

**INDEPENDENT AUDITOR'S REPORT TO THE SHARE HOLDERS OF**  
**MRF LANKA (PVT) LTD**

**1. Report on the Financial Statements**

We have audited the accompanying financial statements of MRF Lanka limited, which comprise the statement of financial position as at 31st, March, 2017, and the statement of comprehensive income, statement of changes in equity and statement cash flow for the year ended, and a summary of significant accounting policies and other explanatory notes .

**2. Board's Responsibility for the Financial Statements**

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard for Small and Medium sized Entities and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**3. Auditor's Responsibility**

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

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

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

**4. Opinion**

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31<sup>st</sup> March, 2017, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium sized Entities.

**5. Report on Other Legal and Regulatory Requirements**

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

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

**B. R. DE SILVA & CO.**

Chartered Accountants

Colombo 05.

Date : **18/04/2017**

LW/SA/sn (14/05)

**MRF LANKA (PVT) LIMITED****STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST MARCH**

		2017		2016	
	Note	Rs.	Cts.	Rs.	Cts.
Revenue	(4)	192,726,718.47		301,328,924.38	
Cost of Sales		(137,521,781.39)		(211,724,772.55)	
Gross Profit		55,204,937.08		89,604,151.83	
Other Operating Income		11,555,669.51		10,899,305.02	
		66,760,606.59		100,503,456.85	
Administrative Expenses		(27,086,965.29)		(28,265,116.53)	
Profit from Operating Activities	(5)	39,673,641.30		72,238,340.32	
Finance Income	(6)	18,336,624.31		7,908,896.64	
Finance Cost	(7)	(934,229.91)		5,500.37	
Profit before Taxation		57,076,035.70		80,152,737.33	
<b><u>Taxation</u></b>					
Income tax Provision for the year	(8)	(7,574,009.00)		(10,647,898.58)	
Deferred Taxation (Note -11)	(8)	9,752,980.29		(18,301,203.86)	
		2,178,971.29		(28,949,102.44)	
Profit for the year		59,255,006.99		51,203,634.89	
Add: Other Comprehensive Income		-		-	
Total Comprehensive Income		59,255,006.99		51,203,634.89	
Earnings Per Share	(9)	1.73		1.50	

The Notes to the Financial Statements in pages (05) to (17) form an integral part of these Financial Statements.

**MRF LANKA (PVT) LIMITED****STATEMENT OF FINANCIAL POSITION**  
**AS AT 31ST MARCH**

	<i>Note</i>	<i>2017</i>		<i>2016</i>	
		<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
<b><u>ASSETS</u></b>					
<b><u>Non-current Assets</u></b>					
Property, Plant & Equipment	(10)	59,465,444.44		70,270,615.74	
Deferred Tax Assets	(11)	7,112,101.29		(2,640,879.00)	
		<u>66,577,545.73</u>		<u>67,629,736.74</u>	
<b><u>Current Assets</u></b>					
Inventories	(12)	65,562,093.59		70,052,151.42	
Debtors and Receivables	(13)	40,350,078.12		40,819,927.07	
Short Term Investments	(14)	322,451,458.00		252,451,458.00	
Cash and Cash Equivalents	(15)	5,329,359.10		23,465,551.98	
		<u>433,692,988.81</u>		<u>386,789,088.47</u>	
<b>Total Assets</b>		<b><u>500,270,534.54</u></b>		<b><u>454,418,825.21</u></b>	
<b><u>EQUITY &amp; LIABILITIES</u></b>					
<b><u>Capital &amp; Reserves</u></b>					
Stated Capital	(16)	341,603,240.00		341,603,240.00	
Retained Earnings		141,504,596.97		85,162,705.98	
<b>Total Equity</b>		<b><u>483,107,836.97</u></b>		<b><u>426,765,945.98</u></b>	
<b><u>Non-Current Liabilities</u></b>					
Employee Benefit Obligations	(17)	4,905,159.01		4,303,146.16	
		<u>4,905,159.01</u>		<u>4,303,146.16</u>	
<b><u>Current Liabilities</u></b>					
Trade & Other Payables	(18)	11,875,060.21		15,793,996.82	
Amounts Due to Related Parties	(19)	-		3,210,975.06	
Income Tax Payable	(20)	382,478.35		4,344,761.19	
		<u>12,257,538.56</u>		<u>23,349,733.07</u>	
<b>Total Equity &amp; Liabilities</b>		<b><u>500,270,534.54</u></b>		<b><u>454,418,825.21</u></b>	

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

.....  
**Accountant**

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

Signed for and on behalf of the Board by,

	<b><u>NAME</u></b>	<b><u>SIGNATURE</u></b>
DIRECTOR	<b>ARUN MAMMEN</b> .....	.....
DATE OF APPROVAL BY THE BOARD }	<b>18/04/2017</b> .....	.....

