

B.R.DE SILVA &CO.
Chartered Accountants

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, 2016, 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 31st March, 2016, 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 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 :11/04/2016

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

		<u>FOR THE SIX MONTHS ENDED 31st MARCH</u>	
		2016	2015
	<i>Note</i>	<i>Rs. Cts.</i>	<i>Rs.</i>
Revenue	(4)	301,328,924.38	179,951,727
Cost of Sales		(211,724,772.55)	(141,069,582)
Gross Profit		89,604,151.83	38,882,145
Other Operating Income		10,899,305.02	6,901,325
		100,503,456.85	45,783,470
Administrative Expenses		(28,265,116.53)	(14,169,141)
Profit from Operating Activities	(5)	72,238,340.32	31,614,329
Finance Income	(6)	7,908,896.64	4,325,548
Finance Cost	(7)	5,500.37	(846,460)
Profit before Taxation		80,152,737.33	35,093,417
<u>Taxation</u>			
Income tax Provision for the year	(8)	(10,647,898.58)	(4,562,587)
Deferred Taxation (<i>Note -11</i>)	(8)	(18,301,203.86)	(4,279,508)
		(28,949,102.44)	(8,842,095)
Profit for the year		51,203,634.89	26,251,322
<i>Add: Other Comprehensive Income</i>		-	-
Total Comprehensive Income		51,203,634.89	26,251,322
Earnings Per Share	(9)	1.50	0.77

The Notes to the Financial Statements in pages (05) to (19) form an integral part of these Financial Statements.

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

	<i>Note</i>	2016 <i>Rs. Cts.</i>	2015 <i>Rs.</i>
<u>ASSETS</u>			
<u>Non-current Assets</u>			
Property, Plant & Equipment	(10)	70,270,615.74	65,061,313
Deferred Tax Assets	(11)	(2,640,879.00)	15,660,325
		<u>67,629,736.74</u>	<u>80,721,638</u>
<u>Current Assets</u>			
Inventories	(12)	70,052,151.42	62,951,392
Debtors and Receivables	(13)	40,819,927.07	61,416,566
Short Term Investments	(14)	252,451,458.00	172,301,458
Cash and Cash Equivalents	(15)	23,465,551.98	18,291,084
		<u>386,789,088.47</u>	<u>314,960,500</u>
Total Assets		<u>454,418,825.21</u>	<u>395,682,138</u>
<u>EQUITY & LIABILITIES</u>			
<u>Capital & Reserves</u>			
Stated Capital	(16)	341,603,240.00	341,603,240
Retained Earnings		85,162,705.98	35,155,832
Total Equity		<u>426,765,945.98</u>	<u>376,759,072</u>
<u>Non-Current Liabilities</u>			
Employee Benefit Obligations	(17)	4,303,146.16	3,553,654
		<u>4,303,146.16</u>	<u>3,553,654</u>
<u>Current Liabilities</u>			
Trade & Other Payables	(18)	15,793,996.82	15,913,033
Amounts Due to Related Parties	(19)	3,210,975.06	3,210,975
Income Tax Payable	(20)	4,344,761.19	(3,754,596)
		<u>23,349,733.07</u>	<u>15,369,412</u>
Total Equity & Liabilities		<u>454,418,825.21</u>	<u>395,682,138</u>

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

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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,

	<u>NAME</u>	<u>SIGNATURE</u>
DIRECTOR	ARUN MAMMEN
DATE OF APPROVAL BY THE BOARD	11 th April, 2016

The Notes to the Financial Statements in pages (05) to (19) form an integral part of these Financial Statements.

MRF LANKA (PVT) LIMITED**STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31ST MARCH, 2016

	<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 30.09.2014	341,603,240.00		8,904,509.88		350,507,749.88	
Share Issued			-		-	
Profit for the year		-	26,251,322.21		26,251,322.21	
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	

The Notes to the Financial Statements in pages (05) to (19) form an integral part of these Financial Statements.

