

MRF LANKA (PVT) LIMITED

FOR THE YEAR ENDED 31ST MARCH, 2019



Private & Confidential

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MRF LANKA (PVT) LTD.

Report on the Audit of the Financial Statements

1. Opinion

We have audited the financial statements of MRF Lanka (Pvt) Ltd, which comprise the statement of financial position as at 31st March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2. 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 ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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.

3. 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.



4. Auditor's 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.

5. 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.



B. R. DE SILVA & CO.
Chartered Accountants
Colombo 05.

Date... 24/04/2019
LW/SA/sn (19/01)



MRF LANKA (PVT) LIMITEDSTATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH

	Note	2019		2018
		Rs.	Cts.	Rs.
Revenue	(4)	177,525,565.49		179,552,756
Cost of Sales		(158,643,762.00)		(159,337,099)
Gross Profit		18,881,803.49		20,215,657
Other Operating Income		6,669,645.57		7,750,494
		25,551,449.06		27,966,152
Administrative Expenses		(28,505,487.43)		(27,228,675)
Profit from Operating Activities	(5)	(2,954,038.37)		737,477
Finance Income	(6)	26,640,060.85		25,194,682
Finance Cost	(7)	21,494,007.50		(957,948)
Profit before Taxation		45,180,029.98		24,974,211
<u>Taxation</u>				
Income tax Provision for the year	(8)			(4,279,436)
Deferred Taxation (Note -11)	(8)	(5,024,115.48)		(1,153,851)
		(5,024,115.48)		(5,433,287)
Profit for the year		40,155,914.50		19,540,924
Add: Other Comprehensive Income				
Total Comprehensive Income		40,155,914.50		19,540,924
Earnings Per Share	(9)		1.18	0.57

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



MRF LANKA (PVT) LIMITEDSTATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH

	Note	2019		2018
		Rs.	Cts.	Rs.
ASSETS				
<u>Non-current Assets</u>				
Property, Plant & Equipment	(10)	43,237,210.95		50,106,475
Deferred Tax Assets	(11)	934,134.94		5,958,251
		<u>44,171,345.89</u>		<u>56,064,726</u>
<u>Current Assets</u>				
Inventories	(12)	69,857,504.29		63,338,722
Debtors and Receivables	(13)	36,685,525.01		32,423,472
Short Term Investments	(14)	382,551,458.00		367,651,458
Cash and Cash Equivalents	(15)	23,320,540.76		(412,716)
		<u>512,415,028.06</u>		<u>463,000,936</u>
Total Assets		<u>556,586,373.95</u>		<u>519,065,662</u>
<u>EQUITY & LIABILITIES</u>				
<u>Capital & Reserves</u>				
Stated Capital	(16)	341,603,240.00		341,603,240
Retained Earnings		196,345,993.96		156,190,079
Total Equity		<u>537,949,233.96</u>		<u>497,793,319</u>
<u>Non-Current Liabilities</u>				
Employee Benefit Obligations	(17)	7,846,291.25		7,281,303
		<u>7,846,291.25</u>		<u>7,281,303.21</u>
<u>Current Liabilities</u>				
Trade & Other Payables	(18)	14,313,258.82		15,107,030
Amounts Due to Related Parties	(19)	828,000.00		828,000
Income Tax Payable	(20)	(4,350,410.08)		(1,943,991)
		<u>10,790,848.74</u>		<u>13,991,039</u>
Total Equity & Liabilities		<u>556,586,373.95</u>		<u>519,065,662</u>

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

[Signature]
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	}	<u>Name</u>	ARUN MAMMEN	<u>Signature</u> <i>[Signature]</i>
DATE OF APPROVAL			23rd April 2019	
BY THE BOARD			

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



MRF LANKA (PVT) LIMITEDSTATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2019

	<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 31.03.2017	341,603,240.00		141,504,596.97		483,107,836.97	
Shares 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 01.04.2018	341,603,240.00		156,190,079.46		497,793,319.46	
Profit for the year			40,155,914.50		40,155,914.50	
Balance as at 31.03.2019	<u>341,603,240.00</u>		<u>196,345,993.96</u>		<u>537,949,233.96</u>	

