

ANNUAL REPORT

2023



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BOGALA GRAPHITE LANKA PLC
Annual Report 2023

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Year Ended 31st December

Earnings Highlights and Ratios		2023	2022
Revenue	Rs.'000	1,623,085	1,699,944
Gross profit	Rs.'000	695,503	904,971
Profit from operations	Rs.'000	224,703	789,299
Profit before tax	Rs.'000	241,945	806,675
Profit after tax	Rs.'000	155,316	664,335
EBITDA	Rs.'000	266,274	827,172
Cash from operating activities	Rs.'000	254,662	609,681
Gross profit to turnover	%	42.9	53.2
Net income to turnover	%	9.6	39.1
Interest Cover	Number of Times	393.1	998.3
Return on equity (ROE)	%	9.2	43.8

Balance Sheet Highlights & Ratios

Total assets	Rs.'000	1,976,334	1,853,582
Total debt	Rs.'000	292,270	336,074
Total shareholders' funds	Rs.'000	1,684,063	1,517,508
No. of shares in issue	Number	94,632,904	94,632,904
Net assets	Rs.'000	1,684,063	1,517,508
Net assets per share	Rs.	17.8	16.0
Debt/equity (book value)	%	17.4	22.1

Operational Highlights

Lost time accident rate	%	zero	zero
Accident severity rate	%	zero	zero
Earning per share	Rs.	1.64	7.02

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis, provides insight to our operations and performance during the past year and outlining our prospects for the upcoming year.

Financial Performance

In 2023, our total revenue amounted to Rs. 1,623.1 million, reflecting a decrease of 4.5% compared to Rs. 1,699.9 million in 2022. We recorded a profit before taxation of Rs. 241.95 million, representing a significant decline of 70% from Rs. 806.7 million in 2022. Furthermore, our Return on Equity (ROE) decreased from 43.8% to 9.2%. Profit from operations also experienced a substantial decrease, with Rs. 224.70 million recorded, down 71.5% from Rs. 789.30 million last year. Further, cash generated from operating activities declined to Rs. 254.7 million, as opposed to Rs. 609.7 million in the previous year, recording a decline of 58.2%.

Despite the challenges, our total assets increased by 6.6%, rising from Rs. 1,853.6 million in 2022 to Rs. 1,976.3 million in 2023. Notably, total debts declined from Rs. 336.1 million to Rs. 292.3 million, while total shareholder's funds grew by 11% from Rs. 1,517.5 million to Rs. 1,684.1 million.

The decreases during 2023 were mainly due to circumstances beyond our control such as global market uncertainties and general unfavourable conditions faced by the industry as a whole.

Operational Efficiency

We are pleased to report that our lost time accident rate and accident severity rate remained at zero, consistent with the previous year. Furthermore, in December 2023, we celebrated 2000 consecutive days without a 'lost time accident,' marking a significant milestone in the Sri Lankan mining industry. Throughout the year, a total of 2,629 hours were dedicated to health and safety training for our employees.

Awards & Recognition

In recognition of outstanding service, the main shaft of the mine was renamed "Malalasekera Shaft" in honor of Mr. Vijaya Malalasekera, our former Chairman. Additionally, 14 employees who completed 25 years of dedicated service were awarded.

Risk Management

As we navigate volatility in the global economies and challenging market conditions coupled with uncertainties in the domestic environment, we acknowledge the potential impact on our operations in the year ahead. However, our strategic plans are designed to mitigate risks and address challenges effectively. Risk management remains integral to our processes, with thorough reviews conducted to identify and analyse potential risks to the business. Furthermore, we have aligned our systems and policies to comply with evolving regulatory requirements and have implemented effective mechanisms to ensure compliance.

CHAIRPERSON'S REVIEW

It is my great pleasure to welcome you all on behalf of the Board to the 33rd Annual General Meeting of our Company.

In 2023, the year under review, the nation achieved a degree of stability despite the continuing uncertainties. A much-needed respite - having weathered four consecutive years of turmoil from terror attacks, a global pandemic to the nation's worst ever economic crisis since independence. Although the clouds have yet to clear, some rays of hope filtered through. It was a rather challenging year for us but, as always, the determination and commitment of your Company helped us to keep moving forward. During the year under review your Company recorded a turnover of Rs. 1,623.1 million and Rs. 224.7 million profits from operations compared to a turnover of Rs. 1,699.9 million and Rs. 789.3 million profits from operations in 2022.

Having faced crisis upon crisis, our nation has begun to stabilise, helped by decisive policies implemented by the government. The external debt restructuring talks with creditors, intensified discussions with the IMF, and other efforts made a difference. Our economy is stabilising, although major challenges still remain. The year-on-year GDP growth rate for the third quarter of 2023 has been reported as 1.6%. In addition, GDP for Q3 of 2023 increased up to Rs. 6,906,8 billion from Rs. 6,586,6 billion, recorded in the same quarter in 2022 registering a 4.9% increase. After shrinking 7.8% in 2022, Sri Lanka's economy is expected to contract by 3.6% this year. Full-year growth is predicted to return in 2024 with the nation's economy projected to grow by 1.8%. Smooth sailing, however, cannot be expected with challenging reforms looming ahead.

Global growth is forecast to slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024. The projections remain below the historical (2000–19) average of 3.8%, and the forecast for 2024 is down by 0.1%. The slow growth is attributed to tight monetary policy, restrictive financial conditions, and weak global trade and investment. Downside risks include an escalation of the recent conflict in the Middle East, financial stress, persistent inflation, trade fragmentation, and climate-related disasters.

Emerging markets and developing economies are expected to have modest growth declines, from 4.1% in 2022 to 4.0% in both 2023 and 2024, with a downward revision of 0.1% in 2024. Forecasts for global growth over the medium term, at 3.1%, are at their lowest in decades, and prospects for countries to attain higher living standards are weak. Global inflation is forecast to decline steadily, from 8.7% in 2022 to 7.0% in 2023 and 6.4% in 2024 but does not expected to return to target until 2025 in most cases.

The year under review was a challenging one for us. However, as always, we made progress. We are proud of the resilience our company displays in the face of challenges, and we look forward to the year ahead despite the uncertainties our industry and country face.

Acknowledgement

In conclusion, on behalf of the Board of Directors and the employees of the Company, I extend my gratitude to our valued shareholders, including our major shareholder and Parent Company, Graphit Kropfmühl for their unwavering support. I also express my appreciation to our stakeholders for the confidence and trust they placed on the management of the Company as we faced yet another demanding year.

CHAIRPERSON'S REVIEW

I thank my colleagues on the Board for their continuing support and guidance, and the Management team and our employees for their unstinted dedication. Your Company achieved another year of progress despite many challenges, and I am confident that our journey in the coming year will be a successful one.



Coralie Pietersz
Chairperson
07th March 2024

CHIEF EXECUTIVE OFFICER'S REVIEW

In 2023, after four consecutive years of incredible turmoil, our country finally saw a year of relative stability free from devastating or melodramatic events. However, it was not, by any means, an easy year to weather with so much uncertainty - both globally and locally. As our nation fought hard to stay afloat and sail on, we too did the same. As a company we had faced some of the most troubled times in our history during the past few years but progressed in spite of them. It was this spirit of perseverance and resolve that kept us on track during the year under review.

It was not an easy year for the industry, globally. With weakened supply and demand fundamentals, the graphite sector struggled significantly in 2023, and did not record the success forecast by analysts. This unfavourable environment coupled with local uncertainties adversely affected our performance during the year. However, we were able to meet our production targets, and as in the previous years, continued operations without loss of working days. Stringent measures we had put in place during crisis times such as the disaster management plan and the business continuity plan helped us, once again.

Health, Safety and Operations

2023 was a landmark year for us as we created history in the local mining industry by recording 2000 consecutive days without a 'lost time accident'. Setting a precedent, we proved that safety and productivity can go hand in hand with commitment, collaboration, and continuous training. Throughout the year, we rigorously maintained all safety procedures, raising our standards to ensure the wellbeing of all our employees and stakeholders. We continued our health and safety training for the staff dedicating 2629 hours towards doing so. Prior guidelines and regulations stipulated by the Government for Covid-19 were also adhered to as per our company policy.

Our People

The most vital asset a company can have is its people, and in that regard, we have been immensely fortunate. Right throughout the years, we have always had the deepest commitment and support of our people. They stood steadfast during some of the worst days a company - and a nation - could face. Even then, they worked hard with absolute dedication and helped the company to move

forward and continued to do so during the year gone by too. Just as our people support us in good times and bad, we, as a company, will continue to do our utmost for them.

Appreciation

I wish to express my deepest gratitude to our faithful employees and the Managers who continue to stand by the Company in times both good and bad, come what may. They kept us progressing during the darkest of days in the recent past, and in 2023, too they did not waver in their commitment to hard work even when the industry itself was facing tough times. Their dedication is much appreciated. I also extend my appreciation to the police, armed forces, and medical authorities for the service and support they always give us.

I also take this opportunity to thank our parent company Graphit Kropfmühl GmbH, the Chairperson, and the Board of Directors for their consistent guidance and support, and also for the confidence and trust they continue to have in me.

In conclusion, I extend my sincere appreciation to all our shareholders, employees, the management team and staff for their unwavering support. While the financial outcomes of the past year did not fully meet our expectations, we were awarded the "Certificate of Ethical Trading" (CET) by the National Chamber of Exporters of Sri Lanka. Our continued focus on the exploration programme is showing positive results, and albeit different, are significant achievements in their own right. I have absolute faith that our company can face whatever 2024 holds for us and we are determined to make strides on the path of progress in the days ahead.



Amila Jayasinghe
Chief Executive Officer
07th March 2024

DIRECTORS' PROFILES

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 Non-Executive Director at RIL Properties PLC, United Motors Lanka PLC, Panasian Power PLC, Hemas Pharmaceuticals (Pvt) Ltd, CT CLSA Asset Management (Pvt) Ltd and CT CLSA Capital (Pvt) Ltd.

Ms. Pietersz has over 25 years of experience at senior levels in both private and public sectors. Her experience includes the role of Chief Financial Officer (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.

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 is also the Managing Director of Qingdao Kropfmühl Graphite Co., Ltd and a Board Director since 2011. He also serves as the Chairman of the Board at GK Ancuabe Graphite Mine, S.A.

A. P. Jayasinghe (Executive Director)

B.Bus (Monash), CPA

Mr. Jayasinghe was appointed to the 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 CEO in January 2008.

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 over 31 years of experience in the mercantile sector at 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.

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 currently serves the Company as Managing Director/CFO. Ms. Neunzert holds a Master of Arts degree from Freie University of Berlin, Germany.

Shivan Joseph Dinesh Coorey (Non-Executive Independent Director) Attorney-at-Law, LLB LLM

Mr. Shivan Coorey was appointed to the Board with effect from 16th November 2023. He is an Attorney-at-Law by profession and holds a Bachelors in Law (LL.B) and Masters in Law (LL.M).

Mr. Coorey is a Senior Legal Counsel operating his own legal Chambers primarily based in the field of Commercial Law and he specialises in Banking Law, Company Law, Intellectual Property, Labour Law and Public Law. He is also the legal consultant to several corporates including listed companies and multinationals. Mr. Coorey is currently the Honorary Secretary of the Colombo Law Library (established 1855) headed by His Lordship the Chief Justice of Sri Lanka. He has been in the Executive Committee and the Bar Council of the Bar Association of Sri Lanka and have served many Committees in the Bar Association of Sri Lanka.

He served as an Independent Director of Fintrex Finance Ltd., a licensed Finance Company regulated by the Central Bank of Sri Lanka.

Ms. Averil Ludowyke (Non-Executive Independent Director)

Ms. Averil Ludowyke was appointed a Director on 16th November 2023. She is a Fellow of the Institute of Chartered Accountants of Sri Lanka, and a Fellow of the Chartered Institute of Management Accountants, UK. She is an Independent Non-Executive Director at Seylan Bank PLC and Ceylinco Life Insurance Limited.

Ms. Ludowyke has over 36 years of experience in the field of Finance, Accounting, Auditing, Forensic Accounting, and Consulting. She served as a Partner at Ernst & Young for 12 years and was a lead Audit Partner for several groups of companies and she launched and led forensics and integrity services of the firm. Her clients included Banks and Finance companies, companies engaged in Retail, Manufacturing, Telecommunications, Construction, Real Estate, Shipping and Logistics, Insurance, leisure, Plantations and Development.

She also has 13 years of experience at senior level in the Manufacturing sector, and in a Relief and Development Organization.

CORPORATE GOVERNANCE

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 and Section 9 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 seven members, of whom five are Non-Executive Directors. Two of them are independent Non-Executive Directors. 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. The Directors' profiles are given on page 9.

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

As required by the Listing Rules of the Colombo Stock Exchange, each Non-Executive Director 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 26, Related Party Disclosure on page 82 and Director's interest in Annual Report of the Board of Directors on page 29 of the Annual Report.

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 management to ensure their implementation.

Name of the Director	Year of Appointment to the Board	Executive/ Non-Executive	Independent/ Non-independent	Gender Representation	Skill Profile
Coralie Pietersz - Chairperson	2013	Non-Executive	Non-independent	Female	Finance and Accounting
Thomas Junker	2010	Non-Executive	Non-independent	Male	Science and Engineering
J C P Jayasinghe, resigned w.e.f. 06 th December 2023	2008	Non-Executive	Non-independent	Male	Business Management
Mohamed Adamaly - resigned w.e.f. 08 th December 2023	2014	Non-Executive	Independent	Male	Legal and Marketing
Averil Ludowyke - appointed w.e.f. 16 th November 2023	2023	Non-Executive	Independent	Female	Finance, auditing, and Accounting
Shivan Coorey - appointed w.e.f. 16 th November 2023	2023	Non-Executive	Independent	Male	Legal
Ulla Neunzert	2019	Non-Executive	Non-independent	Female	Finance and Accounting
Amila Jayasinghe	2004	Executive	Non-independent	Male	Finance and Business Management
Sugath Amarasinghe	2014	Executive	Non-independent	Male	Finance and Accounting

CORPORATE GOVERNANCE

Fitness of Directors and CEO

Company assessed Fitness of Directors and CEO of the Company and obtained the declaration of fitness and propriety confirming that all Directors and the CEO have satisfied the Fit and Proper Assessment Criteria set out in the Section 9.7.3 of the Listing Rules of Colombo Stock Exchange.

Board Meetings

The Board held five meetings during the year, minimally one per quarter. The Directors were provided with relevant information and background material as 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 is summarised below.