The Notes to the Financial Statements in pages (05) to (17) form an integral part of these Financial Statements.

**MRF LANKA (PVT) LIMITED****STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST MARCH, 2017**

	<i>Stated Capital</i>		<i>Retained Earnings</i>		<i>Total</i>	
	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
Balance as at 31.03.2015	341,603,240.00		35,155,832.09		376,759,072.09	
Share Issued		-		-		-
Dividend Payment		-	(1,196,761.00)		(1,196,761.00)	
Profit for the year		-	51,203,634.89		51,203,634.89	
Balance as at 31.03.2016	341,603,240.00		85,162,705.98		426,765,945.98	
Share Issued		-		-		-
Dividend Payment		-	(2,913,116.00)		(2,913,116.00)	
Profit for the year		-	59,255,006.99		59,255,006.99	
Balance as at 31.03.2017	341,603,240.00		141,504,596.97		483,107,836.97	

The Notes to the Financial Statements in pages (05) to (17) form an integral part of these Financial Statements.

**MRF LANKA (PVT) LIMITED****STATEMENT OF CASH FLOW**

	<b>2017 Rs.</b>	<b>2016 Rs.</b>
<b><u>Cash Flow from Operating Activities</u></b>		
Net Profit before Taxation	57,076,036	80,152,737
<b><u>Adjustments for,</u></b>		
Finance Cost	934,230	(5,500)
Depreciation	11,465,296	13,597,402
Gain on PPE Disposal	(431,478)	-
Miscellaneous Income	(3,210,975)	-
Gratuity	602,013	749,492
	<u>9,359,086</u>	<u>14,341,394</u>
Operating Cash Flow before Working Capital Changes	66,435,121	94,494,131
<b><u>Working Capital Changes</u></b>		
(Increase)/Decrease in Inventories	4,490,058	(7,100,760)
(Increase)/Decrease in Building WIP	218,307	26,127,757
(Increase)/Decrease in Debtors & Receivables	469,849	20,596,639
Increase/(Decrease) in Amounts Due to Related Parties	(3,210,975)	-
Increase/(Decrease) in Trade & Other Payables	(3,918,937)	(8,198,099)
	<u>(1,951,697)</u>	<u>31,425,538</u>
Cash Generated from Operations	64,483,424	125,919,669
Income Tax Paid	(5,550,000)	4,344,761
Finance Costs Paid	(1,064,611)	(5,500)
Net Cash Flow From/(Used in) Operating Activities	<u>57,868,813</u>	<u>130,258,930</u>
<b><u>Cash Flow from Investing Activities</u></b>		
Acquisition of Property, Plant & Equipment	(3,947,746)	(44,934,461)
Disposal of Property, Plant & Equipment	855,856	-
Cash Generated from Investing Activities	<u>(3,091,890)</u>	<u>(44,934,461)</u>
<b><u>Cash Flow from Financial Activities</u></b>		
Dividend Paymrt	(2,913,116)	-
Cash Generated from Investing Activities	<u>(2,913,116)</u>	<u>-</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	51,863,807	85,324,469
Cash & Cash Equivalents at the beginning of the year	275,917,010	190,592,541
Cash & Cash Equivalents at the end of the year	<u>327,780,817</u>	<u>275,917,010</u>
<b><u>Analysis of Cash and Cash Equivalents</u></b>		
<b><u>Cash at Bank</u></b>		
- SBI Colombo (LKR)	1,315,016	4,079,466
- SBI Colombo (USD)	874,508	10,784,373
- HNB Dankotuwa	3,122,734	8,589,043
Call Deposit - SBI Colombo	322,451,458	252,451,458
Cash in Hand	17,102	12,670
	<u>327,780,817</u>	<u>275,917,010</u>

The Notes to the Financial Statements in pages (05) to (18) form an integral part of these Financial Statements.



**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2017****1. CORPORATE INFORMATION****1.1. General**

MRF Lanka (Pvt) Ltd. is a Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principle place of business is located at No. 1, Dankotuwa Industrial Estate, Dankotuwa.

**1.2. Principal Activities and Nature of Operations**

The Company's principal business activities are manufacturing & selling of Pre-cured Tread Rubber, PCTR Rope and Trading within Rubber Bonding Gum etc.

