo on this 15th day of March 2021

Note:

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

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



FORM OF PROXY

I/We of
 being
 a member/s of BOGALA GRAPHITE LANKA PLC hereby appoint
 of
 or failing him 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. A. Junker or failing him Ms. M. C. Pietersz or failing her Mr. A. S. R. Amarasinghe or failing him Mr. M.
 Adamaly or failing him Ms. Ulla Neunzert as my/our proxy to speak/vote for me/us and on my/our behalf at the
 30th Annual General Meeting of the Company to be held on the 10th day of April 2021 at 9.30 a.m. and at any
 adjournment thereof and at every poll which may be taken in connection with such meeting.

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

.....

Signature

Note:

Delete what is inapplicable.

*Please bring your National Identity Card.

INSTRUCTIONS AS TO COMPLETION

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

CORPORATE INFORMATION

- 1. Name of the Company** Bogala Graphite Lanka PLC
- 2. Legal Form** A Public Quoted Company with limited liability incorporated under the provisions of the Companies Act No. 7 of 2007
- 3. Date of Incorporation** 11th March 1991
- 4. Company Registration Number** PQ 218
- 5. Nature of Business** Mining, processing and preparation, production of Lubricants, and sale of Graphite and Lubricants

- 6. Board of Directors**

Mr. Vijaya Malalasekera	Chairman
Mr. Thomas A. Junker	Vice Chairman
Mr. J. C. P. Jayasinghe	
Mr. Roger Miller	
Mr. Amila Jayasinghe	CEO/Managing Director
Ms. Coralie Pietersz	
Mr. Sugath Amarasinghe	CFO/Finance Director
Mr. Mohamed Adamaly	
Ms. Ulla Neunzert	

- 7. Business Address** Bogala Mines, 710/41 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
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- 9. External Auditors**

KPMG Chartered Accountants 32A, Sir Mohammed Macan Markar Mw., Colombo 03.	Internal Auditors B. R. De Silva & Company Chartered Accountants 22/4, Vijaya Kumaranathunga Mawatha, Colombo 05.
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- 10. Bankers** People's Bank
Union Bank

- 11. Management Committee**

Assistant General Manager (Underground)	Chaminda Ekanayake
Assistant General Manager (Processing)	Anura Liyanage
Assistant General Manager (Engineering Services/ Safety, Health & Environment)	Saliya Gunasekara
Assistant General Manager (Finance)	Ms. Devika Kumari
Manager Human Resources & Administration	Kithsiri Muhandiram
Manager IT	Ruwan Jayakody
Deputy Processing Manager	Nalin Samantha
Mine Service Manager/Geologist	Kithsiri Palandagama
Manager Public Relations & Stores	Hemantha Jayasinghe