Name of the Director	Eligible to attend	Attended	As a %	02/03/2023	07/06/2023	11/08/2023	14/11/2023	28/11/2023
Independent Non-Executive Directors								
Mohamed Adamaly - resigned w.e.f. 08 th December 2023	5	4	80	✓	✓	✓	✓	Excused
Averil Ludowyke - appointed w.e.f. 16 th November 2023	1	1	100	N/A	N/A	N/A	N/A	✓
Shivan Coorey - appointed w.e.f. 16 th November 2023	1	1	100	N/A	N/A	N/A	N/A	✓
Non-Executive Directors								
Coralie Pietersz	5	5	100	✓	✓	✓	✓	✓
Thomas Junker	5	5	100	✓	✓	✓	✓	✓
J C P Jayasinghe - resigned w.e.f. 06 th December 2023	5	5	100	✓	✓	✓	✓	✓
Ulla Neunzert	5	4	80	✓	✓	✓	✓	Excused
Executive Directors								
Amila Jayasinghe	5	5	100	✓	✓	✓	✓	✓
Sugath Amarasinghe	5	5	100	✓	✓	✓	✓	✓

Board Sub-Committees

The Board has delegated some of its functions to the Sub-Committees, whilst retaining the rights of final decision. The Board sub committees were reconstituted effective from 01st December 2023 in line with the amended rules on corporate governance by the CSE. Sub-Committees mainly comprise 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 serves as secretary in these committees. The minutes of each committee meeting are circulated to all Directors on completion.

CORPORATE GOVERNANCE

Name of the Director	Nature of Directorship	Audit Committee	Related Party Transaction Review Committee	Remuneration Committee	Nominations and Governance Committee
Coralie Pietersz - Chairperson	NED	-	-	Member	Member
Mohamed Adamaly, resigned w.e.f. 08 th December 2023	INED	Member	Member	Member	-
Averil Ludowyke - appointed w.e.f. 16 th November 2023	INED	Chairperson	Member	Member	Chairperson
Shivan Coorey - appointed w.e.f. 16 th November 2023	INED	Member	Chairperson	Chairperson	Member
Thomas Junker	NED	Member	Member	Member	Member
Amila Jayasinghe	ED	-	Member	-	-
NED - Non Executive Director ED - Executive Director INED - Independent NED					

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 Committee Chairperson reports to

the Board on the activities of the respective Committees at each Board meeting, highlighting matters for the Board's attention.

Board Sub Committee	Areas of Oversight	Committee skills and composition
Audit Committee (Report of the Audit Committee is given on page 23-26)	Financial Reporting	Accounting, auditing, corporate finance, Law and commercial arbitration, Corporate leadership
	Internal Controls	
	Internal Audit	Independent Non-Executive Directors-2, Non-Executive Directors-1
	External Audit	
Related Party Transaction Review Committee (Report of the RPTRC Committee is given on page 29-31)	Related party transaction policy/code	Law and commercial arbitration, Finance and Business management, Engineering Accounting and finance
	Review of related party transactions for regulatory compliance	
	Disclosure of related party transactions	Independent Non-Executive Directors - 2 Non-Executive Directors - 1, Executive Directors -1
Remuneration Committee (Report of the Remuneration Committee is given on page 27-28)	Remuneration policy and practices particular reference to Key Management Personnel	Law and commercial arbitration, Finance and accounting Business management, Engineering
	Executive Directors remuneration, Performance evaluation	
	HR Policy, Goals and targets for Key Management Personnel	Independent Non-Executive Directors - 2 Non-Executive Directors - 2,
Nominations and Governance Committee	Appointment of Key Management Personnel	Accounting and finance, Auditing, Corporate leadership, Engineering, Law and commercial arbitration Independent Non-Executive Directors - 2 Non-Executive Directors - 2
	Succession planning	
	Effectiveness of the Board and its Sub-Committees	

CORPORATE GOVERNANCE

Attendance at Board Sub-Committee meetings are given in their respective reports in this Annual Report.

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 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.

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 judgment, the Board acts as an advisor and counsellor to the CEO/Managing Director who defines and enforces standards of accountability, with a view to enable 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 whilst maintaining an appropriate relationship with the external auditors. Further details of the Audit Committee is given in their Report on pages 23 to 26.

Remuneration Committee

The Remuneration Committee is responsible for setting the remuneration policy by establishing broad parameters of the Company. The remuneration policy and its roles are discussed in the report of the Remuneration Committee given on pages 27 to 28.

Related Party Transaction Review Committee

The Board has appointed the Related Party Transaction Review Committee to exercise oversight on behalf of the Board to ensure compliance regulations. The Report of the Related Party Transaction Review Committee stating its role, procedures, and duties is given on pages 29 to 31.

Nomination and Governance Committee

The Board appointed the Nomination and Governance Committee with two independent non-executive directors namely Ms. Averil Ludowyke and Mr. Shivan Coorey and two non-executive directors namely Ms. Coralie Pietersz and Mr. Thomas Junker. Ms. Averil Ludowyke, a fellow of The Institute of Chartered Accountants of Sri Lanka and The Chartered Institute of Management Accountants, UK was appointed as the Chairperson of the Committee.

The purpose of the Committee is to exercise oversight with respect to the governance of the Board of Directors and to ensure overall compliance to regulatory requirements related to Company governance framework. The Committee also evaluates the diversity, structure, size, and composition of the Board and Board Committees to effectively discharge the duties and responsibilities.

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.

CORPORATE GOVERNANCE

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 taken steps to obtain reasonable assurance that the systems designed to safeguard Company assets, maintain proper accounting records, and provide management information, are in place and functioning as planned.

Internal and External Audit

The internal audit function is outsourced to Messrs. B. R. De Silva & Company, Chartered Accountants. The Audit Committee reviews the audit observations arising from the internal audits and monitors corrective action. The Audit Committee evaluates the appropriateness of the internal audit function and reviews the internal audit plan to ensure it 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 2022 as external auditors of the Company for the financial year 2023.

Risk Management and Internal Control

Risk management is an essential element of our corporate governance structure and strategic development process. 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 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. 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 conducts regular reviews of the major risks such as regulatory, political, and environment changes that could affect business and financial performance. The Company also evaluates the potential threats that could be posed from possible competitors. The Company analyses 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 the emerging diverse 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 plays 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 and to be more attractive in terms of pricing and improved product quality, for 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 equivalents at an appropriate level to support operational and capital expenditure requirements.

Investment risks are hedged through close monitoring and compliance with agreed production and quality parameters. Periodic review and implementation of customer feedback ensures sustainable product quality.

CORPORATE GOVERNANCE

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 2023
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 32-38
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 91-92
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 32-38
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 71
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied	Investor Information, pages 91-92
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 at the end of the year	Complied	Company has no subsidiaries. Notes to the Financial Statements, page 71
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

CSE Rule Reference	Disclosure Requirement	Compliance Status	Reference to Annual Report 2023
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of section 9 Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Complied	Refer to pages 16 and 17 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 26 to the Financial Statements, page 82
7.6 (xvii)	Listed entity has its Foreign Currency denominated securities listed on the exchange	N/A	Company has no currency denominated security

Statement of Compliance under Section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance (Mandatory Provisions – Fully Compliant) - 14/02/2022

The Company has complied with the mandatory disclosure requirement on Corporate Governance for Listed Companies in Sri Lanka that was 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	Five out of seven Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors – two or one-third NEDs, whichever is higher, should be independent	Complied	Two out of five 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 34 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 10
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

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 two Non-Executive Directors
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 27 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 26.1 to the Financial Statements, page 81
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 two 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 23-26
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 23-26

CORPORATE GOVERNANCE

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 2023
9.3.2 (a)	Details pertaining to Non-Recurrent Related Party Transactions	Complied	Notes to the Financial Statements, page 82
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 29-31
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	

The Company has complied with the following listed 9 of the Listing Rules of the Colombo Stock Exchange sections of the amendments to Rule 7.10 and section published in September 2023.

Statement of Compliance for Amendments to Rule 7.10 and Section 9 of the Listing Rules of the Colombo Stock Exchange (Mandatory Provisions – Fully Compliant)

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Bogala extent of adoption
9.2	Policies	9 Policies out of 12 as specified under section 9.2.1 is in place	Compliance with Corporate Governance Rules
9.2.1 (a)	Policy on the matters relating to the Board of Directors		
9.2.1 (b)	Policy on Board Committees		
9.2.1 (d)	Policy on Remuneration		
9.2.1 (e)	Policy on Internal Code of Business conduct and Ethics		
9.2.1 (f)	Policy on Risk management and Internal controls		
9.2.1 (g)	Policy on Relations with Shareholders and Investors		
9.2.1 (j)	Policy on Corporate Disclosures		
9.2.1 (k)	Policy on Whistleblowing		
9.2.1 (l)	Policy on Anti-Bribery and Corruption		
9.3	Board Committees		Compliance with Corporate Governance Rules
9.3.1 (a)	Nominations and Governance Committee	Complied	
9.3.1 (b)	Remuneration Committee	Complied	
9.3.1 (c)	Audit Committee	Complied	
9.3.1 (d)	Related Party Transactions Review Committee.	Complied	

CORPORATE GOVERNANCE

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Bogala extent of adoption
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	Complied	Governance requirements are disclosed in the respective reports in the AR
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1	Complied	Compliance with Corporate Governance Rules
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	Complied	Compliance with Corporate Governance Rules
9.5	Policy on matters relating to the Board of Directors	Complied	Compliance with Corporate Governance Rules
9.5.1 (a, c to j)	Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors	Complied	
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report	Complied	
9.6	Chairperson and CEO	Complied	Compliance with Corporate Governance Rules
9.6.1	The Chairperson shall be a Non-Executive Director. The position of Chairperson and CEO shall not be held by the same individual.	Complied	
9.6.3	The Requirement of SID	N/A	Chairperson and CEO are not the same person
9.7	Fitness of Directors and CEO	Complied	Compliance with Corporate Governance Rules
9.7.1	Directors and the CEO are, at all times, fit and proper persons	Complied	
9.7.2	Directors recommended by the Nominations and Governance Committee are fit and proper as required in terms these Rules	Complied	
9.7.3 (a to c)	Criteria defining the Fit and Proper Assessment	Complied	
9.7.4	Obtain a declaration from Directors and CEO confirming they satisfy fit and proper Assessment Criteria.	Complied	
9.7.5 (a)	Directors and CEO of the Company satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules.	Complied	Disclosed in the Corporate Governance Report page 11

CORPORATE GOVERNANCE

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Bogala extent of adoption
9.8	Board Composition		Compliance with Corporate Governance Rules
9.8.1	Board of Directors shall, at a minimum, consist of five (05) Directors	Complied	
9.8.2	Minimum Number of Independent Directors	Complied	
9.8.5 (a)	Submit a signed and dated declaration annually against Independence criteria	Complied	
9.8.5 (b)	Make a determination as to the independence based on declaration	Complied	
9.9	Alternate Directors Company to provide the appointment and such requirement to be incorporated in to the Articles of Association	Complied	Amendment to Articles is scheduled at the AGM by passing special resolution
9.10	Disclosures relating to Directors	Complied	Compliance with Corporate Governance Rules
9.10.1	policy on the maximum number of directorships it's Board members shall be permitted to hold	Complied	
9.10.2	Company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement	Complied	
9.10.3	Company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees	Complied	
9.10.4	Disclosures relating to the Directors in the Annual Report	Complied	

Statement of Compliance under Section 168 of Companies Act No. 07 of 2007

Company Act Section	Companies Act Requirement	Compliance Status	Reference to Annual Report 2023
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 32-38
168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed - section 151	Complied	Financial Statements, page 47
168 (1) (c)	Auditors' Report on Financial Statements of the Company	Complied	Independent Auditors' Report, pages 41-45
168 (1) (d)	Accounting policies and any changes therein	Complied	Notes to the Financial Statements, page 51
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 32-38

CORPORATE GOVERNANCE

Company Act Section	Companies Act Requirement	Compliance Status	Reference to Annual Report 2023
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Notes to the Financial Statements, page 81
168 (1) (g)	Corporate donations made by the Company during the accounting period	Complied	Notes to the Financial Statements, page 67
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 32-38
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 67
168 (1) (j)	Auditors' relationship or any interest with the Company	Complied	Audit Committee Report, pages 24-25
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 32-38

Going Concern, Financial Reporting, and Transparency

The Board of Directors, after reviewing the Company's business plans, capital expenditure requirements, prospects and risks, cash flows, and ability to raise funds for the ensuing year 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 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.

Conflict of Interest and Independence

Each Director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest arising from external associations, interests in material matters, and personal relationships which may influence their judgment. Whilst the Board members are free to express their own opinion on matters of importance to the Company and its operation, the Board reviews

such potential conflicts from time to time. Related Party Disclosure note 26 of the Annual Report on page 82 and the Directors' interest in Annual Report of the Board of Directors 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 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.

CORPORATE GOVERNANCE

- Specific technical knowledge and domain knowledge required for new developments.

Investor Relations

The Company encourages communication with shareholders through 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.

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 details through a circular to download Company Annual Report from the CSE website. Shareholders may at any time elect to receive an Annual Report in printed form by submitting the request form circulated along with the notice of the AGM.

The Chairman, Board members, key management personnel, and external auditors are present at the Annual General Meeting and available to answer questions posed by shareholders.

Release of Information to the Public and CSE

The Board of Directors is responsible for ensuring the accuracy and timeliness of published information and for presenting a true and fair view 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 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 maintains constant dialogue pertaining to work-related issues and 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 freedom of association and collective bargaining, prohibiting child labour, forced or compulsory labour, and any discrimination based on gender, race, or religion, while promoting a workplace that is free from physical, verbal or sexual harassment, all of which complement effective Corporate Governance.

AUDIT COMMITTEE REPORT

Role of the Committee

Terms of Reference of the Audit Committee defines the role and responsibilities 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 December 2023. The role of the Audit Committee is to monitor and review:

- the integrity of Financial Statements in accordance with Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka.
- 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. The Company secretary functioned as the secretary to the Committee during the year.

Composition of the Committee and Meetings

The Committee consists of two Independent Non-Executive Directors and one Non-Executive Director. The Committee is chaired by Ms. Averil Ludowyke, a fellow of The Institute of Chartered Accountants of Sri Lanka, and The Chartered Institute of Management Accountants, UK is an Independent Non-Executive Director.