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



MRE LANKA (PVT) LIMITEDSTATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31ST MARCH

	2019 Rs.	2018 Rs.
<u>Cash Flow from Operating Activities</u>		
Net Profit before Taxation	45,180,030	24,974,211
<u>Adjustments for,</u>		
Finance Cost	1,056,238	989,653
Depreciation	7,735,904	9,443,618
Miscellaneous Income	-	(2,165,582)
Provision for Gratuity	776,790	2,376,144
	<u>9,568,932</u>	<u>10,643,833</u>
Operating Cash Flow before Working Capital Changes	54,748,962	35,618,044
<u>Working Capital Changes</u>		
(Increase)/Decrease in Inventories	(6,518,782)	2,223,373
(Increase)/Decrease in Debtors & Receivables	(4,262,053)	7,926,606
Increase/(Decrease) in Amounts Due to Related Parties	-	828,000
Increase/(Decrease) in Trade & Other Payables	(793,771)	5,397,551
	<u>(11,574,607)</u>	<u>16,375,530</u>
Cash Generated from Operations	43,174,355	51,993,574
ESC Paid	(1,074,416)	(2,322,730)
Income Tax Paid	-	(1,965,127)
WHT paid	(1,332,003)	(2,318,048)
Finance Costs Paid	(1,056,238)	(989,653)
Gratuity Paid	(211,802)	-
Net Cash Flow From/(Used in) Operating Activities	<u>39,499,897</u>	<u>44,398,016</u>
<u>Cash Flow from Investing Activities</u>		
Acquisition of Property, Plant & Equipment	(866,640)	(84,650)
Cash Generated from Investing Activities	<u>(866,640)</u>	<u>(84,650)</u>
<u>Cash Flow from Financial Activities</u>		
Dividend Payment	-	(4,855,442)
Cash Generated from Investing Activities	-	(4,855,442)
Net Increase/(Decrease) in Cash & Cash Equivalents	38,633,257	39,457,924
Cash & Cash Equivalents at the beginning of the year	<u>367,238,742</u>	<u>327,780,818</u>
Cash & Cash Equivalents at the end of the year	<u>405,871,999</u>	<u>367,238,742</u>
<u>Analysis of Cash and Cash Equivalents</u>		
<u>Cash at Bank</u>		
- SBI Colombo (LKR)	24,576,531	1,283,212
- SBI Colombo (USD)	2,176,828	(6,095,808)
- HNB Dankotuwa	4,136,690	4,382,090
- SBI Colombo - US\$ OD a/c	(7,586,668)	-
Call Deposit - SBI Colombo	382,551,458	367,651,458
Cash in Hand	17,160	17,790
	<u>405,871,999</u>	<u>367,238,742</u>



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

MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st MARCH, 2019**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 are 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, 20192.1.4. 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 31ST MARCH, 20192.1.7. 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 Bases2.2.1. 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) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31ST MARCH, 20192.2.4. 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 extinguishers, 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,

Buildings	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 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 31ST MARCH, 2019Impairment 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. 215,878.50 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 31ST MARCH, 20192.3.3. 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 neither 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 STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2019Revenue 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.

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MRF LANKA (PVT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2019

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, 2019. 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 2019.



MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH

	2019		2018
	Rs.	Cts.	Rs.
(4) REVENUE			
Sales - Local	138,952,734.69		134,056,496
Sales - Export	39,232,637.55		46,529,772
	<u>178,185,372.24</u>		<u>180,586,268</u>
<i>Less: Export Expenses</i>			
Ocean Freight	(172,964.50)		(560,907)
Shipping Expenses	(486,842.25)		(472,606)
	<u>177,525,565.49</u>		<u>179,552,756</u>
(5) OPERATING PROFIT/(LOSS)			
Operating Profit/Loss is stated after charging all Expenses including the following:			
Auditors' Remuneration	175,000.00		175,000
Factory (Salaries, EPF/ETF, Other Allowances)	8,383,232.68		7,756,813
Office (Salaries, EPF/ETF, Other Allowances)	14,463,203.41		13,237,426
Masticating Charges	10,174,132.73		8,562,640
Depreciation and Amortization	5,305,516.18		9,443,619
(6) FINANCE INCOME			
Interest Income - Fixed Deposits	26,640,060.85		25,194,682
	<u>26,640,060.85</u>		<u>25,194,682</u>
(7) FINANCE COSTS			
Bank Charges	1,056,237.69		989,653
Ex. Diff. Fluctu. Exports	(830,883.71)		(203,720)
Ex. Fluctuation Frn. Imports	1,486,106.62		172,015
Exchange Fluctuations - Transfer	(23,205,468.10)		
	<u>(21,494,007.50)</u>		<u>957,948</u>
(8) TAXATION			
Income Tax Provision for the year	-		(4,279,435.99)
Deferred Tax (Provision)/Reversal for the year	5,024,115.48		(1,153,850.71)
	<u>5,024,115.48</u>		<u>(5,433,286.69)</u>
(9) EARNINGS PER SHARE			
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.			
Net Profit attributable to Ordinary Shares (Rs.)	40,155,914.50		19,540,924
	34,160,324		34,160,324
Earnings per Share (Rs.)	1.18		0.57



NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2019

(10) PROPERTY, PLANT & EQUIPMENT

Descriptions	At Cost				Depreciation				W.D.V.	
	Opening Balance as at 01.04.2018	Additions During the year	Disposals During the year	Closing Balance as at 31.03.2019	Balance as at 01.04.2018	Charge For the Year	Disposals For the Year	Closing Balance as at 31.03.2019	as at 01.04.2018	as at 31.03.2019
	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs.	Rs. Cts.
Building	64,992,470.00			64,992,470.00	27,086,454.80	3,790,601.52		30,877,056.32	37,906,015	34,115,413.68
Plant & Machinery	94,931,772.00			94,931,772.00	86,195,638.64	2,430,388.40		88,626,027.04	8,736,133	6,305,744.96
Lab Equipment	2,649,535.00			2,649,535.00	2,180,421.31	65,253.54		2,245,674.85	469,114	403,860.15
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	2,032,330.40	426,587.80		2,458,918.20	859,013	432,424.80
Office Equipment	1,457,309.00	64,000.00		1,521,309.00	1,065,901.35	194,918.13		1,260,819.48	391,408	260,489.52
Computer & Printers	1,420,229.00	20,000.00		1,440,229.00	1,216,530.15	107,367.80		1,323,897.95	203,699	116,331.05
Moulds & Dies	33,713,468.00	782,640.00		34,496,108.00	32,172,380.03	720,787.19		32,893,167.22	1,541,088	1,602,940.78
Leasehold Property Land	637,993.00			637,993.00	637,993.00			637,993.00	-	-
	202,752,524.00	866,640.00		203,619,164.00	152,646,048.67	7,735,904.38		160,381,953.05	50,106,475	43,237,210.95

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. 215,878.50 in the year 2018/2019 (2017/2018 Rs. 212,625.00).



MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH

	<i>Note</i>	2019		2018
		Rs.	Cts.	Rs.
(11) DEFERRED TAXATION				
Balance at the beginning of the Year		5,958,250.42		7,112,101
Provision/(Reversal) for the Year		(5,024,115.48)		(1,153,851)
Balance at the end of the Year	(11.1)	<u>934,134.94</u>		<u>5,958,251</u>
(11.1) DEFERRED TAX (ASSETS)/LIABILITY				
Accelerated depreciation allowances for Tax purposes Property, Plant & Equipment		14,311,210.68		15,027,852
Defined Benefit Plan Liability		(7,846,291.25)		(7,281,303)
Unutilized Business Loss C/F		(9,801,115.66)		(33,217,442)
Base for Deferred Tax (Assets)/Liability		<u>(3,336,196.22)</u>		<u>(25,470,893)</u>
Deferred Tax (Assets)/Liability		<u>(934,134.94)</u>		<u>(5,958,251)</u>
(12) INVENTORIES				
Materials		25,767,500.10		34,801,698
Work-in-Progress		5,397,545.39		3,175,911
Finished Goods		16,627,296.58		9,977,370
Traded Goods		11,181,184.68		4,927,711
Spare Parts		9,085,260.08		8,204,777
Oil for Furnance		454,109.87		773,568
Stock Account - Consumables		<u>1,344,607.59</u>		<u>1,477,688</u>
		<u>69,857,504.29</u>		<u>63,338,722</u>
(13) DEBTORS & RECEIVABLES				
Trade Debtors - Receivables from Exports		(6,963,332.85)		(152,231)
Trade Debtors - Receivables from Local		16,079,381.60		15,018,739
Deposits & Advances	(13.1)	9,625,736.26		1,890,099
VAT Receivable (Net)		<u>17,943,740.00</u>		<u>15,666,865</u>
		<u>36,685,525.01</u>		<u>32,423,472</u>



MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH

	2019	2018
	Rs. Cts.	Rs.
(13.1) <u>DEPOSITS & ADVANCES</u>		
Deposits - Electricity	1,250,000.00	1,250,000
Other Recoveries	332,950.00	262,700
EMD/Deposit Paid - From 01 July 2009	19,200.00	19,200
Avance for RM Purchase - Lanka LOC	149,786.47	-
Interest On Short Term Bank Deposit	7,028,733.04	-
Pre Paid Expenses	845,066.75	358,199
	<u>9,625,736.26</u>	<u>1,890,099</u>
(14) <u>SHORT TERM INVESTMENTS</u>		
Short Term Bank Deposit- US\$ 525,000	92,400,000.00	77,500,000
Short Term Bank Deposit - LKR	290,151,458.00	290,151,458
	<u>382,551,458.00</u>	<u>367,651,458</u>
(15) <u>CASH & CASH EQUIVALENTS</u>		
Cash at Bank - SBI Colombo LKR	24,576,530.85	1,283,212
- SBI Colombo - US\$	2,176,827.84	(6,095,808)
- HNB Dankotuwa	4,136,690.39	4,382,090
- SBI Colombo - USS OD	(7,586,668.32)	-
Cash in Hand	17,160.00	17,790
	<u>23,320,540.76</u>	<u>(412,716)</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	7,281,303.21	4,905,159
Provision for the year - Staff.	362,065.54	590,019
- Workmen.	414,724.50	1,786,125
Paid during the year	(211,802.00)	-
Balance at the end of the year	<u>7,846,291.25</u>	<u>7,281,303</u>



MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH

(18) <u>TRADE & OTHER PAYABLES</u>	Note	2019		2018
		Rs.	Cts.	Rs.
Creditors - RM Purchase- Local		1,418,500.00		-
Creditors - RM Purchase-Imports		7,631,307.00		10,409,924
Vendors - Stores & Spares/ Capital - Local		14,095.00		-
Vendors - Fuel - Local		(7,033.00)		-
Creditors - Previous Years		-		14,095
GR/IR Control account-RM Local		5,864.90		5,865
GR/IR Control account-SFG/WIP - Local			(0.15)	(0)
Creditors - Payables & Accruals	(18.1)	5,250,525.07		4,677,146
		<u>14,313,258.82</u>		<u>15,107,030</u>
(18.1) <u>PAYABLES & ACCRUALS</u>				
B. R. De Silva & Co - Audit Fee		298,000.00		242,000
ETF		33,589.46		30,963
EPF - Employees		89,571.04		82,569
EPF - Employer		134,356.56		123,854
PAYE		86,422.88		97,062
Economic Service Charges		-		220,740
Withholding Tax Collection		25,710.00		-
CESS on NR Purchases		24,100.00		27,760
VAT Payable		544,265.88		81,718
NBT Payable		226,770.13		10,894
Rocnal Enterprises		17,896.00		-
Uniform Supplier		68,500.00		85,840
Commissioner General of IRD - ESC		262,919.00		-
Makeeta Manpower Service		2,106,573.00		2,275,443
Jayakody Enterprises		86,000.00		50,000
Ceylon Electricity Board		479,830.00		389,000
Jayakody Filling Station - Fuel		-		12,000
Telephone - SLT /Dialog/ Lanka Bell		14,500.00		12,400
Royal Asia Shipping Handling - Export handling		30,000.00		-
CCM Service Provider		51,428.55		51,429
Bonus - Staff & Workmen		518,000.00		517,208
Maritime Freight International		150,000.00		187,000
Other Creditors		-		2
TUV (India) Pvt Ltd- ISO Audit Fee		-		161,975
Drinking Water Bills		-		17,290
PO - 3100000693		2,091.00		-
Other Creditors		1.57		-
		<u>5,250,525.07</u>		<u>4,677,146</u>



MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH

	2019		2018
	Rs.	Cts.	Rs.
(19) <u>AMOUNTS DUE TO RELATED PARTIES</u>			
Payables to MRF Limited	828,000.00		828,000.00
	<u>828,000.00</u>		<u>828,000.00</u>
(20) <u>INCOME TAX PAYABLE</u>			
Balance at the beginning of the year	1,943,991.07		382,478
Provision for the year	-		4,279,436
Income Tax Paid	-		-
WHT Received	1,332,003.04		(2,318,048)
Self Assessment Tax Paid	-		(1,965,127)
ESC Paid during the year	1,074,416.00		(2,322,730)
Balance at the end of the year	<u>4,350,410.11</u>		<u>(1,943,991)</u>



MRF LANKA (PVT) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH

	Note	2019		2018
		Rs.	Cts.	Rs.
Revenue	(A)	177,525,565.49		179,552,756
Cost of Sales	(B)	<u>(158,643,762.00)</u>		<u>(159,337,099)</u>
Gross Profit		18,881,803.49		20,215,657
Other Operating Income	(C)	6,669,645.57		7,750,494
Administration Expenses	(D)	<u>(28,505,487.43)</u>		<u>(27,228,675)</u>
Profit from Operating Activities		(2,954,038.37)		737,477
Finance Income	(E)	26,640,060.9		25,194,682
Finance Cost	(F)	<u>21,494,007.50</u>		<u>(957,948)</u>
Profit before Taxation		45,180,029.98		24,974,211
<u>Taxation</u>				
Income tax Provision for the year				(4,279,436)
Deferred Taxation (Note -11)		<u>(5,024,115.48)</u>		<u>(1,153,851)</u>
		(5,024,115.48)		(5,433,287)
Profit for the year		<u>40,155,914.50</u>		<u>19,540,924</u>



MRF LANKA (PVT) LIMITED

ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH

	2019		2018
	Rs.	Cts.	Rs.
(A) REVENUE			
Sales - Local	138,952,734.69		134,056,496
Sales - Export	39,232,637.55		46,529,772
	<u>178,185,372.24</u>		<u>180,586,268</u>
<i>Less: Export Expenses</i>			
Ocean Freight	(172,964.50)		(560,907)
Shipping Expenses	(486,842.25)		(472,606)
	<u>(659,806.75)</u>		<u>(1,033,513)</u>
	<u>177,525,565.49</u>		<u>179,552,756</u>
(B) MANUFACTURING ACCOUNT			
Cost of Raw Materials	110,646,177.21		95,310,574
Inventory Adjustments	1,686,518.34		2,664,368
Stock Revaluation	(9,056,582.85)		2,404,922
<i>Add : Factory Salaries & Allowances</i>	7,678,696.06		7,104,614
E.P.F.	563,629.30		521,759
E.T.F.	140,907.32		130,440
Mixing & Masticating Charges	10,174,132.73		8,562,640
	<u>121,833,478.11</u>		<u>116,699,316</u>
Opening WIP at the beginning of the year	-		-
Closing WIP at the end of the year	-		-
Prime Cost	<u>121,833,478.11</u>		<u>116,699,316</u>
Other Manufacturing Expenses	-		-
Electricity Bills	5,130,469.00		5,285,679
Workmen - Bonus	274,114.00		274,648
Workmen Uniforms	222,449.00		197,140
Workmen Wages	13,817,355.00		14,912,569
Fuel	3,819,042.14		3,451,484
Depreciation - Building	3,790,601.52		4,211,779
Plant, Machinery & Equipment	2,430,388.40		3,358,114
Lab Equipment	65,253.74		75,797
Moulds & Dies	720,787.19		1,027,392
Electrical Fittings & Fixtures	-		-
Consumables	1,305,750.69		1,245,460
Consumables - Tools	-		31,438
Repairs & Maintenance - Building	251,585.05		1,147,581
Repairs & Maintenance - Plant & Machinery	1,301,287.00		1,725,477
Stores & Spares - Local	595,790.41		331,401
Stores & Spares -Import	480,585.14		1,385,049



