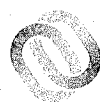


MRF LANKA (PVT) LIMITED

FOR THE YEAR ENDED 31ST MARCH, 2018



Private & Confidential

INDEPENDENT AUDITORS' 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 (Pvt) Ltd, which comprise the statement of financial position as at 31st March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 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 appropriated in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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



Partners - N.S.C. De Silva FCA, FCMA (UK), CGMA, L.C. Piyasena FCA, L.L.S. Wickremasinghe FCA,
S.N.M. Marikkar FCA, S.M.S.S. Boudara MBA, FCA, D.S. De Silva LLB, Attorney at Law
ACA, ACMA (UK), CGMA
Partner (Kandy) W.L.L. Pevera FCA.

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4. **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31st March 2018, 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..19th/04/2018

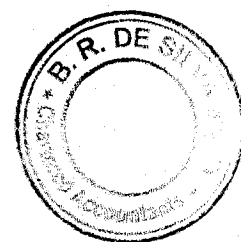
LW/SA/sn (14/07)



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

		2018		2017
	Note	Rs.	Cts.	Rs.
Revenue	(4)	179,552,755.66		192,726,718
Cost of Sales		(159,337,098.51)		(137,521,781)
Gross Profit		20,215,657.15		55,204,937
Other Operating Income		7,750,494.45		11,555,670
		27,966,151.60		66,760,607
Administrative Expenses		(27,228,674.62)		(27,086,965)
Profit from Operating Activities	(5)	737,476.98		39,673,642
Finance Income	(6)	25,194,682.30		18,336,624
Finance Cost	(7)	(957,948.10)		(934,230)
Profit before Taxation		24,974,211.18		57,076,036
<u>Taxation</u>				
Income tax Provision for the year	(8)	(4,279,435.99)		(7,574,009)
Deferred Taxation (Note -11)	(8)	(1,153,850.71)		9,752,980
		(5,433,286.69)		2,178,971
Profit for the year		19,540,924.49		59,255,007
Add: Other Comprehensive Income		-		-
Total Comprehensive Income		19,540,924.49		59,255,007
Earnings Per Share	(9)	0.57		1.73

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



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

	Note	2018 Rs. Cts.	2,017 Rs. Cts.
<u>ASSETS</u>			
<u>Non-current Assets</u>			
Property, Plant & Equipment	(10)	50,106,475.53	59,465,444
Deferred Tax Assets	(11)	5,958,250.42	7,112,101
		<u>56,064,725.95</u>	<u>66,577,546</u>
<u>Current Assets</u>			
Inventories	(12)	63,338,722.12	65,562,094
Debtors and Receivables	(13)	32,423,471.75	40,350,078
Short Term Investments	(14)	367,651,458.00	322,451,458
Cash and Cash Equivalents	(15)	(412,715.97)	5,329,359
		<u>463,000,935.90</u>	<u>433,692,989</u>
Total Assets		<u>519,065,661.85</u>	<u>500,270,535</u>
<u>EQUITY & LIABILITIES</u>			
<u>Capital & Reserves</u>			
Stated Capital	(16)	341,603,240.00	341,603,240
Retained Earnings		156,190,079.14	141,504,597
Total Equity		<u>497,793,319.14</u>	<u>483,107,837</u>
<u>Non-Current Liabilities</u>			
Employee Benefit Obligations	(17)	7,281,303.06	4,905,159
		<u>7,281,303.06</u>	<u>4,905,159</u>
<u>Current Liabilities</u>			
Trade & Other Payables	(18)	15,107,030.21	11,875,060
Amounts Due to Related Parties	(19)	828,000.00	-
Income Tax Payable	(20)	(1,943,990.57)	382,478
		<u>13,991,039.64</u>	<u>12,257,539</u>
Total Equity & Liabilities		<u>519,065,661.85</u>	<u>500,270,535</u>

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

DIRECTOR

DATE OF APPROVAL
BY THE BOARD }



NAME

ARUN.MAMMEN.....

Signature

19th April, 2018.....