Name of the Director	Independent/ Non-Executive/ Executive
Averil Ludowyke (Chairperson) - appointed 01 st December 2023	Independent Non-Executive Director
Coralie Pietersz (Chairperson) - resigned 01 st December 2023	Non-Executive Director
Shivan Coorey - appointed w.e.f. 01 st December 2023	Independent Non-Executive Director
Mohamed Adamaly - resigned w.e.f. 01 st December 2023	Independent Non-Executive Director
Thomas Junker	Non-Executive Director
Secretary to the Committee	Corporate Services (Private) Limited

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

AUDIT COMMITTEE REPORT

Audit Committee Meeting Attendance

Name of the Director	Eligible to Attended	Attended	As a %	21/02/2023	02/03/2023	25/04/2023	07/06/2023	11/08/2023	26/10/2023	14/11/2023	12/12/2023
Averil Ludowyke (Chairperson) - - appointed w.e.f. 01 st December 2023	1	1	100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
Coralie Pietersz (Chairperson) - resigned w.e.f. 01 st December 2023	7	7	100	✓	✓	✓	✓	✓	✓	✓	N/A
Mohamed Adamaly - resigned w.e.f. 01 st December 2023	7	6	86	Excused	✓	✓	✓	✓	✓	✓	N/A
Shivan Coorey - appointed w.e.f. 01 st December 2023	1	1	100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
Thomas Junker	8	8	100	✓	✓	✓	✓	✓	✓	✓	✓

Financial Reporting System

The Audit Committee reviewed and discussed the quarterly Financial Statements and the annual statements with the Management prior to recommendation to the Board for approval for publication. The scope of the review included:

- Ascertaining the consistency and appropriateness of the Accounting Policies adopted, changes in accounting policies, and material judgmental matters.
- Ensuring 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.
- Satisfying 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 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 Committee received an assurance and compliance statement from the CFO and CEO of the Company about its operations and financial reporting in compliance with the applicable rules and regulation relevant to the Company and the industry

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 2023.

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

The Committee reviewed 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.

AUDIT COMMITTEE REPORT

The Audit Committee evaluated the independence, and effectiveness, 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, and obtained a statement confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirement 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.

Re-Appointment of External Auditors – Messrs. KPMG, Chartered Accountants

The Committee, perused transactions with the External Auditors to ensure that there were no significant material transactions between the External Auditors and the Company.

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 KPMG, Chartered Accountants are independent and are eligible for re-appointment as the External Auditors of the Group.

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 current financial year, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

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 takes mitigating actions as and when required. The Committee obtained formal confirmations and assurance from the Management of the Company on a quarterly basis regarding the efficiency and status of the internal control systems and risk management systems.

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.

Conducts, Ethics and Good Governance

The Audit Committee remains steadfast in its commitment to ensuring that the Company adheres to the highest ethical standards in business dealings. In this regard, the Company has a Code of Ethics and Professional Conduct, and robust policies such as the Whistleblowing Policy and an Anti-Bribery and Anti-Corruption Policy which ensure and encourage all staff members to be ethical, transparent, and accountable and resort to whistleblowing if they suspect any wrongdoings or other improprieties.

AUDIT COMMITTEE REPORT

Highest standards of corporate governance and adherence to the Company's Code of Ethics and Professional Conduct were ensured. All appropriate procedures are in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means. The Whistleblowing Policy guarantees the maintenance of strict confidentiality of the identity of the whistleblowers.

Regulatory Compliance

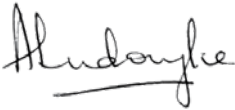
The Committee obtained representations on the adequacy of provisions made for possible liabilities and reviewed reports tabled by the Finance Director certifying compliance with relevant statutory requirements. The Committee obtains quarterly updates from the Finance Director regarding compliance with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

Evaluation of the Committee

The Committee undertook a self-evaluation and were satisfied that the Committee has carried out its responsibilities effectively during the year.

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.



Averil Ludowyke
Chairperson-Audit Committee
07th March 2024

REMUNERATION COMMITTEE REPORT

Role of the Committee

The Remuneration Committee is responsible for setting the remuneration policy by establishing broad parameters of remuneration across the Company and recommending the remuneration of the Executive Directors. The Committee is responsible for determining, reviewing, and evaluating the performance of the Chief Executive Officer and Chief Financial Officer and makes recommendations to the Board on their remuneration.

The Committee also lays down guidelines and parameters for Management's development of a succession plan.

Composition of the Committee and Meetings

The Remuneration Committee comprises four Non-Executive Directors of whom two are independent. The Committee is chaired by Independent Non-Executive Director, Mr. Shivan Coorey. They are independent from management and free from any business, personal or other relationship that may interfere with the exercise of their independence and unbiased judgment.

Composition of the Committee and Meetings

Name of the Director	Independent/ Non-Executive/ Executive
Shivan Coorey - (Chairperson) appointed w.e.f. 01 st December 2023	Independent Non-Executive Director
Coralie Pietersz (Chairperson) - resigned/ appointed w.e.f. 01 st December 2023	Non-Executive Director
Mohamed Adamaly - resigned 08 th December 2023	Independent Non-Executive Director
Averil Ludowyke - appointed 01 st December 2023	Independent Non-Executive Director
Thomas Junker	Non-Executive Director
Secretary to the Committee	Corporate Services (Private) Limited

The Remuneration Committee held two meetings during the year under review. 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 Chief Financial Officer of the Company attended the meetings when required by invitation.

Attendance at Remuneration Committee Meetings

Name of the Director	Eligible to Attend	Attended	2023/08/02	2023/10/26
Shivan Coorey (Chairperson) appointed w.e.f. 01 st December 2023	N/A	N/A	N/A	N/A
Coralie Pietersz (Chairperson) - resigned/ appointed w.e.f. 01 st December 2023	2	2	✓	✓
Thomas Junker	2	2	✓	✓
Mohamed Adamaly resigned w.e.f. 08 th December 2023	2	2	✓	✓
Averil Ludowyke appointed w.e.f. 01 st December 2023	N/A	N/A	N/A	N/A

Remuneration Policy

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 to 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 benefit of the Company.

Directors Remuneration

The Committee is not responsible for determining the remuneration of Independent Non-Executive and Non-Executive Directors; this is determined by the Board.

REMUNERATION COMMITTEE REPORT

All Independent Non-Executive and Non-Executive Directors receive a fee for serving on the Board and 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 26.1.1 to the Financial Statements on page 81.

Activities of the Committee in 2023

The Committee reviews all significant changes in the corporate sector in determining salary structures, terms, and conditions. During the year under review, the Committee reviewed the remuneration of the senior management taking into consideration job roles and responsibilities, the market, and macro-economic factors. The Committee has the authority to seek external professional advice on matters within its purview.

The Committee recommended the bonus payable to Chief Executive Officer and the Chief Financial Officer having evaluated the performance-based targets set for the year.



Shivan Coorey
Chairperson – Remuneration Committee
07th March 2024

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

Role of the Committee

The Board of Directors has established a Related Party Transaction Review Committee (RPTRC) in accordance with the Code of Best Practices on Related Party Transaction issued by the Securities Exchange Commission of Sri Lanka (SEC) under Section 9 of the Listing Rules of the Colombo Stock Exchange and Sri Lanka Accounting Standard LKAS 24, to:

- exercise oversight on behalf of the Board, to ensure compliance to said regulations.
- facilitate an independent review, approval, and oversight in relation to transactions with related parties.
- ensure that the interests of the shareholders are preserved when entering into related party transactions.
- prevent Directors, key management personnel, or substantial shareholders from taking advantage of their positions.

To achieve the above, the Committee has adopted the Related Party Transaction Code, which contains the Company's policy governing the review, approval, and oversight of related party transactions.

Composition of the Committee

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

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 into recurrent and non-recurrent related party transactions.

Moreover, on a quarterly basis, the CEO and CFO are required to report to the Committee on the approved related party transactions entered 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 Committee met four times during the financial year.

Name of the Director	Independent/ Non-Executive/ Executive
Mohamed Adamaly - (Chairperson) resigned w.e.f. 08 th December 2023	Independent Non-Executive Director
Coralie Pietersz - resigned w.e.f. 01 st December 2023	Non-Executive Director
Shivan Coorey - (Chairperson) appointed w.e.f. 01 st December 2023	Independent Non-Executive Director
Averil Ludowyke appointed w.e.f. 01 st December 2023	Independent Non-Executive Director
Thomas Junker	Non-Executive Director
Amila Jayasinghe appointed w.e.f. 01 st December 2023	Executive Director

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee meeting attendance

Name of the Director	Eligible to attend	Attended	As at %	02/03/2023	07/06/2023	11/08/2023	14/11/2023
Mohamed Adamaly (Chairperson) - resigned w.e.f. 08 th December 2023	4	4	100	✓	✓	✓	✓
Coralie Pietersz - resigned w.e.f. 01 st December 2023	4	4	100	✓	✓	✓	✓
Shivan Coorey (Chairperson) - appointed w.e.f. 01 st December 2023	NA	NA	NA	NA	NA	NA	NA
Averil Ludowyke - appointed w.e.f. 01 st December 2023	NA	NA	NA	NA	NA	NA	NA
Thomas Junker	4	4	100	✓	✓	✓	✓
Amila Jayasinghe - appointed w.e.f. 01 st December 2023	NA	NA	NA	NA	NA	NA	NA

The Duties of the Related Party Transactions Committee

The Committee's 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.

- To review the related party transactions of the Company presented to the Committee in a specified format and decide upon same.
- To seek any information the Committee requires from management, employees, or external parties regarding any transactions entered 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 ensure 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, and 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 regarding the value of the substantial assets of the related party transaction

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

Activities during the Year 2023

The Committee reviewed all related party transactions for the financial year ended 31st December 2023 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 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 to be the Key Management Personnel (KMPs) of the Company. Further, CEO, CFO, and all Assistant General Managers are considered 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 by the Board

The Annual Report of the Board of Directors on page 36 includes a declaration confirming the compliance with the requirements stipulated in Section 9.3.2 of the Listing Rules of the Colombo Stock Exchange.



Shivan Coorey

Chairman-Related Party Transaction Review Committee
07th March 2024

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in presenting their 33rd Annual Report of your Company together with the Audited Financial Statements for the year ended 31st December 2023. 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 the recommended best Practices on Corporate Governance.

The Annual Report was approved by the Board of Directors on 7th March 2024.

Principal Activity

The principal activity of the Company is mining, processing and preparation of graphite, 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 Chairperson's Review on pages 6-7, CEO's Review on page 8, and the Management Discussion and Analysis of this Annual Report. These reports, together with the audited Financial Statements, reflect the state of affairs of the Company.

Financial Statements

The Financial Statements of the Company for the year ended 31st December 2023 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. The Financial Statements duly signed by the Directors are provided on pages 46 to 89 of the Annual Report.

Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 41 to 45.

Financial Results and Appropriation

Accounting Policies and Changes during the year

The Company prepared the Financial Statements in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The material accounting policies adopted in the preparation of the Financial Statements of the Company are given on pages 50 to 66. 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.

During the year, the Company reviewed the capitalisation of Drilling expenses classified as Capital Work-in- Progress based on the project status. The Company continues to recognise and disclose the exploration, evaluation, and development expenditure, consistent with SLFRS and the accounting policies of its ultimate Parent Company.

Revenue, Profit and Appropriations

Revenue generated by the Company amounted to Rs. 1,623.1 million (2022 – Rs. 1,699.9 million).

The Company's profit before tax was Rs. 241.9 million (2022 – profit before tax Rs. 806.7 million). The Company's total comprehensive income net of tax was Rs. 166.6 million (2022 – Rs. 654.8 million). Details of financial results of the Company are given in the statement of profit or loss and other comprehensive income on page 46. A brief description of the results and appropriations are given below:

ANNUAL REPORT OF THE BOARD OF DIRECTORS

For the year ended 31 st December in Rs. '000s	2023	2022
Profit from operations after providing for all expenses, known liabilities, depreciation on property, plant, and equipment, and slow-moving stock	224,703	789,299
Finance Cost	(617)	(809)
Finance Income	17,859	18,184
Profit before tax	241,945	806,675
Provision for taxation including deferred tax	(86,629)	(142,339)
Profit after tax	155,316	664,335
Other comprehensive income/(expense) net of tax	7,678	(7,615)
Total Comprehensive Income attributable to shareholders	162,994	656,721
Balance brought forward from the previous year	1,407,106	750,386
Amount available for appropriation	1,570,100	1,407,106
Final Dividend Paid	-	-
Balance to be carried forward to next year	1,570,100	1,407,106

Corporate Donations

During the year, donations amounting to Rs. 2.9 million were made by the Company, which is given in note 7 to the Financial Statements on page 67 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 23 of the Financial Statements.

Financial Position of the Company

Stated Capital and Reserves

The stated capital of the Company as at 31st December 2023 was Rs. 102.1 million (2022 – Rs. 102.1 million) consisting of 94,632,904 Ordinary Shares as given in note 18 of the Financial Statements on page 75.

Total reserves of the Company as at 31st December 2023 amount to Rs. 1,581.9 million (2022 – Rs. 1,415.4 million) and the movement and composition are given in the Statement of Changes in Equity on page 48 of the Financial Statements.

Property, Plant, and Equipment

The carrying value of property, plant, and equipment as at the reporting date amounted to Rs. 381.8 million compared to Rs. 315.1 million for 2022. Freehold land recognised as property, plant, and equipment in the Financial Statements is recorded at revalued amounts. The land was reassessed by a professionally qualified independent valuer during the financial year 2023.

The total expenditure incurred during 2023 on acquisition of property, plant, and equipment for the Company amounted to Rs. 101.8 million (2022 – Rs. 77.7 million).

Details of property, plant, and equipment and their movements are given in note 11 of the Financial Statements on page 70. Information in respect of extent, location, and valuation of land held by the Company is detailed in note 11.1 of the Financial Statements on page 71.

Contingent Liabilities

There have been no material Contingent liabilities outstanding as at the reporting date except what is disclosed in Note 30 of the Financial Statements on page 89.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Shareholder Inforwn

There were 10,555 registered shareholders as at 31st December 2023. 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 91 and 92 of the Annual Report. Additional 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 20 largest shareholders of the Company and the percentage held by each of them are disclosed in the Investor information on page 91 of the Annual Report.

The Board of Directors

The names of the Directors who held office during the financial year 2023 is given below:

Name of the Director	Directors Status		
	Independent	Non-Executive	Executive
Coralie Pietersz (Chairperson)		✓	
Mohamed Adamaly - resigned w.e.f. 08 th December 2023	✓	✓	
Thomas Junker		✓	
J.C.P. Jayasinghe - resigned w.e.f. 06 th December 2023		✓	
Shivan Coorey - appointed w.e.f. 16 th November 2023	✓	✓	
Averil Ludowyke - appointed w.e.f. 16 th November 2023	✓	✓	
Ulla Neunzert		✓	
Amila Jayasinghe			✓
Sugath Amarasinghe			✓

Changes to the Directorate

There were two resignation and two appointments to the Board during the year.

Independent director Mr. Mohamed Adamaly and non-executive director Mr. J. C. P. Jayasinghe resigned on 08th December 2023 and 06th December 2023 whilst Ms. Averil Ludowyke and Mr. Shivan Coorey were appointed to the Board on 16th November 2023.

With the operation of the amended rules on corporate governance by the CSE, Ms. Coralie Pietersz, ceased to be an independent non-executive director as she has served on the board for over 9 years.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Board Sub-Committees

The following Directors served as members of the Audit Committee, Related Party Transaction Review Committee, Remuneration Committee and Nominations and Governance Committee.

The Directors have made a general disclosure relating to share dealings and interest in transactions as permitted by Section 192 (2) of the Companies Act No. 7 of 2007 together with the indemnities and remuneration to the Board of Directors; no additional interests have been disclosed by any Director except as stated in note 26.1.1 of the Financial Statements on page 81.