**1.3. The Accounting Policies and Notes to the Financial Statements on pages (05) to (18) form an integral part of the Financial Statements.****1.4. Number of Employees**

The average number of employees at the end of the year was 12 excluding outsourced employees.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1. General Policies****2.1.1. Basis of preparation**

The Financial Statements have been prepared in accordance with the Sri Lanka Financial Reporting Standard for Small and Medium sized Entities (SLFRS for SME's), issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standard Act No 15 of 1995.

**2.1.2. Functional and Presentation Currency**

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

**2.1.3. Basis of Measurement**

The Financial Statements have been prepared on an accrual basis and under the historical cost convention unless stated otherwise.

*Contd...(06)*

MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 20172.1.4. Comparative Information

The Accounting policies applied by the company are, unless otherwise stated, consistent with those used in the previous year. Previous year's figures and phrases have been rearranged, wherever necessary to conform to the current year's presentation.

2.1.5. Going Concern

The Directors have made an assessment on the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.6. Taxation

Income Tax comprises current and deferred tax. Income Tax expense is recognized in the Income Statement except to the extent that it relates to items recognized directly in equity in which case it is recognized in Equity.

(a) Current Taxes

The provision for Income Tax is based on the elements of Income and Expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act. No.10 of 2006 and subsequent amendments thereon.

(b) Deferred Taxation

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for all temporary differences and carried forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which such temporary differences and carried forward tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

*Contd...(07)*



MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 20172.1.7. Foreign Currency Conversion

All foreign exchange transactions are converted in to Sri Lanka Rupees, which is the reporting currency at the rates of exchange at the time, the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are translated in to Sri Lankan Rupee equivalents using year end closing foreign exchange rates. Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting losses are accounted for in the Income Statement.

2.1.8. Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except where borrowing costs are directly attributable to the acquisition.

2.2. Valuation of Assets and their Measurement Basis2.2.1. Inventories

Inventories are valued at cost or net realizable value whichever is lower; the general basis on which cost is determined is as follows:

Inventory items other than finished goods and work in progress have been valued at FIFO basis.

Finished goods and work in progress have been valued at factory cost which includes all direct expenditure and production overhead at normal level of activity.

2.2.2. Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize net of provisions for bad and doubtful debts.

2.2.3. Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks.

**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017****2.2.4. Property, Plant & Equipment****(a) Cost and Valuation**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives.

Depreciation is calculated by using a written down value method on cost for Buildings, Plant Machinery and Equipment, Lab equipment, fire extinguisher, moulds & dies and electric equipment in order to write off such amounts over the following estimated useful lives. Straight-line basis is used for furniture and fittings, office equipment and computers. The principal annual rates used are,

Building	10.00%
Plant, Machinery & Equipment	27.82%
Furniture and Fittings	20.00%
Office Equipment	20.00%
Lab Equipment	13.91%
Computers	20.00%
Other Equipment (Fire Extinguishers & Electrical Equipment)	13.91%
Moulds & Dies	40.00%

Provision is made from the date the assets are put to use.

**(b) Restoration Costs**

Expenditure incurred on repairs on or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

**(c) Impairment of Assets**

At each reporting date, property, plant and equipment, intangible assets, and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Contd...(09)

MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017Impairment of Assets (Contd...)

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.2.5 Lease Hold LandOperating Lease

The Company pays Rs. 212,625.00 as the rental for the land acquired under the operating lease.

2.3. Financial instruments2.3.1. Trade and other receivables and cash and cash equivalents

These financial assets are recognized initially at the transaction price. Subsequently they are measured at amortized cost using the effective interest method, less provision for impairment. Sales are made on normal credit terms and trade receivables do not bear interest.

Where there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognized in profit or loss.

2.3.2. Other short-term financial assets

Other short-term financial assets comprise investments in equity securities and fixed deposits. They are recognized initially at transaction price. After initial recognition, investments in equities that are publicly traded or for which the fair value can be measured reliably, are measured at fair value with changes in fair value recognized in profit or loss. Other equity investments are measured at cost less any impairment.

Contd...(10)

MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 20172.3.3. Financial liabilities

The Company's financial liabilities include borrowings and trade and other payables. Financial liabilities are recognized initially at transaction price. After initial recognition they are measured at amortized cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

2.4. Employee benefits2.4.1. Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to Employee Provident and Employee Trust Funds covering all employees are recognized as an expense in profit or loss as incurred. The Company contributes 12% and 3% of gross emoluments of Employees as Provident Fund and Trust Fund contribution respectively.

2.4.2. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The liability is not externally funded nor actuarially valued.

Company has used following assumptions in arriving its retirement benefit liability.