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

**FOR THE SIX
MONTHS ENDED
31st MARCH**

	2016 Rs.	2015 Rs.
<u>Cash Flow from Operating Activities</u>		
Net Profit before Taxation	80,152,737	35,093,417
<u>Adjustments for,</u>		
Finance Cost	(5,500)	846,460
Depreciation	13,597,402	3,141,488
Gratuity	749,492	461,760
	<u>14,341,394</u>	<u>4,449,708</u>
Operating Cash Flow before Working Capital Changes	94,494,132	39,543,125
<u>Working Capital Changes</u>		
(Increase)/Decrease in Inventories	(7,100,760)	15,314,567
(Increase)/Decrease in Building WIP	26,127,757	(8,014,007)
(Increase)/Decrease in Debtors & Receivables	20,596,639	(24,024,285)
Increase/(Decrease) in Amounts Due to Related Parties	-	-
Increase/(Decrease) in Trade & Other Payables	(8,198,099)	6,766,134
	<u>31,425,538</u>	<u>(9,957,594)</u>
Cash Generated from Operations	125,919,669	29,585,531
Income Tax Paid	4,344,761	(14,631,825)
Finance Costs Paid	(5,500)	(846,460)
Net Cash Flow From/(Used in) Operating Activities	<u>130,258,930</u>	<u>14,107,246</u>
<u>Cash Flow from Investing Activities</u>		
Acquisition of Property, Plant & Equipment	(44,934,461)	(19,451,509)
Cash Generated from Investing Activities	<u>(44,934,461)</u>	<u>(19,451,509)</u>
<u>Cash Flow from Financial Activities</u>		
Share Issue	-	-
Cash Generated from Investing Activities	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	85,324,469	(5,344,263)
Cash & Cash Equivalents at the beginning of the year	190,592,541	195,936,804
Cash & Cash Equivalents at the end of the year	<u><u>275,917,010</u></u>	<u><u>190,592,541</u></u>
<u>Analysis of Cash and Cash Equivalents</u>		
<u>Cash at Bank</u>		
- SBI Colombo (LKR)	4,079,466	4,095,098
- SBI Colombo (USD)	10,784,373	12,153,940
- HNB Dankotuwa	8,589,043	2,024,946
Call Deposit - SBI Colombo	252,451,458	172,301,458
Cash in Hand	12,670	17,099
	<u><u>275,917,010</u></u>	<u><u>190,592,541</u></u>

The Notes to the Financial Statements in pages (05) to (19) form an integral part of these Financial Statements.

MRF LANKA (PVT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31st MARCH, 2016****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 (19) from 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) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH, 2016****2.1.4. 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.

MRF LANKA (PVT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH, 2016****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 Cost

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.

MRF LANKA (PVT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH, 2016****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 and 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, 2016****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, 2016**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, 2016****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 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 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 Statement

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 Equivalent consists 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 disclose in the Financial Statements.

Contd...(12)

MRF LANKA (PVT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2016

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 2016. 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 2016.

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

	<u>FOR THE YEAR ENDED</u>		<u>FOR THE SIX MONTHS ENDED</u>	
	<u>2016</u>		<u>31st MARCH</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
(4) <u>REVENUE</u>				
Sales - Local	151,550,957.09		82,660,697	
Sales - Export	152,035,775.76		98,739,994	
	<u>303,586,732.85</u>		<u>181,400,691</u>	
<i>Less : <u>Export Expenses</u></i>				
Ocean Freight	(1,261,694.75)		(783,349)	
Shipping Expenses	(996,113.72)		(665,615)	
	<u>301,328,924.38</u>		<u>179,951,727</u>	
(5) <u>OPERATING PROFIT/(LOSS)</u>				
Operating Profit/Loss is stated after charging all Expenses including the following:				
Auditors' Remuneration	140,000.00		135,000	
Factory (Salaries, EPF/ETF, Other Allowances)	6,318,765.20		2,426,244	
Office (Salaries, EPF/ETF, Other Allowances)	8,963,912.00		7,606,225	
Masticating Charges	14,512,405.67		7,078,174	
Depreciation and Amortization	13,597,401.70		3,141,488	
(6) <u>FINANCE INCOME</u>				
Interest Income - Fixed Deposits	7,908,896.64		4,325,548	
	<u>7,908,896.64</u>		<u>4,325,548</u>	
(7) <u>FINANCE COSTS</u>				
Bank Charges	1,528,915.07		740,093	
Ex. Diff. Fluctu. Exports	(1,641,167.08)		-	
Ex. Diff. Fluctu. Frn. Currency	-		-	
Ex. Fluctuation Frn. Imports	106,751.64		106,367	
	<u>(5,500.37)</u>		<u>846,460</u>	
(8) <u>TAXATION</u>				
Income Tax Provision for the year	(10,647,898.58)		(4,562,587)	
Deferred Tax (Provision)/Reversal for the year	(18,301,204.26)		(4,279,508)	
	<u>(28,949,102.84)</u>		<u>(8,842,095)</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.				
	<u>2016</u>		<u>2015</u>	
Net Profit attributable to Ordinary Shares (Rs.)	51,203,635		26,251,322	
Number of Shares Outstanding during the year	34,160,324		34,160,324	
Earnings per Share (Rs.)	<u>1.50</u>		<u>0.77</u>	