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MRF LANKA (PVT) LIMITED

ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH

	2019		2018
	Rs.	Cts.	Rs.
(B) <u>MANUFACTURING ACCOUNT</u>			
Repairs & Maintenance - Other Equipment	139,714.00		100,146
Engineering Consumables	480,768.83		482,098
Rent-Godowns	1,285,200.00		1,285,200
Insurance on Fixed assets	284,418.28		323,205
Workmen Gratuity	414,724.50		1,786,125
	<u>158,643,762.00</u>		<u>159,337,099</u>
Finished Goods at the beginning of the year	-		-
Finished Goods at the end of the year	-		-
	<u>158,643,762.00</u>		<u>159,337,099</u>
(C) <u>OTHER OPERATING INCOME</u>			
<u>Income from Sale of Trade Goods</u>			
Sales - Local	27,894,107.31		27,337,760
Sales - Export	8,400,660.00		18,745,539
	<u>36,294,767.31</u>		<u>46,083,299</u>
Cost of sales	(30,028,062.29)		(39,763,056)
Packing Expenses	-		(1,096,200)
Income for Sale of Trade Goods	<u>6,266,705.02</u>		<u>5,224,042</u>
Scrap Sales	402,940.55		360,870
Miscellaneous Income	-		2,165,582
Profit from sale of Trade Goods	<u>6,669,645.57</u>		<u>7,750,494</u>
(D) <u>ADMINISTRATION EXPENSES</u>			
Depreciation - Furniture & Fittings	426,587.80		433,152
Office Equipment	194,918.13		186,385
Computer & Printers	107,367.80		151,000
Lease Rentals	215,878.50		212,625
Audit Fee	175,000.00		175,000
Salaries	4,013,420.00		3,667,880
Bonus - Staff	202,126.00		226,249
Conveyance Subsidy	2,411,309.33		2,224,902
Other Allowances	6,787,138.67		6,199,376

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MAR LANKA (PVT) LIMITED

ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH

	2019		2018
	Rs.	Cts.	Rs.
(D) ADMINISTRATIVE EXPENSES			
Subscription	192,900.00		123,900
Staff Welfare - RO Canteen	1,112,202.60		905,146
EPF	1,001,068.32		916,214
ETF	250,267.09		229,054
Licence Fees	82,045.00		66,025
Insurance - Stocks	118,861.71		155,832
- Others	228,270.06		231,289
Travelling - Management	406,115.00		319,760
Professional Charges	359,734.04		358,539
Printing & Stationery	175,324.00		172,964
Postage & Telegrams	129,168.00		166,262
Telephone & Telex	160,435.00		192,367
Motor Car - Running Expenses	2,267,030.00		1,984,000
Technical Fees	285,912.10		231,452
General Charges	832,076.00		521,853
Advertisement-Web site charges	-		828,000
Sales Promotion Expenses	262,196.04		98,661
NBT on Local Sales	3,344,995.70		3,235,103
Watch & Ward	2,197,015.00		2,216,967
Gratuity	362,065.54		590,019
Tax Computation & Return Filing Charges	44,000.00		45,000
Freight on FG- Transport	160,060.00		163,700
	<u>28,505,487.43</u>		<u>27,228,675</u>
(E) FINANCE INCOME			
Interest Income - Fixed Deposits	26,640,060.85		25,194,682
	<u>26,640,060.85</u>		<u>25,194,682</u>
(F) FINANCE COSTS			
Bank Charges	1,056,237.69		989,653
Ex. Diff. Fluctu. Exports	(830,883.71)		(203,720)
Ex. Diff. Fluctu. Imports	1,486,106.62		172,015
Exchange Fluctuations - Transfer	(23,205,468.10)		-
	<u>(21,494,007.50)</u>		<u>957,948</u>



Rs. 23,322,584.03 has been accounted in the year due to conversion of the USD Fixed Deposit of 525,000 to Sri Lankan Rupees as at 31st March 2019.