Discount Rate	12%
Annual Salary Increment Rate	15%
Staff Retirement Age	55 years

2.5. Income statements.2.5.1. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognizing of revenue.

*Contd...(11)*

MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017Revenue Recognition (Contd.....)(a) Sale of Goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have been passed to the buyer; with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(b) Interest Income

Interest Income is recognized on a Cash basis.

2.5.2. Expenditure Recognition

Expenditures is recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

2.6. Cash Flow Statements

The Cash Flow Statement has been prepared using the "Indirect Method" in accordance with section 07 of Sri Lanka Financial Reporting Standard for SMEs. ("Cash Flow Statements"). Cash and Cash Equivalents consist of cash in hand and deposit in banks net of outstanding bank overdrafts.

Interest paid is classified as operating cash flows, which interest received is classified as investing cash flows, for the purpose of presentation of the Cash Flow Statement, reported based on the indirect method.

2.7. Directors' Responsibility Statement

Directors acknowledge the responsibility for true and fair presentation of the Financial Statements in accordance with the books of accounts, Sri Lanka Accounting Standards and requirements of the Companies Act No. 07 of 2007.

2.8. Events occurring after the Balance Sheet Date

Subsequent to the Balance sheet date no circumstances have been arisen which would require adjustments to or disclosure in the Financial Statements.

Contd...(12)

**MRF LANKA (PVT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

2.9. **Capital Commitment and Contingencies**

There were no material commitments approved by the board of Directors or contracted by the company as at 31<sup>th</sup> March, 2017. In the normal course of business the Company makes various commitments and not incurred contingent liabilities which give rise to legal recourse, hence material losses are not anticipated.

2.10. **Litigation**

In the normal course of business the Company has not become a party to any type of litigation which will have a material impact on the reported result.

3. **CONTINGENT LIABILITIES**

There are no contingent liabilities as at 31<sup>st</sup> March 2017.



**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

	<b><u>FOR THE YEAR ENDED</u></b>		<b><u>FOR THE YEAR ENDED</u></b>	
	<b>2017</b>		<b>2016</b>	
	<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
<b>(4) <u>REVENUE</u></b>				
Sales - Local	133,208,647.36		151,550,957.09	
Sales - Export	60,547,552.56		152,035,775.76	
	193,756,199.92		303,586,732.85	
<i>Less : <u>Export Expenses</u></i>				
Ocean Freight	(644,222.01)		(1,261,694.75)	
Shipping Expenses	(385,259.44)		(996,113.72)	
	192,726,718.47		301,328,924.38	
<b>(5) <u>OPERATING PROFIT/(LOSS)</u></b>				
Operating Profit/Loss is stated after charging all Expenses including the following:				
Auditors' Remuneration	160,000.00		140,000.00	
Factory (Salaries, EPF/ETF, Other Allowances)	6,928,420.80		6,318,765.20	
Office (Salaries, EPF/ETF, Other Allowances)	10,456,208.40		8,963,912.00	
Masticating Charges	8,175,069.03		14,512,405.67	
Depreciation and Amortization	11,465,295.60		11,465,295.60	
<b>(6) <u>FINANCE INCOME</u></b>				
Interest Income - Fixed Deposits	18,336,624.31		7,908,896.64	
	18,336,624.31		7,908,896.64	
<b>(7) <u>FINANCE COSTS</u></b>				
Bank Charges	1,064,610.82		1,528,915.07	
Ex. Diff. Fluctu. Exports	(189,067.80)		(1,641,167.08)	
Ex. Fluctuation Frn. Imports	58,686.89		106,751.64	
	934,229.91		(5,500.37)	
<b>(8) <u>TAXATION</u></b>				
Income Tax Provision for the year	(7,574,009.00)		(10,647,898.58)	
Deferred Tax (Provision)/Reversal for the year	9,752,980.29		(18,301,204.26)	
	2,178,971.29		(28,949,102.84)	
<b>(9) <u>EARNINGS PER SHARE</u></b>				
Basic Earnings per share is calculated by dividing the net Profit for the year attributable to ordinary shareholders by the number of Ordinary Shares outstanding during the year.				
	<b>2017</b>		<b>2016</b>	
Net Profit attributable to Ordinary Shares (Rs.)	59,255,006.99		51,203,635	
Number of Shares Outstanding during the year	34,160,324.00		34,160,324	
Earnings per Share (Rs.)	1.73		1.50	

MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTSAS AT 31ST MARCH 2017(10 PROPERTY, PLANT & EQUIPMENT)