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

MRF LANKA (PVT) LIMITED**STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31ST MARCH, 2018

	<i>Stated Capital</i>		<i>Retained Earnings</i>		<i>Total</i>	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
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	
Share Issued		-		-		-
Dividend Payment		-	(4,855,442.00)		(4,855,442.00)	
Profit for the year		-	19,540,924.49		19,540,924.49	
Balance as at 31.03.2018	<u>341,603,240.00</u>		<u>156,190,079.46</u>		<u>497,793,319.46</u>	

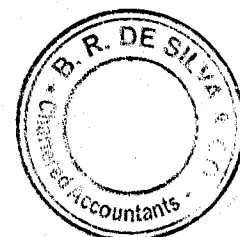
The Notes to the Financial Statements in pages (05) to (18) form an integral part of these Financial Statements.



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

	2018 Rs.	2017 Rs.
<u>Cash Flow from Operating Activities</u>		
Net Profit before Taxation	24,974,211	57,076,036
<u>Adjustments for,</u>		
Finance Cost	989,653	1,064,611
Depreciation	9,443,618	11,465,297
Gain on PPE Disposal	-	(431,478)
Miscellaneous Income	(2,165,582)	(3,210,975)
Provision for Gratuity	2,376,144	602,013
	<u>10,643,833</u>	<u>9,489,468</u>
Operating Cash Flow before Working Capital Changes	35,618,044	66,565,504
<u>Working Capital Changes</u>		
(Increase)/Decrease in Inventories	2,223,373	4,490,058
(Increase)/Decrease in Debtors & Receivables	7,926,606	469,849
Increase/(Decrease) in Amounts Due to Related Parties	828,000	-
Increase/(Decrease) in Trade & Other Payables	5,397,551	(3,648,092)
	<u>16,375,530</u>	<u>1,311,815</u>
Cash Generated from Operations	51,993,574	67,877,319
ESC Paid	(2,322,730)	-
Income Tax Paid	(1,965,127)	(9,894,761)
WHT paid	(2,318,048)	(1,641,531)
Finance Costs Paid	(989,653)	(1,064,611)
Net Cash Flow From/(Used in) Operating Activities	<u>44,398,016</u>	<u>55,276,416</u>
<u>Cash Flow from Investing Activities</u>		
Acquisition of Property, Plant & Equipment	(84,650)	(1,355,348)
Disposal of Property, Plant & Equipment	-	855,856
Cash Generated from Investing Activities	<u>(84,650)</u>	<u>(499,492)</u>
<u>Cash Flow from Financial Activities</u>		
Dividend Paymnt	(4,855,442)	(2,913,116)
Cash Generated from Investing Activities	<u>(4,855,442)</u>	<u>(2,913,116)</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	39,457,924	51,863,808
Cash & Cash Equivalents at the beginning of the year	327,780,818	275,917,010
Cash & Cash Equivalents at the end of the year	<u>367,238,742</u>	<u>327,780,818</u>
<u>Analysis of Cash and Cash Equivalents</u>		
<u>Cash at Bank</u>		
- SBI Colombo (LKR)	1,283,212	1,315,016
- SBI Colombo (USD)	(6,095,808)	874,508
- HNB Dankotuwa	4,382,090	3,122,734
Call Deposit - SBI Colombo	367,651,458	322,451,458
Cash in Hand	17,790	17,102
	<u>367,238,742</u>	<u>327,780,818</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 31st MARCH, 2018**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.

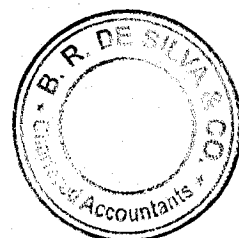
2.1.2. Functional and Presentation Currency

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 31ST MARCH, 20182.1.4. 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) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2018**2.1.7. 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 Basis**2.2.1. 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

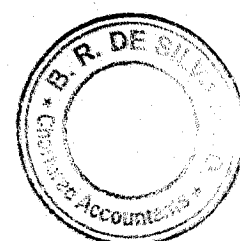
Trade receivables are stated at the amounts they are estimated to realize net of provisions for bad and doubtful debts.

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.

Contd...(08)



MRF LANKA (PVT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH, 2018****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.