Name of the Director	Nature of Directorship	Audit Committee	Related party Transaction Review Committee	Remuneration Committee	Nominations and Governance Committee
Coralie Pietersz	NED	-	-	Member	Member
Mohamed Adamaly, resigned w.e.f. 08 th December 2023	INED	Member	Member	Member	-
Averil Ludowyke appointed w.e.f. 16 th November 2023	INED	Chairperson	Member	Member	Chairperson
Shivan Coorey appointed w.e.f. 16 th November 2023	INED	Member	Chairperson	Chairperson	Member
Thomas Junker	NED	Member	Member	Member	Member
Amila Jayasinghe	ED	-	Member	-	-
NED - Non Executive Director ED - Executive Director INED - Independent NED					

The report of the Audit Committee, Remuneration Committee, and Related Party Transaction Review Committee, is given on pages 23, 27, and 29 sets out the manner of compliance by the Company in accordance with the Section 7 Continuing Listing Rules and Section 9 Corporate Governance issued by the Colombo Stock Exchange.

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.

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

Mr. Thomas A. Junker, in addition to being the Managing Director/CEO AMG Graphite of Graphit Kropfmühl GmbH, which owns 79.58 percent of the shareholding of Bogala Graphite Lanka PLC, is also the Managing Director and a Board Director of Qingdao Kropfmühl Graphite Ltd. He also serves as the Chairman of GK Ancuabe Graphite Mine, S.A.

Related party disclosures in terms of section 192 of the Companies Act No. 7 of 2007 are given below and disclosed in note 26 of the Financial Statements on page 81.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Name of the Related Party	Director	Relationship	Nature of Transaction	Value Rs.
Graphit Kropfmühl GmbH	Thomas A. Junker	Managing Director/ CEO Graphite	Sale of Goods	194,021,145
			Purchase of Goods	118,362,285
	Ulla Neunzert	Managing Director/ CFO	Technical Service Fees	81,154,273
			Expenses reimbursable	404,550
Qingdao Kropfmühl Graphite Co., Ltd.	Thomas A. Junker	Managing Director/ Board Director	Rental Paid	7,386,168
			Sale of Goods	2,392,458

The relevant interest of Directors in the shares of the Company as at 31st December 2023 and 31st December 2022 are as follows:

Director	31 st December 2023	31 st December 2022
Ms. Coralie Pietersz	Nil	Nil
Mr. Thomas Junker	Nil	Nil
Mr. J. C. P. Jayasinghe - resigned w.e.f. 06 th December 2023	Nil	Nil
Mr. Amila Jayasinghe	Nil	Nil
Ms. Ulla Neunzert	Nil	Nil
Mr. Sugath Amarasinghe	Nil	Nil
Mr. Mohamed Adamaly - resigned w.e.f. 08 th December 2023	Nil	Nil
Ms. Averil Ludowyke - appointed w.e.f. 16 th November 2023	Nil	Nil
Mr. Shivan Coorey - appointed w.e.f. 16 th November 2023	Nil	Nil

Directors' Remuneration

Details of the Directors' remuneration and other benefits for the financial year ended 31st December 2023 are given in note 26 of the Financial Statements on page 81 and a summary is given below.

Directors' Emoluments

Executive Directors	Rs. 63,171,369
Non-Executive Directors	Rs. 6,437,249

Related Party Transactions (RPTs)

The Company's recurrent and non-recurrent transactions with related parties, disclosed in note 26.2 of the Financial Statements in the Annual Report, have complied with the Listing Rule 9.14 of Colombo Stock Exchange and the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures.

During the financial year, Related Party Transactions were reviewed by the Related Party Transaction Review Committee (RPTRC) and are in compliance with Section 9.14 of the CSE Listing Rules. The RPTRC 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 29-31 of the Annual Report whilst the related party transactions are given in note 26 of the Financial Statements on pages 81-83.

Corporate Governance

The Board of Directors confirms that the Company is compliant with section 7 and section 9 of the Listing Rules of the Colombo Stock Exchange. 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,

ANNUAL REPORT OF THE BOARD OF DIRECTORS

- c) the Company made all endeavors to ensure the equitable treatment of all shareholders,
- d) the business is a going concern with supporting assumptions or qualifications as necessary; and
- e) they 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..

The table from pages 15 to 20 shows the manner in which the Company has complied with Section 7 and section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance. The Corporate Governance Report is given on pages 10 to 22 of the Annual Report.

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, Material Accounting Policies, and notes thereto appearing on pages 46 to 89 have been prepared in conformity with Sri Lanka Accounting 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 39-40 of the Annual Report.

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 as well as 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 39-40.

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 2023 was 158 (2022 – 167). The Company is committed to pursuing various HR initiatives that 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 31 of the Financial Statements on page 89.

Going Concern

The Board of Directors, after considering the financial position, operating conditions, and 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, in addition to their effectiveness, independence, and 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 other than those disclosed in the financial statements. Details of the Auditors' remuneration are set out in note 7 to the Financial Statements on page 67.

Annual Report

The Board of Directors approved the Company Financial Statements on 7th March 2024. 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 Wednesday, 10th April 2024 at 11.00 a.m. The Notice of the Annual General Meeting is on page 94 of the Annual Report.

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

By order of the Board



Corporate Services (Private) Limited
Secretaries



Coralie Pietersz
Chairperson



Amila Jayasinghe
CEO/Managing Director

07th March 2024

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 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 audit of such Statements readily and properly.

The Financial Statements comprise:

- Statement of Profit or Loss and Other Comprehensive Income, which presents a true and fair view of the financial performance of the Company for the financial year;
- Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year;
- Statement of Changes in Equity, Statement of Cash Flow and Material Accounting Policies, and other explanatory notes.

The Directors are required to confirm that the Financial Statements have been prepared:

- using appropriate accounting policies which have been selected and applied on a consistent basis and material departures, if any, are disclosed and explained, and

- in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected, and
- providing the information required by, and otherwise comply with, the Companies Act No. 7 of 2007, and the Listing Rules of the Colombo Stock Exchange,
- 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 Financial Statements following a review and recommendation by the Audit Committee, and
- accepting the responsibility for the integrity and objectivity of the Financial Statements presented in the 2023 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 on a going concern basis. These Financial Statements have been prepared on that basis.

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 prevent and detect fraud and other irregularities.

The Directors have provided the Auditors with every opportunity to carry out any review 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 No. 7 of 2007, the Directors have prepared this Annual Report in time and ensured that the soft copy is published in the websites of the Company and the Colombo Stock Exchange. The Directors have taken the necessary steps to deliver a hard copy to shareholders who express 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 30 to the Financial Statements covering contingent liabilities.

By Order of the Board



Corporate Services (Private) Limited

Secretaries

07th March 2024

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 2023, and the statement of profit and 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 material accounting policies as set out on pages 46 to 89 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 2023, 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 *Auditor's 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 for professional Accountants 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 judgment, 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 3.13 (page 64) - accounting policy and Note 5 (financial statement disclosures) of the financial statements

The revenue of the Company for the year ended 31st December 2023 was Rs. 1,623 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"> Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key controls in respect of the Company's revenue recognition process.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C. P. Jayatilake FCA
Ms. S. Joseph FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

T. J. S. Rajakarier FCA
W. K. D. C. Abeyrathne FCA
R.M.D.B. Rajjapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

W. W. J. C. Perera FCA
S. T. D. L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. G.T.K.N. Penera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTI

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 have been transferred to the customers and recognised in the 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. • Comparing on a sample basis, specific revenue transactions recorded before and after the financial year end date within underlying bill of lading and/or invoices to assess whether the related revenue had been recorded in the correct accounting period. • Assessing the adequacy of financial statements disclosures.

Carrying Value of Inventories - Refer to Note 3.7 (page 62) - accounting policy and Note 15 (financial statement disclosures) of the financial statements. The Company carried inventories of Rs. 372 Million as at 31st December 2023 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 judgment, particularly with regards 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"> • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key controls management has established to manage inventories including purchases, issuing inventories and holding of inventories. • Assessing the valuation of inventories as at the reporting date, inventory levels, including assessing the reasonability of judgment/ 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 and in accordance with the requirement of relevant accounting standards. • On a sample basis, comparing the carrying amounts of the Company's inventories with net realization value of those inventories subsequent to the end of reporting period. • On a sample basis, assessing the existence of inventories through physical verification as at year end. • On a sample basis, assessing whether items in the inventory ageing report were classified within the appropriate ageing buckets with the support of IT Audit Specialist.

INDEPENDENT AUDITORS' REPORT



Accounting for capitalisation of exploration, evaluation and development cost - Refer to Note 3.5 (page 57) - accounting policy and Note 12 (financial statement disclosures) of the financial statements.

As at reporting date, total exploration, evaluation and development cost, capitalised under Property, Plant and Equipment and Intangible Assets amounted to Rs. 33.7 Million and Rs. 164.5 million respectively.

Risk Description	Our Audit Responses
<p>Capitalization of costs incurred on exploration and evaluation of potential mineral resources under Intangible Assets, transfer of such costs to Construction work in Progress under Property, Plant and Equipment when commercially recoverable reserves are determined and approval are obtained and finally transfer to Mining Assets under Property, Plant and Equipment on completion of development and commencement of production involves judgment and estimates.</p> <p>This area is a key audit matter due to the significant judgment involved in capitalisation of cost incurred on exploration and evaluation of potential mineral resources and transfer of such cost 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 the underlying supporting documents 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. • Obtaining a status report from internal geologist specialist to understand the status of the ongoing exploration projects and assess the projects are based on reasonable assessment of the existence of economically recoverable reserves. • Assessing the competency and qualification 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 auditor's report there on.

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

INDEPENDENT AUDITORS' REPORT



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 auditor's 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 judgment and maintain professional skepticism 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 override 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 auditor's 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 auditor's 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

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.

INDEPENDENT AUDITORS' REPORT



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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 auditor's 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. 07 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.

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

A handwritten signature in black ink, appearing to be 'Kumudu', written over a faint, illegible printed name.

Colombo, Sri Lanka
07th March 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31st December

	Note	2023 Rs.	2022 Rs.
Revenue	5	1,623,085,458	1,699,944,048
Cost of sales		(927,582,024)	(794,972,718)
Gross profit		695,503,434	904,971,330
Other income	6	3,330,491	2,965,048
Net exchange gain/ (loss)		(76,427,641)	293,317,990
Administrative expenses		(172,693,335)	(144,074,438)
Selling and distribution expenses		(225,009,645)	(267,880,602)
Profit from operations	7	224,703,304	789,299,328
Finance income		17,859,068	18,184,240
Finance expense		(617,107)	(808,840)
Net finance income	8	17,241,961	17,375,400
Profit before tax		241,945,265	806,674,728
Income tax expense	9	(86,629,392)	(142,339,439)
Profit for the year		155,315,873	664,335,289
Other comprehensive income for the year			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit liability	22.2.2	10,968,915	(10,878,165)
- Related tax	9.2	(3,290,674)	3,263,449
Revaluation of freehold land	11	5,088,000	-
- Related tax	9.2	(1,526,400)	-
Deferred tax on revaluation surplus as freehold land	9.2	-	(1,903,407)
Other comprehensive income/ (expense) for the year, net of tax		11,239,841	(9,518,123)
Total comprehensive income for the year		166,555,714	654,817,166
Basic earnings per share (Rs.)	10	1.64	7.02

The notes to the Financial Statements on pages 50 to 89 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st December

	Note	2023 Rs.	2022 Rs.
Assets			
Property, plant and equipment	11	381,819,642	315,160,814
Intangible assets	12	167,377,531	137,410,622
Consumable biological assets	13	6,639,483	6,639,483
Other financial assets	14	322,916	945,530
Non-current assets		556,159,572	460,156,449
Inventories	15	372,078,489	372,191,784
Trade and other receivables	16	191,893,220	165,042,032
Advance and prepayments		25,936,520	23,631,143
Other financial assets	14	1,919,640	3,481,710
Cash and cash equivalents	17	828,346,441	829,078,866
Current assets		1,420,174,310	1,393,425,535
Total assets		1,976,333,882	1,853,581,984
Equity			
Stated capital	18	102,074,201	102,074,201
Reserves	19	11,889,009	8,327,409
Retained earnings		1,570,100,264	1,407,106,150
Total equity		1,684,063,474	1,517,507,760
Liabilities			
Loans and borrowings	20	-	2,008,882
Provision for restoration	21	2,192,874	1,984,501
Employee benefits	22	101,148,828	93,431,430
Deferred tax liabilities	23	9,123,262	10,607,749
Non-current liabilities		112,464,964	108,032,562
Trade and other payables	24	116,389,847	123,072,800
Current Tax Liabilities	25	61,406,715	102,684,280
Loans and borrowings	20	2,008,882	2,284,582
Current liabilities		179,805,444	228,041,662
Total liabilities		292,270,408	336,074,224
Total equity and liabilities		1,976,333,882	1,853,581,984

The notes to the Financial Statements on pages 50 to 89 form an integral part of these Financial Statements.

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



Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved for and on behalf of the Board of Directors:



Director

07th March 2024
Colombo



Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31st December

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 st January 2022	102,074,201	10,230,816	750,385,577	862,690,594
Profit for the year	-	-	664,335,289	664,335,289
Other comprehensive income, net of income tax				
- Actuarial loss on defined benefit plan, net of tax	-	-	(7,614,716)	(7,614,716)
- Deferred tax on revaluation surplus as freehold land	-	(1,903,407)	-	(1,903,407)
Total comprehensive income for the year	-	(1,903,407)	656,720,573	654,817,166
Balance as at 31 st December 2022	102,074,201	8,327,409	1,407,106,150	1,517,507,760
Balance as at 01 st January 2023	102,074,201	8,327,409	1,407,106,150	1,517,507,760
Profit for the year	-	-	155,315,873	155,315,873
Other comprehensive income, net of income tax				
- Actuarial gain/(loss) on defined benefit plan, net of tax	-	-	7,678,241	7,678,241
Revaluation gain on freehold land net of deferred tax	-	3,561,600	-	3,561,600
Total comprehensive income for the year	-	3,561,600	162,994,114	166,555,714
Balance as at 31st December 2023	102,074,201	11,889,009	1,570,100,264	1,684,063,474

The notes to the Financial Statements on pages 50 to 89 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

Year ended 31st December

	Note	2023 Rs.	2022 Rs.
Cash flows from operating activities			
Profit before taxation		241,945,265	806,674,728
Adjustments for:			
Depreciation of property, plant and equipment	11	39,845,218	37,873,100
Amortization of intangible assets	12	1,725,878	575,293
Gain on sale of property, plant and equipment	6	(902,063)	(911,604)
Interest expense	8	617,107	808,840
Interest income	8	(17,859,068)	(18,184,240)
Provision for slow moving inventories	15.1	352,555	2,024,095
Property, plant and equipment written off	11	-	128,200
Provision for employee benefits	22	22,831,008	14,081,109
Changes in working capital			
Inventories		(239,260)	(256,986,804)
Trade and other receivables		(26,851,188)	(1,279,225)
Advance and prepayments		(2,305,377)	(16,676,012)
Other financial assets		2,184,684	5,340,447
Trade and other payables		(6,682,953)	36,212,916
Cash generated from operating activities			
		254,661,806	609,680,843
Current taxes paid	25	(133,396,996)	(62,962,156)
Gratuity paid	22	(4,144,695)	(5,782,761)
Net cash generated from operating activities			
		117,120,115	540,935,926
Cash flows from investing activities			
Interest received		17,047,546	18,184,252
Proceeds from sale of property, plant and equipment		1,329,130	911,604
Acquisition of property, plant and equipment	11	(101,843,113)	(77,727,322)
Acquisition of intangible assets	12	(31,692,787)	(34,584,365)
Net cash used in investing activities			
		(115,159,224)	(93,215,831)
Cash flows from financing activities			
Repayment of lease liabilities	20	(2,693,316)	(9,172,176)
Net cash used in financing activities			
		(2,693,316)	(9,172,176)
Net (decrease)/increase in cash and cash equivalents			
		(732,425)	438,547,919
Cash and cash equivalents at 01 st January 2023	17	829,078,866	390,530,947
Cash and cash equivalents at 31st December 2023	17	828,346,441	829,078,866

The notes to the Financial Statements on pages 50 to 89 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

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

1.2 Principal activities and nature of operations

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

1.3 Parent enterprise and Ultimate parent enterprise

The Company's parent and ultimate parent is Graphit Kropfmuhl GmbH and AMG Critical Materials N.V respectively.