Descriptions	At Cost				Depreciation				W.D.V.	W.D.V.
	Opening	Additions	Disposals	Closing	Balance as	Charge	Disposals	Closing	as at	as at
	Balance as at 01.10.2015	During the year	During the year	Balance as at 28.02.2017	at 01.10.2015	For the Year	For the Year	Balance as at 31.03.2016	31.03.2017	31.03.2016
	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.
Building	65,263,315.00	-	(270,845.00)	64,992,470.00	18,194,920.37	4,679,754.96	-	22,874,675.33	42,117,794.67	47,068,394.63
Plant & Machinery	99,221,810.00	28,000.00	(4,402,688.00)	94,847,122.00	82,242,694.38	4,573,140.09	(3,978,309.76)	82,837,524.71	12,009,597.29	16,979,115.62
Lab Equipment	2,649,535.00	-	-	2,649,535.00	2,016,579.94	88,044.05	-	2,104,623.99	544,911.01	632,955.06
Other Equipment	58,405.00	-	-	58,405.00	55,880.61	2,518.38	-	58,398.99	6.01	2,524.39
Furniture & Fittings	2,891,343.00	-	-	2,891,343.00	1,158,613.80	440,564.80	-	1,599,178.60	1,292,164.40	1,732,729.20
Office Equipment	1,457,309.00	-	-	1,457,309.00	667,668.75	211,847.80	-	879,516.55	577,792.45	789,640.25
Computer & Printers	1,420,229.00	-	-	1,420,229.00	879,076.20	186,454.15	-	1,065,530.35	354,698.65	541,152.80
Moulds & Dies	32,167,813.00	1,545,655.46	-	33,713,468.46	29,862,016.67	1,282,971.37	-	31,144,988.04	2,568,479.96	2,305,796.33
Leasehold Property Land	637,993.00	-	-	637,993.00	637,993.00	-	-	637,993.00	-	-
	205,767,752.00	1,573,655.46	(4,673,533.00)	202,667,874.46	135,715,443.72	11,465,295.60	(3,978,309.76)	143,202,429.56	59,465,444.44	70,052,308.28

Capital Work in Progress

-	218,307.46
59,465,444.44	70,270,615.74

MRF Lanka (Pvt) Ltd has leased out a land from Land Reform Commission for 50 years commencing on 30th June 2005.

The lease period will be expired on 31st July 2055. The Company has paid an amount of Rs.141,750.00 in the year 2015/2016 (2014/2015 Rs. 212,625.00).

MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTS

		<u>AS AT 31ST</u> <u>MARCH</u>	<u>AS AT 31ST</u> <u>MARCH</u>
	<i>Note</i>	2017	2016
		Rs. Cts.	Rs. Cts.
<b>(11) DEFERRED TAXATION</b>			
Balance at the beginning of the Year		(2,640,879.00)	15,660,325.48
Provision/ (Reversal) for the Year		9,752,980.29	(18,301,204.48)
Balance at the end of the Year	(11.1)	<u>7,112,101.29</u>	<u>(2,640,879.00)</u>
<b>(11.1) DEFERRED TAX (ASSET)/LIABILITY</b>			
Accelerated depreciation allowances for Tax purposes Property, Plant & Equipment		17,051,250.58	52,146,420.07
Defined Benefit Plan Liability		(4,905,159.01)	(4,303,146.16)
Unutilized Business Loss C/F		(43,068,131.20)	(60,822,943.49)
Base for Deferred Tax (Asset)/Liability		<u>(30,922,039.63)</u>	<u>(12,979,669.58)</u>
Deferred Tax (Asset)/Liability		<u>(7,112,101.29)</u>	<u>(2,640,879.00)</u>
<b>(12) INVENTORIES</b>			
Materials		31,805,240.03	33,279,485.52
Work-in-Progress		3,722,575.53	1,144,310.57
Finished Goods		11,183,011.33	16,942,275.74
Traded Goods		6,346,217.51	8,087,573.29
Spare Parts		9,529,084.09	7,712,604.94
Oil for Furnance		1,034,083.76	978,812.27
Stock Account Consumables		1,941,881.34	1,907,089.09
		<u>65,562,093.59</u>	<u>70,052,151.42</u>
<b>(13) DEBTORS &amp; RECEIVABLES</b>			
Trade Debtors - Receivables from Exports		9,629,450.19	4,312,981.09
Trade Debtors - Receivables from Local		11,525,459.55	17,597,745.02
Deposits & Advances	(13.1)	2,554,012.42	3,306,339.83
VAT Receivable (net)		16,641,155.96	15,602,861.13
		<u>40,350,078.12</u>	<u>40,819,927.07</u>