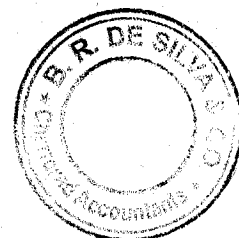
(b) Restoration Costs

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) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH, 2018****Impairment 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 Land**Operating Lease**

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

2.3. Financial instruments**2.3.1. Trade and other receivables and cash and cash equivalents**

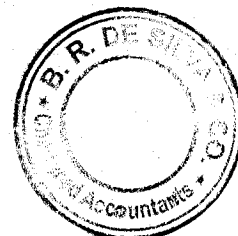
These financial assets are recognized initially at the transaction price. Subsequently they are measured at amortized cost using the effective interest method, less provision for impairment. Sales are made on normal credit terms and trade receivables do not bear interest.

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) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2018**2.3.3. 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 benefits**2.4.1. 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.

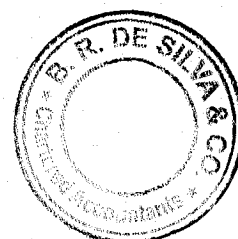
Company has used following assumptions in arriving its retirement benefit liability.

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) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH, 2018****Revenue 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.

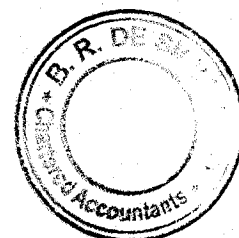
2.7. Directors' Responsibility Statement

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 31ST MARCH, 2018

2.9. Capital Commitment and Contingencies

There were no material commitments approved by the board of Directors or contracted by the company as at 31th March, 2018. 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.

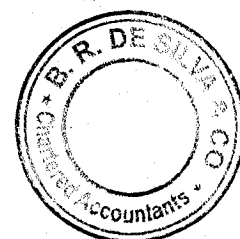
3. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31st March 2018.



MRF LANKA (PVT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH

	2018	2017
	Rs. Cts.	Rs.
(4) <u>REVENUE</u>		
Sales - Local	134,056,496.31	133,208,647
Sales - Export	46,529,772.00	60,547,552
	<u>180,586,268.31</u>	<u>193,756,199</u>
Less : <u>Export Expenses</u>		
Ocean Freight	(560,906.80)	(644,222)
Shipping Expenses	(472,605.85)	(385,259)
	<u>179,552,755.66</u>	<u>192,726,718</u>
(5) <u>OPERATING PROFIT/(LOSS)</u>		
Operating Profit/Loss is stated after charging all Expenses including the following:		
Auditors' Remuneration	175,000.00	160,000
Factory (Salaries, EPF/ETF, Other Allowances)	7,756,812.50	6,928,420
Office (Salaries, EPF/ETF, Other Allowances)	13,237,425.70	10,456,209
Masticating Charges	8,562,639.94	8,175,069
Depreciation and Amortization	9,443,618.91	11,465,294
(6) <u>FINANCE INCOME</u>		
Interest Income - Fixed Deposits	25,194,682.30	18,336,624
	<u>25,194,682.30</u>	<u>18,336,624</u>
(7) <u>FINANCE COSTS</u>		
Bank Charges	989,652.66	1,064,611
Ex. Diff. Fluctu. Exports	(203,719.89)	(189,068)
Ex. Fluctuation Frn. Imports	172,015.33	58,687
	<u>957,948.10</u>	<u>934,230</u>
(8) <u>TAXATION</u>		
Income Tax Provision for the year	(4,279,435.99)	(7,574,009)
Deferred Tax (Provision)/Reversal for the year	(1,153,850.71)	9,752,980
	<u>(5,433,286.69)</u>	<u>2,178,971</u>
(9) <u>EARNINGS PER SHARE</u>		
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.		
	2018	2017
Net Profit attributable to Ordinary Shares (Rs.)	19,540,924.49	59,255,007
	<u>34,160,324.00</u>	<u>34,160,324</u>
Earnings per Share (Rs.)	<u>0.57</u>	<u>1.73</u>



NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2018

(10) PROPERTY, PLANT & EQUIPMENT

Descriptions	At Cost						Depreciation						W.D.V.		W.D.V.					
	Opening Balance as at 01.04.2017		Additions During the year		Disposals During the year		Closing Balance as at 31.03.2018		Balance as at 01.04.2017		Charge For the Year		Disposals For the Year		Closing Balance as at 31.03.2018		as at 01.04.2017		as at 31.03.2018	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
Building	64,992,470.00	-	-	-	-	-	64,992,470.00	22,874,675.33	4,211,779.47	-	-	27,086,454.80	42,117,795	37,906,015.20						
Plant & Machinery	94,847,122.00	84,650.00	-	-	-	-	94,931,772.00	82,837,524.71	3,358,113.93	-	-	86,195,638.64	12,009,597	8,736,133.36						
Lab Equipment	2,649,535.00	-	-	-	-	-	2,649,535.00	2,104,623.99	75,797.32	-	-	2,180,421.31	544,911	469,113.69						
Other Equipment	58,405.00	-	-	-	-	-	58,405.00	58,398.99	-	-	-	58,398.99	6	6.01						
Furniture & Fittings	2,891,343.00	-	-	-	-	-	2,891,343.00	1,599,178.60	433,151.80	-	-	2,032,330.40	1,292,164	859,012.60						
Office Equipment	1,457,309.00	-	-	-	-	-	1,457,309.00	879,516.55	186,384.80	-	-	1,065,901.35	577,792	391,407.65						
Computer & Printers	1,420,229.00	-	-	-	-	-	1,420,229.00	1,065,530.35	150,999.80	-	-	1,216,530.15	354,699	203,698.85						
Moulds & Dies	33,713,468.00	-	-	-	-	-	33,713,468.00	31,144,988.04	1,027,391.99	-	-	32,172,380.03	2,568,480	1,541,087.97						
Leasehold Property Land	637,993.00	-	-	-	-	-	637,993.00	637,993.00	-	-	-	637,993.00	-	-						
	202,667,874.00	84,650.00	-	-	-	-	202,752,524.00	143,202,429.56	9,443,619.11	-	-	152,646,048.67	59,465,444	50,106,475.33						
													59,465,444	50,106,475.33						

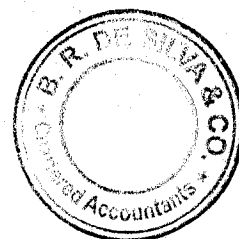
MPE Lanka (Pvt) Ltd has leased out a land from Land Reform Commission for 50 years commencing on 30th June 2005.

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) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
AS AT 31ST MARCH

	Note	2018 Rs. Cts.	2017 Rs.
(11) <u>DEFERRED TAXATION</u>			
Balance at the beginning of the Year		7,112,101.29	(2,640,879)
Provision/(Reversal) for the Year		(1,153,850.71)	9,752,980
Balance at the end of the Year	(11.1)	<u>5,958,250.58</u>	<u>7,112,101</u>
(11.1) <u>DEFERRED TAX (ASSETS)/LIABILITY</u>			
Accelerated depreciation allowances for Tax purposes Property, Plant & Equipment		15,027,851.90	17,051,247
Defined Benefit Plan Liability		(7,281,303.21)	(4,905,159)
Unutilized Business Loss C/F		(33,217,441.56)	(43,068,131)
Base for Deferred Tax (Assets)/Liability		<u>(25,470,892.87)</u>	<u>(30,922,043)</u>
Deferred Tax (Assets)/Liability		<u>(5,958,250.58)</u>	<u>(7,112,101)</u>
(12) <u>INVENTORIES</u>			
Materials		34,801,698.31	31,805,240
Work-in-Progress		3,175,910.53	3,722,576
Finished Goods		9,977,370.05	11,183,011
Traded Goods		4,927,710.60	6,346,218
Spare Parts		8,204,776.82	9,529,085
Oil for Furnance		773,568.01	1,034,084
Stock Account - Consumables		1,477,687.80	1,941,881
		<u>63,338,722.12</u>	<u>65,562,095</u>
(13) <u>DEBTORS & RECEIVABLES</u>			
Trade Debtors - Receivables from Exports		15,018,738.52	9,629,450
Trade Debtors - Receivables from Local		(152,231.02)	11,525,460
Deposits & Advances	(13.1)	1,890,099.25	2,554,012
VAT Receivable (Net)		15,666,865.00	16,641,156
		<u>32,423,471.75</u>	<u>40,350,078</u>



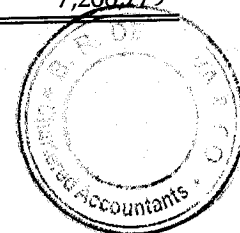
MRF LANKA (PVT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
AS AT 31ST MARCH