MRF LANKA (PVT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31ST MARCH 2016****(10) PROPERTY, PLANT & EQUIPMENT**

<i>Descriptions</i>	<i>At Cost</i>			<i>Depreciation</i>			<i>W.D.V.</i>	
	<i>Opening</i>	<i>Additions/ (Disposals)</i>	<i>Closing</i>	<i>Balance as</i>	<i>Charge</i>	<i>Closing</i>	<i>as at</i>	<i>as at</i>
	<i>Balance as</i>	<i>During</i>	<i>Balance as</i>	<i>at 01.10.2015</i>	<i>For the</i>	<i>Balance as</i>	<i>31.03.2016</i>	<i>31.03.2015</i>
	<i>at 01.10.2015</i>	<i>the year</i>	<i>at 31.03.2016</i>		<i>Year</i>	<i>at 31.03.2016</i>		
	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>
Building	23,791,602.00	41,471,713.00	65,263,315.00	13,145,283.93	5,049,636.44	18,194,920.37	47,068,394.63	10,646,318.07
Plant & Machinery	99,059,310.00	162,500.00	99,221,810.00	75,916,445.76	6,326,248.62	82,242,694.38	16,979,115.62	23,142,864.24
Lab Equipment	2,649,535.00		2,649,535.00	1,914,310.16	102,269.78	2,016,579.94	632,955.06	735,224.84
Other Equipment	58,405.00		58,405.00	53,724.56	2,156.05	55,880.61	2,524.39	4,680.44
Furniture & Fittings	847,824.00	2,043,519.00	2,891,343.00	723,382.10	435,231.70	1,158,613.80	1,732,729.20	124,441.90
Office Equipment	653,625.00	803,684.00	1,457,309.00	461,650.33	206,018.42	667,668.75	789,640.25	191,974.67
Computer & Printers	1,420,229.00		1,420,229.00	688,741.40	190,334.80	879,076.20	541,152.80	731,487.60
Moulds & Dies	31,714,768.00	453,045.00	32,167,813.00	28,576,510.78	1,285,505.89	29,862,016.67	2,305,796.33	3,138,257.22
Leasehold Property Land	637,993.00		637,993.00	637,993.00		637,993.00	-	-
	<u>160,833,291.00</u>	<u>44,934,461.00</u>	<u>205,767,752.00</u>	<u>122,118,042.02</u>	<u>13,597,401.70</u>	<u>135,715,443.72</u>	<u>70,052,308.28</u>	<u>38,715,248.98</u>
Capital Work in Progress							<u>218,307.46</u>	<u>26,346,064.39</u>
							<u>70,270,615.74</u>	<u>65,061,313.37</u>

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.212,625.00 in the year 2014/2015 (2013/2014 Rs. 141,750.00).

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

		<u>AS AT 31ST</u> <u>MARCH</u>		<u>AS AT 31ST</u> <u>MARCH</u>
	<i>Note</i>	2016		2015
		Rs.	Cts.	Rs.
(11)	<u>DEFERRED TAXATION</u>			

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

		<u>AS AT 31ST</u> <u>MARCH</u> 2016	<u>AS AT 31ST</u> <u>MARCH</u> 2015
		<i>Rs.</i>	<i>Rs.</i>
		<i>Cts.</i>	
(13.1) <u>DEPOSITS & ADVANCES</u>			
Deposits - Telephone		2,500.00	2,500
Deposits - Electricity		1,250,000.00	1,250,000
Other Recoveries		257,500.00	185,950
Advances - Import Purchases		670,944.00	-
EMD/DEPOSITS PAID - From 01 JULY 2009		19,200.00	19,200
ADVANCE FOR RM PURCHASE			161,147
ADVANCES-CAPITAL/SPARES			736,852
ADVANCE - OTHERS		700,000.00	6,124,915
Pre Paid Expenses		406,195.83	248,385
		<u>3,306,339.83</u>	<u>8,728,949</u>
(14) <u>SHORT TERMS INVESTMENTS</u>			
SHORT TERM BANK DEPOSITS - US\$ 5500 @ 130		72,300,000.00	7,150,000
SHORT TERM BANK DEPOSITS - LKR		180,151,458.00	165,151,458
		<u>252,451,458.00</u>	<u>172,301,458</u>
(15) <u>CASH & CASH EQUIVALENTS</u>			
Cash at Bank - SBI Colombo LKR		4,079,466.01	4,095,099
- SBI Colombo - US\$		10,784,373.05	12,153,940
- HNB Dankotuwa		8,589,042.92	2,024,946
Cash in Hand		12,670.00	17,099
		<u>23,465,551.98</u>	<u>18,291,084</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 beginning of the year		3,553,653.94	3,091,894
Provision for the year		749,492.22	461,760
Balance at end of the year		<u>4,303,146.16</u>	<u>3,553,654</u>