The number of persons employed by the Company as at 31st December 2023 was 158 (2022 – 167).

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 accrual basis of accounting.

2.2 Responsibility for Financial Statements

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

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

These Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review. Refer page 46;
- a Statement of Financial Position providing the information on the financial position of the Company as at the year-end. Refer page 47;
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company. Refer page 48;
- a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer page 49.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information. Refer pages 50 to 89.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements for year ended 31st December 2023 were authorised for issue by the Company's Board of Directors on 07th March 2024.

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:

NOTES TO THE FINANCIAL STATEMENTS

Items	Basis of Measurement	Note No.
Freehold Land	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation.	11
Provision for Restoration cost	Present Value of estimated cost	21
Lease liability	Present Value of future cashflows	20
Net Defined Benefit Obligation	Measured at the present value of the defined benefit obligation.	22

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' and amendments to the LKAS 1 on 'Disclosure Initiative'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

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 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 permits or 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 they are impractical and immaterial.

2.9 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Accordingly, these Financial Statements are presented in Sri Lankan Rupees (LKR), the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

There was no change in the Company's presentation and functional currency during the year under review.

2.10 Use of judgments and estimates

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

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

a. Judgments

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

b. 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 2023 is included in the following notes:

Note 3.2	revaluation of freehold land and useful lives of PPE
Note 3.12	measurement of defined benefit obligations: key actuarial assumptions
Note 3.14.2	recognition of deferred tax assets
Note 3.11	estimation of provision for restoration cost
Note 3.15	recognition and measurement of provisions and contingencies

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.

NOTES TO THE FINANCIAL STATEMENTS

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.12 Changes in material accounting policies

a. Material accounting policy information

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

3. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves.

Certain comparative amounts in the statement of profit or loss and OCI and statement of financial position have been restated, as a result of a policy changed (note 33).

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 equity instruments at FVOCI, 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 Property, plant, and equipment

a) Basis of recognition

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

NOTES TO THE FINANCIAL STATEMENTS

b) 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.

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.

c) Cost model

Property, plant, and equipment 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.

d) 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.

e) Subsequent costs

When significant parts of a 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 accordingly. Ongoing repair and maintenance costs are expensed as incurred.

f) De-recognition

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.

g) 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:

NOTES TO THE FINANCIAL STATEMENTS

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	3-5
Motor vehicles	4 -5
Right-of-use asset – Motor Vehicle	over the lease period
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.

h) 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.

i) 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.

j) 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 the mine development.

b) Exploration, evaluation and development expenditures

When commercially recoverable reserves are determined, and such development receives the appropriate approvals, exploration and evaluation expenditures are transferred to Construction in Progress under Property, Plant, and Equipment. Upon completion of development and commencement of production, 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 five to twenty 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.

k) Restoration cost

The mining land is expected to be restored after 43 years as the resources can be extracted over the particular period. Refer note 3.11 page 63 for details.

3.3 Leases

At 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:

NOTES TO THE FINANCIAL STATEMENTS

- 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 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 note 3.2). In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements 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, and 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.

NOTES TO THE FINANCIAL STATEMENTS

The lease liability is measured at amortised cost using the effective interest method. It is re-measured 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.

3.4 Biological assets

Biological assets are classified as Consumable biological assets. Consumable biological assets include managed timber trees that are to be sold as biological assets.

Biological assets are further classified into mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications.

Recognition and Measurement

The Company recognises the Biological assets when, and only when, the entity controls the assets as a result of past events. It is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of reporting date.

The managed timber trees are measured on initial recognition and at the end of each reporting period at cost in terms of LKAS 41 - Agriculture. The cost is treated as approximation to fair value of young plants (age below five years) as the impact on biological transformation of such plants to price during this period is immaterial.

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, 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, 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

Amortisation

Amortisation is calculated to write off the cost of intangible asset less their estimated residual values using the straight-line method over its 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 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; 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 of 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:

NOTES TO THE FINANCIAL STATEMENTS

- 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 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 sole 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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 expire. 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

Impairment policy

Non-derivative financial assets - Financial instruments and contract assets

Loss allowances for local trade receivables are always measured at an amount equal to lifetime 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 twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve 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;
- probability that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market or a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

For areas not yet in production, any mineral rights acquired, together with subsequent capitalised exploration and evaluation expenditure, are regularly reviewed to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Once the technical feasibility and commercial viability of the extraction of mineral in an area of interest are demonstrated, exploration and evaluation assets attributable to that area of interest are tested for impairment if indication available.

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.

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 Stated Capital

As per the Companies Act No 07 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.

3.10 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.

3.11 Provision for restoration cost

The amount presented in the financial statement 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 incur 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 assumption used in estimating the amount presented is mentioned in Note 21 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 3.2.

3.12 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 as per the respective statutes. These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognised in Profit or Loss as incurred.

Defined benefit obligation

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognised gains and losses on the settlement on defined benefit plan when the settlement occurs.

The liability is not externally funded.

NOTES TO THE FINANCIAL STATEMENTS

3.13 Revenue

3.13.1 Revenue recognition

Revenue from Contract with Customers

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 the customer.

SLFRS 15 establishes a comprehensive framework for determining 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.

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.

3.14 Income tax expense

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the Statement of Comprehensive Income or Statement of Changes in Equity in which case it is recognised directly in the respective statements.

The Company determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.14.1 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. 45 of 2022 and amendments thereto, at the rates specified in Note 09 on page 69. 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'.

3.14.2 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

3.14.3 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 that 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.

3.15 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 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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 and dividends received are 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 Cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning on or after 01st January 2024 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

A. Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1)

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 01st January 2023. However, the IASB has subsequently proposed further amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 01st January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Company is closely monitoring the developments.

B. Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 01st January 2024.

C. Other accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the financial statements.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

	2023 Rs.	2022 Rs.
5. REVENUE		
The Company generates revenue primarily from the sales of graphite and lubricants.		
5.1 Revenue from Contracts with Customers		
Export sales	1,612,317,725	1,683,649,549
Local sales	10,767,733	16,294,499
	1,623,085,458	1,699,944,048
5.2 Timing of Revenue Recognition		
Products & services transferred at a point in time	1,623,085,458	1,699,944,048
	1,623,085,458	1,699,944,048
6. OTHER INCOME		
Income from sales of obsolete items	1,318,533	601,937
Gain from disposal of property, plant and equipment	902,063	911,604
Miscellaneous income (Note 6.1)	1,064,895	1,436,372
Estate income (Note 6.2)	45,000	15,135
	3,330,491	2,965,048

6.1 Miscellaneous income mainly consists of tower rental income (Mobitel & Dialog) and income received from sale of discarded stone.

6.2 Estate income includes mainly two sources of income which are generated from selling trees in the mining area (risk area trees) and cinnamon cultivation income.

7. PROFIT FROM OPERATIONS

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

	2023 Rs.	2022 Rs.
Directors' remuneration	69,608,618	54,869,980
Auditor's remuneration		
Audit and audit related fees	1,158,500	1,025,000
Professional charges	2,494,367	2,524,682
Depreciation of property, plant and equipment (note 11)	39,845,218	37,873,100
Amortization of intangible assets (note 12)	1,725,878	575,293
Impairment Provision for Inventories (note 15.1)	352,555	2,024,095
Royalty charges (note 7.1)	111,484,878	82,427,117
Technical service fees (note 7.2)	81,154,273	84,997,202
Donations	2,947,583	1,927,349
Legal charges	2,511,500	1,494,023
Death compensation cost (note 7.3)	900,000	460,000
Staff costs (note 7.4)	328,793,097	287,912,572

7.1 Royalty charges are paid to GSMB (Geological Survey and Mines Bureau) on Graphite sales at 9% and 7% for export and local sales respectively.

7.2 Technical service fees are 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 28 January 2017. Consequently, the Company decided to pay the salary of the deceased employee until his retirement age to the

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

7. PROFIT FROM OPERATIONS (Cont.)

aggrieved family on a monthly basis. Accordingly, a provision of Rs. 9.9 Mn 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.

7.4 Staff costs

Salaries and wages	
Defined contribution plan cost - EPF and ETF	
Defined benefit plan cost - retiring gratuity (note 22.2.1)	
Performance bonuses	
Overtime	
Other staff expenses	

2023	2022
Rs.	Rs.
195,314,030	172,427,723
33,207,796	29,356,959
22,831,008	14,081,109
25,530,888	30,026,000
8,268,273	8,004,828
43,641,102	34,015,953
328,793,097	287,912,572

Staff costs reported above include benefits paid to the Executive Directors during the year as disclosed in note 26.

8. NET FINANCE INCOME

8.1 Finance income

Interest income from staff loans	
Interest income from savings deposits	

Total Finance income

8.2 Finance expense

Interest expense on Mine Restoration Provision	
Interest expense on lease liabilities	

Total Finance expense

Net finance income recognised in profit or loss

2023	2022
Rs.	Rs.
268,566	587,162
17,590,502	17,597,078
17,859,068	18,184,240
(208,373)	(132,965)
(408,734)	(675,875)
(617,107)	(808,840)
17,241,961	17,375,400

9 INCOME TAX EXPENSE

9.1 Amounts recognised in Profit or Loss

Current tax expense

Income tax on current year's profits (note 9.3)	
Income tax (over)/ under provision for prior years	

Deferred tax expense

(Origination)/ Reversal of Deferred Tax Assets	
Origination/ (Reversal) of Deferred Tax Liability	
Increment of Tax Rate	

Total income tax expense recognised in Profit or Loss

2023	2022
Rs.	Rs.
94,496,051	138,462,738
(1,565,098)	(396,791)
92,930,953	138,065,947
(5,702,667)	(1,287,134)
(598,894)	(1,329,450)
-	6,890,076
(6,301,561)	4,273,492
86,629,392	142,339,439

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

9. INCOME TAX EXPENSE (Cont.)

9.2 Amounts recognised in OCI

	2023 Rs.	2022 Rs.
Deferred tax (origination)/ reversal on Remeasurement of defined benefit liability	(3,290,674)	3,263,449
Deferred tax on revaluation surplus of freehold land	(1,526,400)	-
Deferred tax on revaluation surplus of freehold land due to rate change	-	(1,903,407)

(4,817,074) **1,360,042**

9.3 Reconciliation of accounting profit to income tax expense

Accounting profit before tax from continuing operations	241,945,265	806,674,728
Aggregated other source of income	(1,367,776)	(6,080,030)
Aggregated other source of exempt amount	-	(179,919,854)
Aggregated disallowable expenses	114,999,470	77,760,655
Aggregated allowable expenses	(40,590,122)	(50,023,754)

Total Taxable Income

314,986,837 **648,411,745**

Statutory tax rate

- Tax rate 14% (on export income)	-	48,521,520
- Tax rate 18% (on manufacturing income)	-	876,905
- Tax rate 24% (on balance taxable income)	-	92,067
- Tax rate 30% (on balance taxable income)	94,496,051	88,972,246

Total Current tax expense

94,496,051 **138,462,738**

9.4 Applicable income tax rates as per the Department of Inland Revenue

In accordance with the provisions of the Inland Revenue (Amendment) Act No 45 of 2022, the Company is liable for Income Tax at the rate of 30% on its taxable income.

10 EARNINGS PER SHARE

10.1 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.