	2018 Rs.	Cts.	2017 Rs.
(13.1) <u>DEPOSITS & ADVANCES</u>			
Deposits - Electricity	1,250,000.00		1,250,000
Other Recoveries	262,700.00		96,600
EMD/Deposit Paid - From 01 July 2009	19,200.00		19,200
Advance for RM Purchase - Lanka LOC	-		930,000
Advance - Others	-		10,200
Pre Paid Expenses	358,199.25		248,012
	<u>1,890,099.25</u>		<u>2,554,012</u>
(14) <u>SHORT TERM INVESTMENTS</u>			
Short Term Bank Deposit- US\$ 550,000	77,500,000.00		72,300,000
Short Term Bank Deposit - LKR	290,151,458.00		250,151,458
	<u>367,651,458.00</u>		<u>322,451,458</u>
(15) <u>CASH & CASH EQUIVALENTS</u>			
Cash at Bank - SBI Colombo LKR	1,283,211.87		1,315,016
- SBI Colombo - US\$	(6,095,808.23)		874,507
- HNB Dankotuwa	4,382,090.39		3,122,734
Cash in Hand	17,790.00		17,102
	<u>(412,715.97)</u>		<u>5,329,359</u>
(16) <u>STATED CAPITAL</u>			
	<i>No. of</i>		
	<i>Shares</i>		
Fully Paid Ordinary Shares	34,160,324	341,603,240.00	341,603,240
		<u>341,603,240.00</u>	<u>341,603,240</u>
(17) <u>EMPLOYEE BENEFIT OBLIGATIONS</u>			
Balance at the beginning of the year	4,905,159.16		4,303,146
Provision for the year - Staff.	590,019.05		602,013
- Workmen.	1,786,125.00		-
Paid during the year	-		-
Balance at the end of the year	<u>7,281,303.21</u>		<u>4,905,159</u>



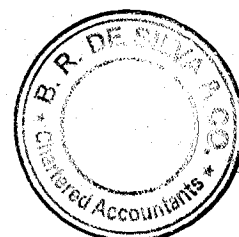
MRF LANKA (PVT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
AS AT 31ST MARCH

(18) <u>TRADE & OTHER PAYABLES</u>	<i>Note</i>	2018		2017
		Rs.	Cts.	Rs.
Creditors - RM Purchase- Local			-	2,033,340
Creditors - RM Purchase-Imports		10,409,924.00		-
Vendors - Stores & Spares/ Capital - Local				447,400
Creditors - Previous Years		14,095.00		2,179,677
GR/IR Control account-RM Local		5,864.90		5,865
GR/IR Control account-SFG/WIP - Local		(0.15)		-
Creditors - Payables & Accruals	(18.1)	4,677,146.46		7,208,779
		<u>15,107,030.21</u>		<u>11,875,061</u>
 (18.1) <u>PAYABLES & ACCRUALS</u>				
B. R. De Silva & Co - Audit Fee		242,000.00		178,000
ETF		30,963.42		27,950
EPF - Employees		82,569.12		74,534
EPF - Employer		123,853.68		111,800
PAYE		97,061.64		77,018
Economic Service Charges		220,740.00		-
CESS on NR Purchases		27,760.00		88,223
VAT Payable		81,718.00		1,889,733
NBT Payable		10,894.48		251,964
Uniform Supplier		85,840.00		-
Makeeta Manpower Service		2,275,443.00		1,075,000
Jayakody Enterprises		50,000.00		175,000
Ceylon Electricity Board		389,000.00		543,000
Tax Computation & Return Filing		-		40,000
Jayakody Filling Station - Fuel		12,000.00		10,000
Aremex & DHL - Courier		-		7,500
Telephone - SLT /Dialog/ Lanka Bell		12,400.00		18,500
Royal Asia Shipping Handling - Export handling		-		45,000
CCM Service Provider		51,428.55		51,429
Bonus - Staff & Workmen		517,208.00		523,570
F.G.J. De Saram - Seretarial Fees		-		96,000
Industrial Building Systems - Factory Toilet		-		69,572
Industrial Building Systems - Retention		-		1,410,882
Design Work Shop - Retention		-		314,852
Maritime Freight International		187,000.00		-
Other Creditors		1.57		2
Repairs - Sunlex,Thilak Machinery,Colonial		-		129,250
TUV (India) Pvt Ltd- ISO Audit Fee		161,975.00		-
Drinking Water Bills		17,290.00		-
		<u>4,677,146.46</u>		<u>7,208,779</u>