**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

		<b><u>AS AT 31ST</u></b>		<b><u>AS AT 31ST</u></b>	
		<b><u>MARCH</u></b>		<b><u>MARCH</u></b>	
		<b>2017</b>		<b>2016</b>	
		<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
<b>(13.1) <u>DEPOSITS &amp; ADVANCES</u></b>					
Deposits - Telephone			-		2,500.00
Deposits - Electricity		1,250,000.00		1,250,000.00	
Other Recoveries		96,600.00		257,500.00	
Advances - Import Purchases			-	670,944.00	
EMD/Deposit Paid - From 01 July 2009		19,200.00		19,200.00	
Advance for RM Purchase - Lanka LOC		930,000.00		-	
Advance - Others		10,200.00		700,000.00	
Pre Paid Expenses		248,012.42		406,195.83	
		<u>2,554,012.42</u>		<u>3,306,339.83</u>	
<b>(14) <u>SHORT TERM INVESTMENTS</u></b>					
SHORT TERM BANK DEPOSITS - US\$ 550,000		72,300,000.00		72,300,000.00	
SHORT TERM BANK DEPOSITS - LKR		250,151,458.00		180,151,458.00	
		<u>322,451,458.00</u>		<u>252,451,458.00</u>	
<b>(15) <u>CASH &amp; CASH EQUIVALENTS</u></b>					
Cash at Bank - SBI Colombo LKR		1,315,015.89		4,079,466.01	
- SBI Colombo - US\$		874,507.71		10,784,373.05	
- HNB Dankotuwa		3,122,733.50		8,589,042.92	
Cash in Hand		17,102.00		12,670.00	
		<u>5,329,359.10</u>		<u>23,465,551.98</u>	
<b>(16) <u>STATED CAPITAL</u></b>					
	<b><i>No. of</i></b>				
	<b><i>Shares</i></b>				
Fully Paid Ordinary Shares	34,160,324	341,603,240.00		341,603,240.00	
		<u>341,603,240.00</u>		<u>341,603,240.00</u>	
<b>(17) <u>EMPLOYEE BENEFIT OBLIGATIONS</u></b>					
Balance at the beginning of the year		4,303,146.16		3,553,653.94	
Provision for the year		602,012.85		749,492.22	
Balance at the end of the year		<u>4,905,159.01</u>		<u>4,303,146.16</u>	

NOTES TO THE FINANCIAL STATEMENTS

		<u>AS AT 31ST</u>		<u>AS AT 31ST</u>	
		<u>MARCH</u>		<u>MARCH</u>	
		2017		2016	
		Rs.	Cts.	Rs.	Cts.
(18) <b>TRADE &amp; OTHER PAYABLES</b>	<i>Note</i>				
S.Creditors - RM & Cushion Gum Imports			-		4,401,453.00
S.Creditors - RM & Cushion Gum Local		2,033,340.00			
Vendors - Stores & Spares/ Capital - Local		447,400.00			447,400.00
S.Creditors - Previous Years		2,179,677.23			2,172,982.23
Control account-RM Local		5,864.75			-
S. Creditors - Payables & Accruals	(18.1)	7,208,778.23			8,772,161.74
		<u>11,875,060.21</u>			<u>15,793,996.82</u>

**(18.1) PAYABLES & ACCRUALS**

B. R. De Silva & Co - Audit Fee	178,000.00	176,650.00
ETF	27,950.07	24,660.94
EPF - Employees	74,533.52	65,762.32
EPF - Employer	111,800.28	98,643.54
PAYE	77,017.80	72,725.76
Cess on NR Purchases	88,222.80	19,405.60
Makeeta Manpower Service	1,075,000.00	1,130,500.00
Jayakody Enterprises	175,000.00	134,500.00
Ceylon Electricity Board	543,000.00	639,313.00
Tax Computation & Return Filing	40,000.00	40,000.00
Rocnal - Mixing	-	106,380.00
Jayakody Filling Station - Fuel	10,000.00	30,000.00
Aremex & DHL - Courier	7,500.00	10,000.00
Telephone - SLT	18,500.00	20,000.00
Royal Asia Shipping Handling - Export handling	45,000.00	30,000.00
CCM Service Provider	51,428.55	102,544.72
Bonus - Staff & Workmen	523,570.00	537,900.00
F.G.J. De Saram - Seretarial Fees	96,000.00	-
VAT Payable	1,889,733.10	1,002,778.73
NBT Payable	251,964.41	268,050.73
Industrial Building Systems - Factory Toilet	69,572.00	1,662,293.00
Industrial Building Systems - Retention	1,410,882.00	1,410,882.00
Design Work Shop - Retention	314,852.00	314,852.00
Techshan Engineering - Retention	-	149,553.00
Maritime Freight International	-	85,000.00
Other Creditors	1.70	639,766.00
Repairs - Sunlex, Thilak Machinery, Colonial	129,250.00	-
	<u>7,208,778.23</u>	<u>8,772,161.74</u>

MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTS

	<u>AS AT 31ST</u>		<u>AS AT 31ST</u>	
	<u>MARCH</u>		<u>MARCH</u>	
	2017		2016	
	Rs.	Cts.	Rs.	Cts.
(19) <u>AMOUNTS DUE TO RELATED PARTIES</u>				
Other Payables to MRF Limited		-		3,210,975.06
		-		3,210,975.06
(20) <u>INCOME TAX PAYABLE</u>				
Balance at the beginning of the year	4,344,761.19		(3,754,596.15)	
Provision for the year	7,574,009.00		10,647,898.58	
Income Tax Paid	(4,344,761.19)		-	
WHT Received	(1,641,530.65)		(748,541.24)	
Self Assessment Tax Paid	(5,550,000.00)		(1,800,000.00)	
Balance at the end of the year	382,478.35		4,344,761.19	



**MRF LANKA (PVT) LIMITED****DETAILED INCOME STATEMENT**

	<i>Note</i>	<b>2017</b>		<b>2016</b>	
		<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
Revenue	(A)	192,726,718.47		301,328,924.38	
Cost of Sales	(B)	(137,521,781.39)		(211,724,772.55)	
Gross Profit		55,204,937.08		89,604,151.83	
Other Operating Income	(C)	11,555,669.51		10,899,305.02	
Administration Expenses	(D)	(27,086,965.29)		(28,265,116.53)	
Profit from Operating Activities		39,673,641.30		72,238,340.32	
Finance Income	(E)	18,336,624.3		7,908,896.64	
Finance Cost	(F)	(934,229.91)		5,500.37	
Profit before Taxation		57,076,035.70		80,152,737.33	
<b><u>Taxation</u></b>					
Income tax Provision for the year		(7,574,009.00)		(10,647,898.58)	
Deferred Taxation ( <i>Note -11</i> )		9,752,980.29		(18,301,203.86)	
		2,178,971.29		(28,949,102.44)	
Profit for the year		59,255,006.99		51,203,634.89	

**MRF LANKA (PVT) LIMITED****ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**

	2017		2016	
	Rs.	Cts.	Rs.	Cts.
<b>(A) <u>REVENUE</u></b>				
Sales - Local	133,208,647.36		151,550,957.09	
Sales - Export	60,547,552.56		152,035,775.76	
	<u>193,756,199.92</u>		<u>303,586,732.85</u>	
<i>Less: <u>Export Expenses</u></i>				
Ocean Freight	(644,222.01)		(1,261,694.75)	
Shipping Expenses	(385,259.44)		(996,113.72)	
	<u>192,726,718.47</u>		<u>301,328,924.38</u>	
 <b>(B) <u>MANUFACTURING ACCOUNT</u></b>				
Cost of Raw Materials	91,017,231.03		122,342,551.00	
Inventory Adjustment	1,737,617.46		3,539,560.35	
Stock Revaluation	(15,211,512.57)		7,070,289.95	
Add : Factory Salaries & Allowances	6,344,724.00		5,786,243.00	
E.P.F.	466,957.44		426,017.76	
E.T.F.	116,739.36		106,504.44	
Masticating Charges	8,175,069.03		14,512,405.67	
	<u>92,646,825.75</u>		<u>153,783,572.17</u>	
Opening WIP at the beginning of the year	-		-	
Closing WIP at the end of the year	-		-	
Prime Cost	<u>92,646,825.75</u>		<u>153,783,572.17</u>	
Other Manufacturing Expenses	-		-	
Electricity	5,642,164.00		8,172,091.00	
Workmen - Bonus	428,942.00		670,444.00	
Workmen Uniforms	223,803.00		249,810.00	
Workmen Wages	17,394,657.00		15,699,538.33	
Fuel	3,135,696.51		5,371,110.14	
Depreciation - Building	4,679,754.96		5,049,636.44	
Plant, Machinery & Equipment	4,573,140.09		6,326,248.62	
Lab Equipment	88,044.05		102,269.78	
Moulds & Dies	1,282,971.37		1,285,505.89	
Electrical Fittings & Fixtures	2,518.38		2,156.05	
Consumables	1,673,044.42		2,751,930.77	
Consumables - Tools	33,289.00		35,576.09	
Repairs & Maintenance - Building	747,454.00		3,559,349.95	
Repairs & Maintenance - Plant & Machinery	2,386,639.51		5,339,181.60	
Stores & Spares - Local	178,917.71		1,098,339.70	
Stores & Spares -Import	416,397.78		-	