	2023	2022
Profit attributable to ordinary shareholders (Rs.)	155,315,873	664,335,289
Weighted average number of ordinary shares	94,632,904	94,632,904
Basic earnings per share (Rs.)	1.64	7.02

10.2 Diluted earnings per share

There were no potentially diluted ordinary shares as at 31st December 2023 and there have been no transactions involving ordinary shares or potential ordinary shares at the reporting date which would

require restatement of EPS. Therefore, diluted Earnings Per Share is the same as Basic Earnings Per Share shown above.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

11. PROPERTY, PLANT, AND EQUIPMENT

In Rs.	Freehold Land		Buildings on freehold land		Road development		Access tunnels/ Mining assets		Plant and machinery		Other equipment		Office equipment and fittings		Furniture and fittings		Computer equipment		Motor vehicles		Right-of-Use Asset Machinery		Capital WIP		Total 2023		Total 2022			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Cost																														
Cost																														
Balance as at 1 st January	17600,000	88,060,338	15,103,704	179,575,423	346,466,648	73,158,054	10,366,437	2,385,472	16,642,689	50,147,353	20,561,544	44,311,061	8,565,333	872,944,056	798,753,879															
Additions during the year	-	-	-	-	6,289,475	5,624,963	-	-	3,098,000	1,757,190	-	27,614,364	57,459,121	101,843,113	77,727,322															
Disposals during the year	-	(1,232,016)	-	-	(3,806,287)	-	(6,700)	(24,888)	-	(362,482)	-	-	-	(5,434,373)	(2,544,110)															
Transfers from CWP - Others	-	13,911,868	2,089,410	38,257,110	16,117,729	6,003,028	-	-	-	-	-	(38,257,110)	38,122,035)	-	-															
Revaluation surplus	5,088,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-															
Restoration cost capitalised (note 21)	-	-	-	-	(4,667,737)	(2,236,808)	(1,943,983)	(82,278)	(5,070,729)	-	-	-	-	(14,001,535)	585,201															
Write-off during the year	-	-	-	-	-	-	8,413,754	2,278,306	14,669,960	51,542,061	20,561,544	33,668,315	27,902,419	960,439,261	872,944,056															
Balance as at 31st December	22,688,000	100,740,190	17,193,114	217,832,533	360,399,828	82,549,237	8,413,754	2,278,306	14,669,960	51,542,061	20,561,544	33,668,315	27,902,419	960,439,261	872,944,056															
Accumulated depreciation and impairment losses																														
Balance as at 1 st January	-	32,913,062	10,201,163	126,059,049	260,084,217	51,641,767	9,456,276	2,385,232	6,225,130	38,255,802	20,561,544	-	-	557,783,242	518,731,852															
Depreciation charged to profit or loss	-	3,125,580	1,057,239	7,238,042	15,701,408	4,052,116	231,316	-	2,246,236	6,187,281	-	-	-	39,845,218	37,873,100															
Depreciation capitalised to exploration and evaluation asset (note 11.7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-															
Disposals during the year	-	(804,949)	-	-	(3,806,287)	-	(6,700)	(24,888)	-	(362,482)	-	-	-	(5,007,306)	(2,544,110)															
Write-off during the year	-	-	-	-	(4,667,737)	(2,236,808)	(1,943,983)	(82,278)	(5,070,729)	-	-	-	-	(14,001,535)	(1,450,036)															
Balance as at 31st December Carrying amount	-	35,233,693	11,258,402	133,297,091	267,317,601	53,457,075	7,734,909	2,278,066	3,400,637	44,080,601	20,561,544	-	-	578,619,619	557,783,242															
Balance as at 31 st December 2023	22,688,000	65,506,497	5,934,712	84,535,442	93,082,227	29,092,162	678,845	240	11,269,323	7,461,460	-	33,668,315	27,902,419	381,819,642																
Balance as at 31 st December 2022	17,600,000	55,147,276	4,902,541	53,516,374	86,382,431	21,516,287	910,161	240	10,417,559	11,891,551	-	44,311,061	8,565,333	315,160,814																

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

11. PROPERTY, PLANT, AND EQUIPMENT (CONT.)

11.1 Revaluation of freehold land

Freehold land was revalued as at 31st December 2023 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 alternative

use basis without considering mineral deposits and under ground works.

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

Location	Extent	Cost Rs.	Freehold land revalued Rs.	Price per perch Rs.	Pledged	No. of buildings
Welathuduwa village, Kotiyakumbura	13.2268 hectares	5,703,702	11,996,000	170,000 - 375,000	No	47
Welathuduwa village, Kotiyakumbura	9.7159 hectares		6,192,000	220,000 - 800,000	No	
Kendawa village, Bulathkohupitiya	7.2361 hectares		4,500,000	200,000 - 250,000	No	4
		5,703,702	22,688,000			

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

fair value measurement to changes in significant unobservable inputs is 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 measurement 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 3.2 (j) (b), the Company has capitalised Rs. 33.7 Mn relating to major drilling program in Bogala under the Capital WIP - Mining cost. The results of the drilling program data was then used to calculate the estimated resources by internal Geologist and development of commercial production was approved. Cost amounting to Rs. 27.6 Mn was incurred on development activities which includes activities related to the preparation of mine before commencement of extraction of graphite.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

11.2.1 Capital WIP -Other

Capital work in progress - Other represents the amount of expenditure recognised under property, plant and equipment during the construction of Buildings on freehold land.

11.3 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. 308,872,291/- as at 31st December 2023. (2022 - Rs. 297,834,559/-).

11.4 Permanent fall in value of property, plant, and equipment

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

11.5 Title restriction on property, plant, and equipment

No restrictions existing on the title to the property, plant and equipment of the Company as at the reporting date.

11.6 Assets pledged as collaterals

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

11.7 Right of use asset

The right of use asset relating to the machinery which is used for the drilling programs was recognised on 01st January 2019, with associated depreciation expense capitalised within the exploration and evaluation expenditures classified as intangible assets. At the expiration of the lease agreement on 31st December 2022, and in consideration of the subsequent short-term (9-month) renewal, the ROU asset was not re-recorded in accordance with SLFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

	Software and licenses Rs.	Exploration and Evaluation Expenditure Rs.	Total 2023 Rs.	Total 2022 Rs.
12. INTANGIBLE ASSETS				
Cost				
Balance as at 01 st January	13,415,963	132,808,280	146,224,243	106,195,411
Additions during the year (note 12.1)	-	31,692,787	31,692,787	34,584,365
Interest expense capitalised (note 20.1)	-	-	-	272,043
Write off during the year	(2,047,048)	-	(2,047,048)	-
Depreciation charge capitalised (note 11.7)	-	-	-	5,172,424
Balance as at 31 st December	11,368,915	164,501,067	175,869,982	146,224,243
Accumulated Amortization				
Balance as at 01 st January	8,813,621	-	8,813,621	8,238,328
Charge of the year	1,725,878	-	1,725,878	575,293
Write off during the year	(2,047,048)	-	(2,047,048)	-
Balance as at 31 st December	8,492,451	-	8,492,451	8,813,621
Carrying value as at 31st December	2,876,464	164,501,067	167,377,531	137,410,622

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, Pankohena mine, and the Pankohena abandoned area which are owned by the

Company. The Company completed its exploration programs during the year and evaluated the technical and commercial viability of the projects for which the company is awaiting necessary approvals for the development.

13. CONSUMABLE BIOLOGICAL ASSETS

13.1 Immature plantations

Cost:

Balance as at 01st January
Balance as at 31st December

	2023 Rs.	2022 Rs.
Balance as at 01 st January	6,639,483	6,639,483
Balance as at 31 st December	6,639,483	6,639,483

13.1.1 The managed trees which are less than five (05) years old are considered to be immature consumable biological assets.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

14. OTHER FINANCIAL ASSETS

Loans to Company Officers

	2023 Rs.	2022 Rs.
Loans to Company Officers	2,242,556	4,427,240

14.1 The movement of loans are as follows;

Balance as at 01st January
Loans granted during the year
Loan repayments during the year

Balance as at 01 st January	4,427,240	9,767,687
Loans granted during the year	5,090,000	4,338,976
Loan repayments during the year	(7,274,684)	(9,679,423)
Balance as at 31st December	2,242,556	4,427,240
Non-current	322,916	945,530
Current	1,919,640	3,481,710
	2,242,556	4,427,240

Balance as at 31st December

Non-current
Current

14.1.1 The Company charged interest at 10% on receivable balances from Loans to Company Officers. These balances are payable in installments together with the interest.

15. INVENTORIES

Raw materials - Lubricants
Raw materials - Graphite
Work-In-Progress - Graphite
Finished goods - Graphite
Consumables and spares

	2023 Rs.	2022 Rs.
Raw materials - Lubricants	69,676,384	120,333,973
Raw materials - Graphite	110,929,516	84,963,457
Work-In-Progress - Graphite	59,736,764	31,075,770
Finished goods - Graphite	35,922,012	21,977,744
Consumables and spares	100,885,963	102,139,682
	377,150,639	360,490,626
Impairment for slow moving stocks (note 15.1)	(5,072,150)	(4,719,595)
	372,078,489	355,771,031
Goods-in-transit	-	16,420,753
	372,078,489	372,191,784

15.1 Impairment for slow-moving stocks

Balance as at 01st January
Provision for the year

Balance as at 31st December

Balance as at 01 st January	4,719,595	2,695,500
Provision for the year	352,555	2,024,095
	5,072,150	4,719,595

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

	2023 Rs.	2022 Rs.
16. TRADE AND OTHER RECEIVABLES		
Trade receivables	168,946,162	119,438,228
Trade receivables due from related companies (note 26)	-	17,947,400
Total trade receivables (note 16.1)	168,946,162	137,385,628
VAT receivables	21,847,715	26,913,666
Other receivables	1,099,343	742,738
	191,893,220	165,042,032

16.1 Age analysis of total trade receivables

Neither past due nor impaired	168,800,142	131,066,289
Past due but not impaired		
0-30 days	146,020	-
31-60 days	-	-
61-90 days	-	-
Over 90 days	-	6,319,339
	168,946,162	137,385,628

17. CASH AND CASH EQUIVALENTS

Cash in hand	435,177	351,294
Cash at bank	827,911,264	828,727,572
Cash and cash equivalents per statement of cash flows	828,346,441	829,078,866

	2023		2022	
	Number	Rs.	Number	Rs.
18. 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

The Company does not have a par value for its shares.

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. No dividend were declared during the year (2022- Nil).

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

19. RESERVES

Revaluation reserve

19.1 The movement is as follows:

Balance as at 01st January

Revaluation surplus of freehold land net of deferred tax

Deferred tax on revaluation surplus as freehold land due to change of tax rate

Balance as at 31st December

	2023 Rs.	2022 Rs.
	11,889,009	8,327,409
Balance as at 01 st January	8,327,409	10,230,816
Revaluation surplus of freehold land net of deferred tax	3,561,600	-
Deferred tax on revaluation surplus as freehold land due to change of tax rate	-	(1,903,407)
Balance as at 31 st December	11,889,009	8,327,409

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

based on its policy. It will be ultimately utilised when freehold land is sold.

20. LOANS AND BORROWINGS

Non-current

Lease Liability (note 20.1)

Current

Lease Liability (note 20.1)

	2023 Rs.	2022 Rs.
Lease Liability (note 20.1)	-	2,008,882
	-	2,008,882
Lease Liability (note 20.1)	2,008,882	2,284,582
	2,008,882	2,284,582
	2,008,882	4,293,464

20.1 Lease liabilities

Balance as at 01st January

Interest expense recognised in finance expense

Interest expense capitalised (note 20.1.1)

Repayment during the year

Balance as at 31st December

Balance as at 01 st January	4,293,464	12,517,722
Interest expense recognised in finance expense	408,734	675,875
Interest expense capitalised (note 20.1.1)	-	272,043
Repayment during the year	(2,693,316)	(9,172,176)
Balance as at 31 st December	2,008,882	4,293,464

20.1.1 The interest charge on lease liability relating to drilling machinery has been capitalised in exploration and evaluation expenditure under Intangible Asset. At the expiration of the lease agreement on 31st December 2022, and in consideration of the subsequent short-term (9-month) renewal, the ROU asset was not re-recorded in accordance with SLFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

20.1.2 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.

20.1.3 Undiscounted lease cash flow

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

	2023 Rs.	2022 Rs.
Less than one year	2,120,185	2,693,316
One to two years	-	2,120,185
Total	2,120,185	4,813,501

20.1.4 Amounts recognised in statement of profit or loss

Interest expense recognised in finance expense

408,734	675,875
408,734	675,875

20.1.5 Amounts recognised in statement of cash flows

Repayment during the year

2,693,316	9,172,176
2,693,316	9,172,176

21. PROVISION FOR RESTORATION

Balance at 01st January
 Provision made during the year
 Interest expense charged during the year
Balance as at 31st December

	2023 Rs.	2022 Rs.
1,984,501	1,266,335	
-	585,201	
208,373	132,965	
2,192,874	1,984,501	

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 44 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 added and included in the estimate to continue the plan for the next 43 years. The plan will be rolled forward until the earliest date of the resources being completely extracted in the particular property or the company actually incurs cost on restoration and completes its restoration activities.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

21. PROVISION FOR RESTORATION (CONT.)

The following assumptions and data were used in estimating the provision for restoration as at 31st December 2023.

	2023	2022
Discount Rate	10.5%	10.5%
Average Inflation Rate (based on available public information)	19.83%	49.93%

21.1 Sensitivity analysis

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

	2023		2022	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Discount rate	(816,039)	751,774	(661,425)	1,003,071
Inflation Rate	852,628	(871,451)	482,451	(904,576)

22. EMPLOYEE BENEFITS

22.1 Defined contribution plans

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

	2023 Rs.	2022 Rs.
Employees' Provident Fund		
Employers' contribution	28,223,793	23,485,573
Employees' contribution	23,519,819	19,571,310
Employees' Trust Fund	7,055,939	5,871,386

22.2 Defined benefit plan

Balance as at 01 st January	93,431,430	74,254,917
Provision recognised during the year (note 22.2.1)	22,831,008	14,081,109
Actuarial (gain)/ loss during the year (note 22.2.2)	(10,968,915)	10,878,165
	105,293,523	99,214,191
Payments made during the year	(4,144,695)	(5,782,761)
Balance as at 31 st December	101,148,828	93,431,430

22.2.1 Amounts recognised in the profit or loss

Current service cost	5,546,193	6,284,343
Interest on obligation	17,284,815	7,796,766
	22,831,008	14,081,109

22.2.2 Amounts recognised in the other comprehensive income

Actuarial (Gain)/Loss for the year	(10,968,915)	10,878,165
	(10,968,915)	10,878,165

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

22. EMPLOYEE BENEFITS (CONT.)

The provision for retirement benefits obligations as at 31st December 2023 is based on the actuarial valuation carried out by Independent professionally qualified actuaries, Mr. M.Poopalanathan, AIA of Messers Actuarial and Management Consultants (Pvt) Ltd, a

firm of professional actuaries, using the "Projected Unit Credit" (PUC) method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

22.2.3 Actuarial assumptions

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

	2023	2022
Discount rate	12%	18.5%
Salary increment rate	8% - 10%	15%
Staff turnover rate	4%	1%
Weighted average retirement age	7.5 years	9.69 years

The gratuity liability is not externally funded.

It is also assumed that the Company will continue in business as a going concern.;

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

Normal retirement age of an individual is assumed to be 60 years and employees over 60 years are assumed to retire on their next respective 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.

A Long term treasury bond rate 12% p.a. (2022 - 18.5%) was used to discount future liabilities taking in to considerative remaining working life of employees.