MRF LANKA (PVT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
AS AT 31ST MARCH

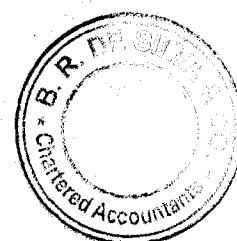
	2018	2017
	Rs. Cts.	Rs.
(19) <u>AMOUNTS DUE TO RELATED PARTIES</u>		
Payables to MRF Limited	828,000.00	-
	<u>828,000.00</u>	<u>-</u>
(20) <u>INCOME TAX PAYABLE</u>		
Balance at the beginning of the year	382,478.00	4,344,761
Provision for the year	4,279,435.99	7,574,009
Income Tax Paid	-	(4,344,761)
WHT Received	(2,318,048.06)	(1,641,531)
Self Assessment Tax Paid	(1,965,127.00)	(5,550,000)
ESC Paid during the year	(2,322,730.00)	-
Balance at the end of the year	<u>(1,943,991.07)</u>	<u>382,478</u>



MRF LANKA (PVT) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH

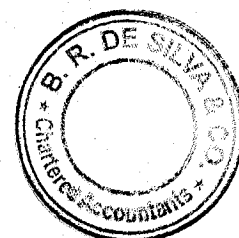
		2018		2017
	Note	Rs.	Cts.	Rs.
Revenue	(A)	179,552,755.66		192,726,718
Cost of Sales	(B)	(159,337,098.51)		(137,521,781)
Gross Profit		20,215,657.15		55,204,937
Other Operating Income	(C)	7,750,494.45		11,555,670
Administration Expenses	(D)	(27,228,674.62)		(27,086,965)
Profit from Operating Activities		737,476.98		39,673,642
Finance Income	(E)	25,194,682.3		18,336,624
Finance Cost	(F)	(957,948.10)		(934,230)
Profit before Taxation		24,974,211.18		57,076,036
<u>Taxation</u>				
Income tax Provision for the year		(4,279,435.99)		(7,574,009)
Deferred Taxation (Note -11)		(1,153,850.71)		9,752,980
		(5,433,286.69)		2,178,971
Profit for the year		19,540,924.49		59,255,007



MRF LANKA (PVT) LIMITED**ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH

	2018	2017
	Rs. Cts.	Rs.
(A) <u>REVENUE</u>		
Sales - Local	134,056,496.31	133,208,647
Sales - Export	46,529,772.00	60,547,552
	<u>180,586,268.31</u>	<u>193,756,199</u>
<i>Less: <u>Export Expenses</u></i>		
Ocean Freight	(560,906.80)	(644,222)
Shipping Expenses	(472,605.85)	(385,259)
	<u>(1,033,512.65)</u>	<u>(1,029,481)</u>
	<u>179,552,755.66</u>	<u>192,726,718</u>
 (B) <u>MANUFACTURING ACCOUNT</u>		
Cost of Raw Materials	95,310,573.97	91,017,231
Inventory Adjustments	2,664,367.54	1,737,617
Stock Revaluation	2,404,922.28	(15,211,513)
Add : Factory Salaries & Allowances	7,104,614.00	6,344,724
E.P.F.	521,758.80	466,957
E.T.F.	130,439.70	116,739
Mixing & Masticating Charges	8,562,639.94	8,175,069
	<u>116,699,316.23</u>	<u>92,646,824</u>
Opening WIP at the beginning of the year		-
Closing WIP at the end of the year		-
Prime Cost	<u>116,699,316.23</u>	<u>92,646,824</u>
Other Manufacturing Expenses		-
Electricity	5,285,679.00	5,642,164
Workmen - Bonus	274,648.00	428,942
Workmen Uniforms	197,140.00	223,803
Workmen Wages	14,912,569.00	17,394,657
Fuel	3,451,483.75	3,135,697
Depreciation - Building	4,211,779.47	4,679,755
Plant, Machinery & Equipment	3,358,113.93	4,573,140
Lab Equipment	75,797.12	88,044
Moulds & Dies	1,027,391.99	1,282,971
Electrical Fittings & Fixtures	-	2,518
Consumables	1,245,460.12	1,673,044
Consumables - Tools	31,437.50	33,289
Repairs & Maintenance - Building	1,147,581.00	747,454
Repairs & Maintenance - Plant & Machinery	1,725,477.01	2,386,640
Stores & Spares - Local	331,401.29	178,918
Stores & Spares - Import	1,385,048.99	416,398