**MRF LANKA (PVT) LIMITED****ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**

	2017		2016	
	Rs.	Cts.	Rs.	Cts.
<b>(B) <u>MANUFACTURING ACCOUNT</u></b>				
Repairs & Maintenance - Other Equipment	31,928.00		100,779.00	
Engineering Consumables	416,402.36		815,880.83	
Rent-Go down	1,251,744.00		1,148,928.00	
FG Consumption	-		(80,868.23)	
Insurance on Fixed assets	287,447.50		243,292.42	
	<u>137,521,781.39</u>		<u>211,724,772.55</u>	
Finished Goods at the beginning of the year	-		-	
Finished Goods at the end of the year	-		-	
	<u><u>137,521,781.39</u></u>		<u><u>211,724,772.55</u></u>	
<b>(C) <u>OTHER OPERATING INCOME</u></b>				
<b><u>Income from Sale of Trade Goods</u></b>				
Sales - Local	29,342,305.90		31,730,919.49	
Sales - Export	13,981,941.00		16,037,983.68	
	<u>43,324,246.90</u>		<u>47,768,903.17</u>	
Stock at the beginning of the year	-		-	
Add : Import Purchases	-		-	
Less : Stock at the end of the year	-		-	
	<u>-</u>		<u>-</u>	
Issues to Production	-		-	
Cost of sales	<u>35,846,444.84</u>		<u>37,390,995.41</u>	
Income for Sale of Trade Goods	<u>7,477,802.06</u>		<u>10,377,907.76</u>	
Scrap Sales	435,414.77		521,397.26	
Gain on Sales of Fixed Asset	431,477.62		-	
Miscellaneous Income	3,210,975.06			
Profit from sale of Trade Goods	<u><u>11,555,669.51</u></u>		<u><u>10,899,305.02</u></u>	
<b>(D) <u>ADMINISTRATION EXPENSES</u></b>				
Depreciation - Furniture & Fittings	440,564.80		435,231.70	
Office Equipment	211,847.80		206,018.42	
Computer & Printers	186,454.15		190,334.80	
Lease Rental	212,625.00		194,906.25	
Audit Fee	160,000.00		160,000.00	
Salaries	3,301,320.00		2,956,795.00	
Bonus - Staff	304,819.00		365,977.00	
Conveyance Subsidy	1,935,908.00		1,787,965.00	
Other Allowances	6,124,020.00		5,075,104.00	

**MRF LANKA (PVT) LIMITED****ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**

	2017		2016	
	Rs.	Cts.	Rs.	Cts.
<b>(D) <u>ADMINISTRATIVE EXPENSES</u></b>				
Subscription	98,475.00		90,000.00	
Staff Welfare - RO Canteen	875,783.19		1,012,873.10	
EPF	824,694.72		745,610.40	
ETF	206,173.68		186,402.60	
Licence Fees	138,800.00		193,700.00	
Insurance - Stocks	132,412.91		196,978.00	
- Others	211,464.00		229,751.90	
Travelling - Management	238,840.00		264,000.00	
Professional Charges	372,808.82		265,306.51	
Printing & Stationery	172,075.21		237,816.99	
Postage & Telegram	130,766.00		160,241.00	
Telephone & Telex	257,627.00		282,188.00	
Stamp Duty	-		-	
Motor Car - Running Expenses	1,911,646.00		2,059,207.00	
Technical Fees	324,900.47		339,932.00	
General Charges	559,315.81		691,427.60	
Commission on Export Sales	-		2,556,852.92	
Sales Promotion Expenses	1,503,691.19		203,090.44	
Promotional Discounts	-		-	
NBT on Local Sales	3,276,599.69		3,676,065.68	
Watch & Ward	2,226,820.00		1,918,536.00	
Gratuity	602,012.85		749,492.22	
Tax Computation & Return Filing Charges	40,000.00		40,000.00	
Fright on FG- Transport	104,500.00		79,000.00	
Other Office Expenses	-		714,312.00	
	<u>27,086,965.29</u>		<u>28,265,116.53</u>	
<b>(E) <u>FINANCE INCOME</u></b>				
Interest Income - Fixed Deposits	18,336,624.31		7,908,896.64	
	<u>18,336,624.31</u>		<u>7,908,896.64</u>	
<b>(F) <u>FINANCE COSTS</u></b>				
Bank Charges	1,064,610.82		1,528,915.07	
Ex. Diff. Fluctu. Exports	(189,067.80)		(1,641,167.08)	
Ex. Diff. Fluctu. Imports	58,686.89		106,751.64	
	<u>934,229.91</u>		<u>(5,500.37)</u>	