22.2.4 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

	2023		2022	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Discount rate	(6,512,771)	7,246,824	(7,260,181)	8,166,703
Salary increment rate	7,933,241	(7,213,296)	8,841,209	(7,941,296)

22.2.5 Maturity profile of the defined benefit obligation

	2023 Rs.	2022 Rs.
Within the next 12 months	6,763,725	1,763,685
Between 1-2 years	17,861,219	6,986,606
Between 2-5 years	11,554,542	15,479,228
Between 5-10 years	44,145,930	36,513,926
Beyond 10 years	20,823,412	32,687,985
	101,148,828	93,431,430

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

23. DEFERRED TAXATION

Deferred tax liabilities (note 23.1)

Deferred tax assets (note 23.2)

Net deferred tax liabilities

23.1 Deferred tax liabilities

Balance as at 01st January

Reversed during the year through profit or loss

Provision during the year - Other Comprehensive Income

Effect of change in tax rates charged to Profit or Loss

Effect of change in tax rates charged to OCI

Balance as at 31st December

23.2 Deferred tax assets

Balance as at 01st January

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

Provision / (Reversal) during the year - Other Comprehensive Income

Effect of change in tax rates charged to Profit or Loss

Balance as at 31st December

23.3 Reconciliation of Deferred tax effect on temporary differences

Deferred tax assets and liabilities are attributable to the following:

	2023		2022	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Deferred tax liabilities				
Property, plant, and equipment	127,140,537	38,142,161	129,136,848	38,741,055
Revaluation of freehold land	16,984,298	5,095,289	11,896,298	3,568,889
Intangible assets	1,150,585	345,176	1,150,585	345,176
	145,275,419	43,582,626	142,183,731	42,655,120
Deferred tax assets				
Employee benefits	(101,148,828)	(30,344,648)	(93,431,430)	(28,029,429)
Provision for death compensation	(6,450,694)	(1,935,208)	(6,689,044)	(2,006,713)
Provision for restoration	(2,192,874)	(657,862)	(1,984,501)	(595,350)
Impairment provision for inventories	(5,072,150)	(1,521,646)	(4,719,595)	(1,415,879)
	(114,864,546)	(34,459,364)	(106,824,570)	(32,047,371)
Net deferred tax liabilities	30,410,873	9,123,262	35,359,161	10,607,749

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation

purposes based on the provision of the Inland Revenue Amendment act no 45 of 2022. The deferred tax liability is calculated at the rate of 30% (2022-30%) for the company as at 31st December 2023.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

	2023 Rs.	2022 Rs.
24. TRADE AND OTHER PAYABLES		
Trade payables - Others	22,644,531	21,503,822
Trade payables - Related companies (note 26.2)	2,393,231	35,839,052
	25,037,762	57,342,874
Other Payables - Related companies (note 26.2)	6,078,298	4,996,301
Sundry creditors	9,167,757	4,409,534
Accrued expenses	75,048,363	56,324,091
WHT Payable	1,057,667	-
	116,389,847	123,072,800
25. CURRENT TAX LIABILITIES		
Balance as at 01 st January	102,684,280	27,580,489
Provision for the year	94,496,051	138,462,738
Income tax over provision for prior years	(1,565,098)	(396,791)
Tax paid during the year	(133,396,996)	(62,962,156)
WHT set-off	(811,522)	-
Current tax liability	61,406,715	102,684,280

26. RELATED PARTY DISCLOSURES

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

26.1 Transactions with key management personnel

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.

26.1.1 Compensation to Key Management Personnel of the Company is as follows:

Year ended 31st December

	2023 Rs.	2022 Rs.
Short-term employee benefits		
Executive Directors - Emoluments	63,171,369	49,986,675
Non-Executive Directors - Fees and other benefits	6,437,249	4,883,305
	69,608,618	54,869,980
Post-employment benefits		
Executive Directors	7,005,094	7,959,475
Total compensation applicable to KMP	76,613,712	62,829,455

Accordingly, the Board of Directors of the Company have been classified as KMP.

Being the parent and ultimate undertaking, Graphite Kropfmuhl GmbH and AMG Critical Materials N.V respectively as noted in Note 1.3, the Board of Directors have the authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors of the parent company have also been classified as KMP.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

26. RELATED PARTY DISCLOSURES (CONT.) 26.2 Transactions with related companies

Nature of transaction	Name of the company and its relationship						Total	
	Parent		Affiliate				2023 Rs.	2022 Rs.
	2023 Rs.	2022 Rs.	Qingdao Kropfmuehl Graphite (Co.) 2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.		
Nature of recurrent transactions								
Balance receivable/(payable) as at 01st January	(22,887,954)	(594,063)	-	2,198,463	-	(22,887,954)	1,604,400	
Sale of goods/services	194,021,145	291,893,237	2,392,458	5,663,362	-	196,413,603	297,556,599	
Purchase of goods/services	(118,362,285)	(305,944,790)	-	(2,398,963)	-	(118,362,285)	(308,343,753)	
Finance cost (interest expenses)	-	(272,043)	-	-	-	-	(272,043)	
Technical service fee payments	(81,154,273)	(84,997,202)	-	-	-	(81,154,273)	(84,997,202)	
Expenses reimbursable from related companies	404,550	-	-	-	-	404,550	-	
Payment of rental on hired machinery	7,386,168	9,313,849	-	-	-	7,386,168	9,313,849	
Net settlements	1,212,120	70,548,046	(2,392,458)	(5,462,862)	-	9,728,662	65,085,184	
Net exchange loss	-	(2,834,988)	-	-	-	-	(2,834,988)	
Balance receivable/(payable) for recurrent transactions as at 31st December	(8,471,529)	(22,887,954)	-	-	-	(8,471,529)	(22,887,954)	
Nature of the non-recurrent transactions								
There are no Non-Recurrent Transactions	-	-	-	-	-	-	-	
Balance receivable/(payable) for non-recurrent transactions as at 31st December	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Balance receivable/(payable) for recurrent & non-recurrent transactions as at 31st December	(8,471,529)	(22,887,954)	-	-	-	(8,471,529)	(22,887,954)	
Above balance included in	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	Total - 2023 Rs.	Total - 2022 Rs.		
Trade receivables	-	17,947,400	-	-	-	17,947,400		
Trade payables	(2,393,231)	(35,839,052)	-	-	(2,393,231)	(35,839,052)		
Other payables	(6,078,298)	(4,996,302)	-	-	(6,078,298)	(4,996,302)		
Lease liability (SLFRS 16)	-	-	-	-	-	-		
	(8,471,529)	(22,887,954)	-	-	(8,471,529)	(22,887,954)		

26.2.1 Recurrent related party transactions

There were recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue of the Company as per audited Financial Statements. Details of significant related party disclosures are as follows,

Company	Relationship	Nature of Transactions	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as % of Revenue	Terms and Conditions of the Related Party Transaction
Graphite Kropfmuehl GmbH	Parent	Sale of goods/services	194,021,145	11.95%	Ordinary course of business

Total aggregated value of the sales made to Qingdao Kropfmuehl is 0.14% from the total revenue of the Company.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

26. RELATED PARTY DISCLOSURES (CONT.)

26.2.2 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per audited Financial Statements.

Terms and conditions:

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

The Company has not had any special transactions with Parent or Affiliate company which required specific agreement or arrangement to made, prior to such transactions, other than what is listed above.

27. 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 2023		31 st December 2022	
	Carrying value	Fair value	Carrying value	Fair value
	Rs.	Rs.	Rs.	Rs.
Assets carried at amortised cost				
Other financial assets	2,242,556	2,242,556	4,427,240	4,427,240
Trade receivables	168,946,162	168,946,162	137,385,628	137,385,628
	171,188,718	171,188,718	141,812,868	141,812,868
Cash and cash equivalents	828,346,441	828,346,441	829,078,866	829,078,866
	999,535,159	999,535,159	970,891,734	970,891,734
Liabilities carried at amortised cost				
Loans and borrowings	2,008,882	2,008,882	4,293,464	4,293,464
Trade payables	25,037,762	25,037,762	57,342,874	57,342,874
Other Payable -Related companies	6,078,298	6,078,298	4,996,301	4,996,301
	33,124,942	33,124,942	66,632,639	66,632,639

The carrying amount of cash and cash equivalents approximate the fair value due to the relatively short maturity of the financial instruments. This includes cash in hand 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.

28. FINANCIAL RISK MANAGEMENT

28.1 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

Introduction and overview

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

28.2 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.

As at 31st December,

Trade receivables
Other financial assets
Cash at bank

Trade 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 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

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

28.3 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.

28.3.1 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;

	2023 Rs.	2022 Rs.
Trade receivables	168,946,162	137,385,628
Other financial assets	2,242,556	4,427,240
Cash at bank	827,911,264	828,727,572
	999,099,982	970,540,440

references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of expected 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

28. FINANCIAL RISK MANAGEMENT (Cont.)

The maximum exposure to credit risk for trade receivables at the end of the reporting period by type of counterparty was as follows:

	2023 Rs.	2022 Rs.
Trade debtors - Export sales	168,800,142	119,438,228
Trade debtors - local sales	146,020	-
Trade debtors - related companies	-	17,947,400
	168,946,162	137,385,628

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

	2023 Rs.	2022 Rs.
EUR	278,784	151,859
LKR	146,020	-
USD	212,400	213,468

Impairment losses

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

	2023 Rs.	2022 Rs.
Neither past due nor impaired	168,800,142	131,066,289
Past due not impaired	146,020	6,319,339
Due and impaired	-	-
	168,946,162	137,385,628

Based on the past due date, the Company believe that no provisions are required as at 31st December 2023.

Cash at bank

The Company is also exposed to credit risk through its cash at bank balances. The credit worthiness of the financial instruments are assessed using the credit

ratings assigned to each Bank. This rating provides the Company the indication of the financial stability of the investment. The ratings are based on Fitch Ratings.

As at 31st December

Cash at Bank having credit ratings

	2023 Rs.	2022 Rs.
A(lka)	157,012,538	821,291,545
AAA(lka)	670,898,726	-
BBB-(lka)	-	7,436,027
	827,911,264	828,727,572

The maximum exposure to credit risk for Cash at Bank balances at the reporting date by currency is as follows:

	2023 Rs.	2022 Rs.
EUR	1,096,088	826,406
USD	860,550	899,386
LKR	155,995,413	177,086,074

The Company considers that its cash and cash equivalents have low risk based on the external credit ratings of the counterparties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

28. FINANCIAL RISK MANAGEMENT (Cont.)

28.4 Liquidity risk

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

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

28.4.1 Exposure to liquidity risk

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

As at 31st December 2023

	Total Carrying amount Rs.	Contractual cash flows			
		Total Rs.	Less than 3 months Rs.	3 - 12 months Rs.	> 1 year Rs.
Non-derivative financial liabilities					
Loans and borrowings	2,008,882	2,120,185	673,329	1,446,856	-
Trade payables	25,037,762	25,037,762	25,037,762	-	-
	27,046,644	27,157,947	25,711,091	1,446,856	-

As at 31st December 2022

	Total Carrying amount Rs.	Contractual cash flows			
		Total Rs.	Less than 3 months Rs.	3 - 12 months Rs.	> 1 year Rs.
Non-derivative financial liabilities					
Loans and borrowings	4,293,464	4,813,501	673,329	2,019,987	2,120,185
Trade payables	57,342,874	57,342,874	57,342,874	-	-
	61,636,338	62,156,375	58,016,203	2,019,987	2,120,185

28.4.2 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.

28.5 Market risk

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

28. FINANCIAL RISK MANAGEMENT (Cont.)

28.5.1 Currency risk

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

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

28.5.1.1 Exposure to currency risk

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

	31 st December 2023		31 st December 2022	
	EUR	USD	EUR	USD
Cash and cash equivalents	1,096,088	860,550	826,406	899,386
Trade receivables	278,784	212,400	151,859	213,468
Trade payables	(6,673)	-	(91,849)	-
Net statement of financial position exposure	1,368,199	1,072,950	886,416	1,112,854

The following significant exchange rates have been applied.

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
EUR	354.89	341.71	358.65	390.19
USD	328.04	326.37	323.98	366.01

28.5.1.2 Sensitivity to foreign exchange risk

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 2023	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
EUR (1% movement)	4,907,046	(4,907,046)	3,434,932	(3,434,932)
USD (1% movement)	3,476,143	(3,476,143)	2,433,300	(2,433,300)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

28. FINANCIAL RISK MANAGEMENT (Cont.)

28.5.1.2 Sensitivity to foreign exchange risk (Cont.)

31 st December 2022	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
EUR (1% movement)	3,458,749	(3,458,749)	2,421,124	(2,421,124)
USD (1% movement)	4,073,129	(4,073,129)	2,851,190	(2,851,190)

28.5.1.3 Following is the breakup of net exchange gain.

	2023 Rs.	2022 Rs.
Realised Gain/ (Loss)	(39,122,149)	113,398,136
Unrealised Gain/ (Loss)	(37,305,492)	179,919,854
Total	(76,427,641)	293,317,990

28.5.2 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.

Variable rate instruments

The Company does not account for any variable rate financial liabilities. Therefore a change in interest rates at the reporting date would not affect profit or loss.

28.6 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 ratio of 'net debt' to 'equity'. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. Equity comprises all components of equity. The Company's net debt to equity ratio as follows,

	2023 Rs.	2022 Rs.
Total liabilities	292,270,408	336,074,224
Less: cash and cash equivalents	(828,346,441)	(829,078,866)
Net debt	(536,076,032)	(493,004,642)
Equity	1,684,063,474	1,517,507,758
Gearing ratio	-	-

No changes were made in the objectives, policies, or processes for managing capital during the years ended 31st December 2023 and 31st December 2022.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December

29. CAPITAL COMMITMENTS

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

30. CONTINGENT LIABILITIES

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

30.1 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 has not paid the due amount as per the agreement. The Company has filed a counter case

stating that the work had not been completed as per the contract. Based on the confirmation received from the company lawyer, the outcome of the case cannot be assessed as at reporting date.

31. EVENTS AFTER THE REPORTING DATE

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

32. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

33. NET ASSETS PER SHARE

Net Assets attributable to shareholders - Rs.
Number of shares
Net Assets per share - Rs.