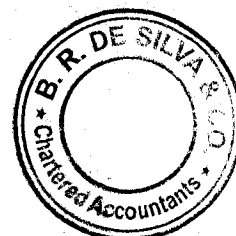
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MRF LANKA (PVT) LIMITED**ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH

	2018		2017
	Rs.	Cts.	Rs.
(B) <u>MANUFACTURING ACCOUNT</u>			
Repairs & Maintenance - Other Equipment	100,146.00		31,928
Engineering Consumables	482,097.70		416,403
Rent-Godowns	1,285,200.00		1,251,744
Insurance on Fixed assets	323,205.41		287,448
Workmen Gratuity	1,786,125.00		
	<u>159,337,098.51</u>		<u>137,521,781</u>
Finished Goods at the beginning of the year			-
Finished Goods at the end of the year			-
	<u>159,337,098.51</u>		<u>137,521,781</u>
(C) <u>OTHER OPERATING INCOME</u>			
<u>Income from Sale of Trade Goods</u>			
Sales - Local	27,337,759.77		29,342,306
Sales - Export	18,745,538.97		13,981,941
	<u>46,083,298.74</u>		<u>43,324,247</u>
Cost of sales	39,763,056.33		35,846,445
Packing Expenses	1,096,200.00		-
Income for Sale of Trade Goods	<u>5,224,042.41</u>		<u>7,477,802</u>
Scrap Sales	360,869.81		435,415
Gain on Sales of Fixed Assets	-		431,478
Miscellaneous Income	2,165,582.23		3,210,975
Profit from sale of Trade Goods	<u>7,750,494.45</u>		<u>11,555,670</u>
(D) <u>ADMINISTRATION EXPENSES</u>			
Depreciation - Furniture & Fittings	433,151.80		440,564
Office Equipment	186,384.80		211,848
Computer & Printers	150,999.80		186,454
Lease Rentals	212,625.00		212,625
Audit Fee	175,000.00		160,000
Salaries	3,667,880.00		3,301,320
Bonus - Staff	226,249.00		304,819
Conveyance Subsidy	2,224,902.00		1,935,908
Other Allowances	6,199,376.00		6,124,020

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MRF LANKA (PVT) LIMITED**ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH

	2018	2017	
	Rs.	Cts.	Rs.
(D) <u>ADMINISTRATIVE EXPENSES</u>			
Subscription	123,900.00		98,475
Staff Welfare - RO Canteen	905,145.75		875,783
EPF	916,214.16		824,695
ETF	229,053.54		206,174
Licence Fees	66,025.00		138,800
Insurance - Stocks	155,832.09		132,413
- Others	231,289.00		211,464
Travelling - Management	319,760.00		238,840
Professional Charges	358,538.67		372,809
Printing & Stationery	172,964.00		172,075
Postage & Telegrams	166,262.00		130,766
Telephone & Telex	192,367.00		257,627
Motor Car - Running Expenses	1,984,000.00		1,911,646
Technical Fees	231,452.00		324,900
General Charges	521,852.93		559,316
Advertieasment-Web site charges	828,000.00		-
Sales Promotion Expenses	98,661.34		1,503,691
NBT on Local Sales	3,235,102.69		3,276,600
Watch & Ward	2,216,967.00		2,226,820
Gratuity	590,019.05		602,013
Tax Computation & Return Filing Charges	45,000.00		40,000
Freight on FG- Transport	163,700.00		104,500
	<u>27,228,674.62</u>		<u>27,086,965</u>
(E) <u>FINANCE INCOME</u>			
Interest Income - Fixed Deposits	25,194,682.30		18,336,624
	<u>25,194,682.30</u>		<u>18,336,624</u>
(F) <u>FINANCE COSTS</u>			
Bank Charges	989,652.66		1,064,611
Ex. Diff. Fluctu. Exports	(203,719.89)		(189,068)
Ex. Diff. Fluctu. Imports	172,015.33		58,687
	<u>957,948.10</u>		<u>934,230</u>