	2023	2022
Net Assets attributable to shareholders - Rs.	1,684,063,474	1,517,507,760
Number of shares	94,632,904	94,632,904
Net Assets per share - Rs.	17.80	16.04

TEN-YEAR FINANCIAL SUMMARY

TEN-YEAR FINANCIAL SUMMARY

(In Rupees '000)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Trading Results										
Turnover	1,623,085	1,699,944	1,126,263	669,543	815,576	877,761	732,888	702,454	582,861	607,425
Gross Profit	695,503	904,971	536,329	212,818	322,972	389,472	255,039	270,374	186,600	239,628
Other Income	3,330	2,965	3,727	7,303	4,066	10,098	3,599	11,313	515	2,896
Profit from operations	224,703	789,299	276,116	57,490	115,573	178,391	(17,144)	85,435	13,765	85,678
Finance income	17,859	18,184	5,287	4,728	5,653	3,981	4,173	2,814	2,773	6,545
Finance expense	(617)	(809)	(1,596)	(3,644)	(4,807)	(6,836)	(8,015)	(8,931)	(10,232)	(13,796)
Profit/(Loss) before Tax	241,945	806,675	279,806	58,573	116,418	175,536	(20,986)	79,318	6,306	78,426
Taxation	(86,629)	(142,339)	(40,410)	(11,551)	(19,004)	(23,314)	1,332	(5,512)	(6,150)	(3,968)
Net Profit/(Loss)	155,316	664,335	239,396	47,022	97,414	152,222	(19,653)	73,806	156	74,459
Other comprehensive income/(loss), net of tax	11,240	(9,518)	(2,311)	202	332	4,641	(5,877)	610	1,554	2,075
Total Comprehensive Income for the Year	166,555	654,817	237,085	47,224	97,746	156,863	(25,551)	73,196	(1,398)	72,384
Balance Sheet										
Stated Capital	102,074	102,074	102,074	102,074	102,074	102,074	102,074	102,074	80,074	80,074
Reserves	1,581,988	1,415,434	760,616	523,532	476,307	378,561	221,698	247,229	198,233	189,328
Shareholders' Funds	1,684,062	1,517,508	862,691	625,606	578,382	480,635	323,772	349,303	278,307	269,402
Property, Plant & Equipment	381,820	315,161	280,022	306,311	312,772	304,570	265,539	259,841	253,503	270,451
Current & Non Current Assets	1,976,334	1,853,582	1,072,864	816,695	822,276	724,883	608,726	579,686	524,619	534,436
Current Liabilities	179,806	228,042	122,665	96,420	121,588	105,473	138,871	69,395	66,717	61,645
Non Current Liabilities	112,467	108,033	87,509	94,669	122,307	138,775	146,083	160,987	179,595	203,389
Net Assets	1,684,062	1,517,508	862,691	625,606	578,382	480,635	323,772	349,303	278,307	269,402
Key Indicators										
Gross Profit to Turnover	%	42.9%	53.2%	47.6%	31.8%	44.4%	34.8%	38.5%	32.0%	39.4%
Net Income to Turnover	%	9.6%	39.1%	21.3%	7.0%	17.3%	-2.7%	10.5%	0.03%	12.3%
Earnings Per Share	Rupees	1.64	7.02	2.53	0.50	1.61	-0.21	0.78	0.00	1.57
Price Earnings Ratio	Times	30.5	6.52	40.2	55	16	(64)	18	9,839	19.89
Market Value per share as at 31 st December	Rupees	50.00	45.80	101.75	27.40	16.00	13.30	14.40	32.40	31.30
Return on Equity	%	9.2%	43.8%	27.75%	7.52%	16.84%	-6.07%	21.13%	0.06%	27.64%
Net Assets per share	Rupees	17.8	16.04	9.12	6.61	5.08	3.42	3.69	5.88	5.69
No of Shares in Issue	Nos	94,632,904	94,632,904	94,632,904	94,632,904	94,632,904	94,632,904	94,632,904	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 further 7,587,452 shares were issued by capitalising Euro loan due to GK.
- 3) In year 2010 BGL reduced its stated capital to Rs.80,074,201 by setting off the accumulated losses as at 31/12/2009 of Rs.467,067,988 against the stated capital of Rs.547,142,189 without affecting the number of shares in issue.
- 4) In year 2016, Company offered a bonus issue to shareholders at the rate of 1:1 by way of capitalising a sum of Rs.22,000,000 of its retained earnings.

INVESTOR INFORMATION

As at 31st December 2023

Top 20 shareholders of the Company

	Name of the shareholder	No. of Shares	%
1	GRAPHIT KROPFMUHL GMBH	75,310,068	79.58
2	ALTERNA GK LLC	6,591,397	6.97
3	SECRETARY TO THE TREASURY	509,000	0.54
4	DR. SAMARAKOON MUDIYANSELAGE THIWANKA BANDARA SAMARAKOON	376,276	0.40
5	SANASA LIFE INSURANCE COMPANY PLC	370,300	0.39
6	MRS. REJINOLD MELWILLAGE NIMALKA WIJESSEKARA	289,000	0.31
7	HATTON NATIONAL BANK PLC/ RAMARAJ KUHAN	150,121	0.16
8	MR. SENAWIRATHNA EPARALALAGE CHATHURANGA PRABHATH SENAWIRATHNA	150,000	0.16
9	MR.TOSHIYA UEDA	120,000	0.13
10	DIALOG FINANCE PLC/ S.A.DE SILVA AND D.R.DE SILVA	103,261	0.11
11	MRS. FATHIMA SARAH SABRY	101,005	0.11
12	RANFER TEAS PRIVATE LIMITED	100,000	0.11
13	MR. ALLAN JAGATH MONESH JINADASA	100,000	0.11
14	MRS. RAHEL JASMIN DE SILVA	90,900	0.10
15	MR. LAHIRU SAMPATH WIMALASENA ABHARANA DEWAGE	88,018	0.10
16	HATTON NATIONAL BANK PLC/ SENDANAYAKE ARACHCHIGE SURANGA PRASATH PERERA	87,750	0.10
17	MR. DILIP MOHANLAL KODIKARA	85,236	0.09
18	MR. INDIKA PRASAD GALHENAGE	74,850	0.08
19	MR. MADUWAGE AMITH UPENDRA ARIYARATNE	73,159	0.08
20	HATTON NATIONAL BANK PLC/ RAVINDRA ERLE RAMBUKWELLE	72,000	0.08

Shares not taken into account to compute public holding

GRAPHIT KROPFMUHL GMBH	75,310,068	79.58
ALTERNA GK LLC	6,591,397	6.97
TOTAL	81,901,465	86.55

Percentage of public holding

as at 31st December 2023 was **13.45%**

Total number of Shareholders 10,553

Total number of Shareholders holding public shares 10,553

Number of Shares held by public 12,731,439

Market capitalisation of Rs. 4,731,645,200

Float - adjusted market capitalisation of Rs. 636,406,279.40

In terms of the rule 7.14.1(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 10,553

Net Assets Value per Share as at 31st December 2023 (2022 - Rs. 16.04) Rs. 17.80

INVESTOR INFORMATION

As at 31st December 2023

Shareholders' Distribution Schedule

Range of Shareholdings	Residents			Non-Residents			Total		
	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%
1-1,000	9,129	3,011,012	3.18	16	5,675	0.01	9,145	3,016,687	3.19
1,001-5,000	1,069	2,540,152	2.68	4	9,400	0.01	1,073	2,549,552	2.69
5,001-10,000	185	1,402,505	1.48	4	29,100	0.03	189	1,431,605	1.51
10,001-50,000	119	2,330,382	2.46	4	111,859	0.12	123	2,442,241	2.58
50,001-100,000	12	928,419	0.98	2	145,900	0.15	14	1,074,319	1.14
100,001-500,000	7	1,588,035	1.68	1	120,000	0.13	8	1,708,035	1.80
500,001-1,000,000	1	509,000	0.54	-	-	0.00	1	509,000	0.54
Over 1,000,000	-	-	0.00	2	81,901,465	86.55	2	81,901,465	86.55
Total	10,522	12,309,505	13.01	33	82,323,399	86.99	10,555	94,632,904	100.00

Categories of Shareholders	No. of Share holders	No. of shares	%
Individuals	10,509	11,519,352	12.17
Institutions	46	83,113,552	87.83
Total	10,555	94,632,904	100

Share-trading details for the year 2023

Highest Market Price (21-03-2023)	Rs.	69.50
Lowest Market Price (01-09-2023)	Rs.	45.00
Market Price as at 31 st December 2023	Rs.	50.00
Traded Share Volume		6,558,751
Number of Trades		12,496
Trading Turnover		389,454,000

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty Third Annual General Meeting of the Company will be held at 11.00 a.m. on Wednesday the 10th April 2024 at the Ceylon Chamber of Commerce Auditorium at No.50, Navam Mawatha, Colombo 02 and via audio visual technology (hybrid meeting) 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 2023 together with the Auditors' Report thereon.
2. To re-appoint KPMG, Chartered Accountants, 32A, 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 2024.
3. To consider and if thought fit to pass the following Special Resolutions to amend the Articles of Association of the Company in line with and to comply with the Listing Rules of the Colombo Stock Exchange that are currently in force.

Special Resolution 1 :

IT IS HEREBY RESOLVED THAT article 15 be deleted in its entirety and be substituted with the following article 15.

15. "METHOD OF HOLDING MEETINGS

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held either :

- a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; and/or
- b) by means of audio or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting."

Special Resolution 2 :

IT IS HEREBY RESOLVED THAT article 27(1) be deleted in its entirety and substituted with the following Article 27(1):

27(1) "The number of Directors of the Company shall not be less than five (5) and not more than fifteen (15)"

Special Resolution 3 :

IT IS HEREBY RESOLVED that article 27(4) be deleted in its entirety and be substituted with the following new articles numbered 27(4)(a) to 27(4) (d).

27(4)(a) "A Director may, if he is unable to attend to his duties as a Director, by notice in writing under his hand to the registered office of the Company or by notice sent by facsimile transmission or by email, appoint any person to be an alternate director of the Company in exceptional circumstances and for a maximum period of one (01) year from the date of appointment and at any time remove the alternate director so appointed.

27(4) (b) If an alternate director is appointed by and for a non-executive director, such alternate should not be an executive of the Company.

27(4) © If an alternate director is appointed by and for an independent director, the person so appointed should meet the criteria of independence specified in the Listing Rules of the Colombo Stock Exchange and the Company shall satisfy the requirements relating to the minimum number of independent directors specified in the Rules. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an independent director before such appointment is made.

27(4) (d) The attendance of any alternate director at any meeting, including a board committee meeting, shall be counted for the purpose of quorum."

NOTICE OF MEETING

Special Resolution 4 :

IT IS HEREBY RESOLVED THAT article 27(5) be amended by inserting the words "Subject to Article 27(4) above" so that the amended article shall be read as follows:

27(5) "Subject to Article 27(4) above, a Director appointed by another Director to be his alternate director shall thereupon be entitled to exercise (in addition to his own right of voting as a Director) such appointer's rights at meetings of the Board. A person may act as an alternate director for more than one Director."

Special Resolution 5 :

IT IS HEREBY RESOLVED that article no 27(8) be deleted in its entirety and that Articles 27 (9), 27(10) (a), 27(10)(b), 27(10)© and 27(11) be renumbered as Articles 27(8), 27(9)(a), 27(9)(b), 27(9)© and 27(10) respectively.

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

Note:

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

A completed form of proxy must be deposited at the registered office of the Company, Bogala Mines, 71041, Aruggammana not less than 48 hours before the time appointed for the holding of the meeting.

2. Instructions as to attending the meeting online : CSE website on BOGA.N0000.

By Order of the Board

CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries

BOGALA GRAPHITE LANKA PLC

Colombo on this 07th day of March 2024



FORM OF PROXY

*I/We
 Of.....

being a shareholder/shareholders of Bogala Graphite Lanka PLC do hereby appoint

- 1. Ms. M.C. Pietersz or failing her,
- 2. Mr. T.A. Junker or failing him,
- 3. Mr. A.P. Jayasinghe or failing him,
- 4. Mr. M.S.J.D. Coorey or failing him,
- 5. Ms. A.A. Ludowyke or failing her
- 6. Ms. U. Neunzert or failing her,
- 7. Mr. A.S.R. Amerasinghe or failing him,

..... of

as *my/our Proxy to attend and vote/speak at the Annual General Meeting of the Company to be held on 10th April 2024 at 11.00 a.m held and at any adjournment thereof.

	For	Against	Abstain
1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company For the financial year ended 31 st December 2023 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint KPMG as the auditors of the Company and to audit the financial statements for the ensuing year and authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To pass Special Resolution 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To pass Special Resolution 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To Special Resolution 3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To pass Special Resolution 4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To pass Special Resolution 5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2024

.....
 Signature/s

Note: Instructions as to completion are noted on the reverse hereof.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and sign in the space provided. Please fill in the date of signature.
2. Please return the completed Form of Proxy to the Company after crossing out one or the other of the alternative words indicated by the asterisks on the body of the Form and by indicating with an 'X' in the space provided against each resolution, the manner in which you wish your vote to be cast.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him.
4. In the case of a Corporate Member, the Form must be completed under its Common Seal, or signed by its attorney or by an officer on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.
5. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
6. The completed Form of Proxy should be deposited at the Registered Office of the Company, Bogala Mines, 71041, Aruggammana .not less than forty eight (48) hours before the appointed time for meeting
7. If there is any doubt as to the manner in which the proxy should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/he thinks fit.
8. A shareholder appointing a proxy (other than a director of the Company) to attend the meeting should indicate the proxy holder's National Identity Card (NIC) number on the Form of Proxy and should instruct the proxy holder to bring his/her National Identity Card to the Meeting.

CORPORATE INFORMATION

Name of the Company

Bogala Graphite Lanka PLC

Legal Form

A Public Quoted Company with Limited Liability
Incorporated under the provisions of the Companies
Act No. 7 of 2007 in Sri Lanka 11th of March 1991

Company Registration Number

PQ 218

Board of Directors

Ms. M. C. Pietersz (Chairperson)
Mr. T. A. Junker (Deputy Chairperson)
Mr. J. C. P. Jayasinghe - resigned w.e.f.
06th December 2023
Mr. A. P. Jayasinghe (CEO/MD)
Mr. A. S. R. Amarasinghe (CFO/FD)
Mr. M. Adamaly - resigned w.e.f. 08th December 2023
Ms. U. Neunzert
Ms. A. A. Ludowyke - appointed w.e.f.
16th November 2023
Mr. M. S. J. D. Coorey - appointed w.e.f.
16th November 2023

Audit Committee

Ms. A. A. Ludowyke (Chairperson)
Mr. M. S. J. D. Coorey
Mr. T. A. Junker

Related Party Transaction Review Committee

Mr. M. S. J. D. Coorey (Chairperson)
Ms. A. A. Ludowyke
Mr. T. A. Junker
Mr. A. P. Jayasinghe

Remuneration Committee

Mr. M. S. J. D. Coorey (Chairperson)
Ms. A. A. Ludowyke
Mr. T. A. Junker
Ms. M. C. Pietersz

Nomination & Governance Committee

Ms. A. A. Ludowyke (Chairperson)
Mr. M. S. J. D. Coorey
Mr. T. A. Junker
Ms. M. C. Pietersz

Banker

Peoples Bank
The Hongkong and Shanghai Banking Corporation

Auditors

Messrs KPMG, Chartered Accountants
32A, Sir Mohammed Macan Markar Mw. Colombo 3

Internal Auditors

B. R. De Silva & Company Chartered Accountants
22/4, Vijaya Kumaranathunga Mawatha, Colombo 5

Secretaries

Corporate Services (Private) Limited
216, De Saram Place, Colombo 10
Sri Lanka
Tel: +94112669771
Fax: +94114718220
Email: csl@fjgdesaram.com

Lawyers

F J & G De Saram
216 De Saram Place, Colombo 10
Sri Lanka
Tel: +94114605100
Fax: +94112669769
Email: fjgdesaram@fjgdesaram.com

Registered Office

Bogala Mines, 71041
Aruggammana, Sri Lanka
Email: info@gk-graphite.lk

Corporate Website

www.gk-graphite.lk

Parent Company

Graphit Kropfmuhl GmbH

Management Committee

Saliya Gunasekara	General Manager
Chaminda Ekanayake	AGM (Underground)
Anura Liyanage	AGM (Processing)
Ms. Devika Kumari	AGM (Finance)
Kithsiri Muhandiram	AGM (HR & Admin)
Ruwan Jayakody	Manager IT
Nalin Samantha	Manager Processing
Kithsiri Palandagama	Senior Mine Geologist/ Manager Mine Services
Hemantha Jayasinghe	Manager Stores Administration and Public Relations



Bogala Graphite Lanka PLC

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71041 Aruggammana

Sri Lanka

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