NOTES TO THE FINANCIAL STATEMENTS

		<u>AS AT 31ST</u> <u>MARCH</u>		<u>AS AT 31ST</u> <u>MARCH</u>
		2016	2015	
		Rs.	Cts.	Rs.
(18) <u>TRADE & OTHER PAYABLES</u>	<i>Note</i>			
S.Creditors - RM & Cushion Gum Imports		4,401,453.00		5,638,225
Vendors Stores & Spares/ Capital - Local		447,400.00		-
S.Creditors - Previous Years		2,172,982.23		2,172,982
S.Creditors - RM - Stores & Spares		-		2,228,969
S. Creditors - Payables & Accruals	(18.1)	8,772,161.74		5,872,857
		<u>15,793,996.82</u>		<u>15,913,033</u>
(18.1) <u>PAYABLES & ACCRUALS</u>				
B. R. De Silva & Co - Audit Fee		176,650.00		135,000
ETF		24,660.94		21,583
EPF - Employees		65,762.32		57,556
EPF - Employer		98,643.54		86,334
PAYE		72,725.76		52,150
Cess on NR Purchases		19,405.60		80,240
Makeeta Manpower Service		1,130,500.00		1,105,070
Jayakody Enterprises		134,500.00		219,000
Ceylon Electricity Board		639,313.00		574,412
Tax Computation & Return Filing		40,000.00		40,000
Rocnal - Mixing		106,380.00		-
Jayakody Filling Station - Fuel		30,000.00		-
Aremex & DHL - Courier		10,000.00		-
Telephone - SLT		20,000.00		24,104
Royal Asia Shipping Handling - Export handling		30,000.00		262,094
CCM Service Provider		102,544.72		
Ceylinco Insurance		-		398,400
Bonus - Staff & Workmen		537,900.00		
F.G.J. De Saram - Seretarial Fees		-		45,000
VAT Payable		1,002,778.73		971,603
NBT Payable		268,050.73		262,591
Industrial Building Systems - Factory Toilet		1,662,293.00		-
Industrial Building Systems - Retention		1,410,882.00		-

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

	<u>AS AT 31ST</u> <u>MARCH</u>		<u>AS AT 31ST</u> <u>MARCH</u>	
	2016		2015	
	Rs.	Cts.	Rs.	Cts.
(18.1) <u>PAYABLES & ACCRUALS</u>				
Design Work Shop - Retention		314,852.00		-
Techshan Engineering - Retention		149,553.00		-
Maritime Freight International		85,000.00		-
GR/IR CONTROL ACCOUNT-OTHERS/ SERVICES		-		1,365,905
National Water Board		-		46,660
Other Creditors		639,766.40		125,155
		<u>8,772,161.74</u>		<u>5,872,857</u>
(19) <u>AMOUNTS DUE TO RELATED PARTIES</u>				
Other Payables to MRF Limited		3,210,975.06		3,210,975
		<u>3,210,975.06</u>		<u>3,210,975</u>
(20) <u>INCOME TAX PAYABLE</u>				
Balance at the beginning of the year		(3,754,596.15)		6,314,641
Provision for the year		10,647,898.58		4,562,587
Income Tax Paid				(6,314,641)
WHT Receivable		(748,541.24)		(426,783)
Self Assessment Tax Paid		(1,800,000.00)		(7,890,400)
Balance at the end of the year		<u>4,344,761.19</u>		<u>(3,754,596)</u>

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

	<i>Note</i>	<u>2016</u>		<u>FOR THE SIX MONTHS ENDED</u>	
		<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
Revenue	(A)	301,328,924.38		179,951,727	
Cost of Sales	(B)	(211,724,772.55)		(141,069,582)	
Gross Profit		89,604,151.83		38,882,145	
Other Operating Income	(C)	10,899,305.02		6,901,325	
Administration Expenses	(D)	(28,265,116.53)		(14,169,141)	
Profit from Operating Activities		72,238,340.32		31,614,329	
Finance Income	(E)	7,908,896.64		4,325,548	
Finance Cost	(F)	5,500.37		(846,460)	
Profit before Taxation		80,152,737.33		35,093,417	
<u>Taxation</u>					
Income tax Provision for the year		(10,647,898.58)		(4,562,587)	
Deferred Taxation (<i>Note -11</i>)		(18,301,203.86)		(4,279,508)	
		(28,949,102.44)		(8,842,095)	
Profit for the year		51,203,634.89		26,251,322	

ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

	<u>FOR THE SIX MONTHS ENDED 31st MARCH</u>	
	2016	2015
	Rs. Cts.	Rs.
(A) <u>REVENUE</u>		
Sales - Local	151,550,957.09	82,660,697
Sales - Export	152,035,775.76	98,739,994
	<u>303,586,732.85</u>	<u>181,400,691</u>
<i>Less: <u>Export Expenses</u></i>		
Ocean Freight	(1,261,694.75)	(783,349)
Shipping Expenses	(996,113.72)	(665,615)
	<u>301,328,924.38</u>	<u>179,951,727</u>
(B) <u>MANUFACTURING ACCOUNT</u>		
Cost of Raw Material	122,342,551.00	92,637,113
Inventory Adjustment	3,539,560.35	1,841,836
Stock Revaluation	7,070,289.95	6,432,131
<i>Add : Factory Salaries & Allowances</i>	5,786,243.00	2,240,082
E.P.F.	426,017.76	148,930
E.T.F.	106,504.44	37,232
Masticating Charges	14,512,405.67	7,078,174
	<u>153,783,572.17</u>	<u>110,415,498</u>
Opening WIP at the beginning of the year	-	-
Closing WIP at the end of the year	-	-
Prime Cost	<u>153,783,572.17</u>	<u>110,415,498</u>
Other Manufacturing Expenses	-	-
Electricity	8,172,091.00	4,108,144
Workmen - Bonus	670,444.00	-
Workmen Uniforms	249,810.00	199,395
Workmen Wages	15,699,538.33	7,606,225
Fuel	5,371,110.14	2,930,784
Depreciation - Building	5,049,636.44	521,812
Plant, Machinery & Equipment	6,326,248.62	2,021,475
Lab Equipment	102,269.78	54,957
Moulds & Dies	1,285,505.89	450,461
Electrical Fittings & Fixtures	2,156.05	350
Consumables	2,751,930.77	707,806
Consumables - Tools	35,576.09	45,435
Repairs & Maintenance - Building	3,559,349.95	9,661,881
Repairs & Maintenance - Plant & Machinery	5,339,181.60	1,365,630
Stores & Spares	1,098,339.70	(7,490)

ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

	<u>FOR THE SIX MONTHS ENDED 31st</u>	
	2016	2015
	Rs. Cts.	Rs.
(B) <u>MANUFACTURING ACCOUNT</u>		
Repairs & Maintenance - Other Equipment	100,779.00	120,314
Engineering Consumables	815,880.83	228,745
Rent-Go down	1,148,928.00	538,560
FG Consumption	(80,868.23)	
Insurance on Fixed assets	243,292.42	99,600
	<u>211,724,772.55</u>	<u>141,069,582</u>
Finished Goods at the beginning of the year	-	-
Finished Goods at the end of the year	-	-
	<u>211,724,772.55</u>	<u>141,069,582</u>
(C) <u>OTHER OPERATING INCOME</u>		
<u>Income from Sale of Trade Goods</u>		
Sales - Local	31,730,919.49	16,533,606
Sales - Export	16,037,983.68	20,314,007
	<u>47,768,903.17</u>	<u>36,847,613</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>37,390,995.41</u>	<u>30,215,920</u>
Income for Sale of Trade Goods	<u>10,377,907.76</u>	<u>6,631,693</u>
<u>Scrap Sales</u>	<u>521,397.26</u>	<u>269,632</u>
Profit from sale of Trade Goods	<u>10,899,305.02</u>	<u>6,901,325</u>
(D) <u>ADMINISTRATION EXPENSES</u>		
Depreciation - Furniture & Fittings	435,231.70	12,382
Office Equipment	206,018.42	22,333
Computer & Printers	190,334.80	57,718
Lease Rental	194,906.25	70,875
Audit Fee	160,000.00	135,000
Salaries	2,956,795.00	1,454,040
Bonus - Staff	365,977.00	-
Conveyance Subsidy	1,787,965.00	897,360
Other Allowances	5,075,104.00	2,288,424

ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

	<u>FOR THE SIX MONTHS ENDED 31st</u>	
	2016	2015
	Rs. Cts.	Rs.
(D) <u>ADMINISTRATIVE EXPENSES</u>		
Subscription	90,000.00	45,000
Staff Welfare - RO Canteen	1,012,873.10	757,815
EPF	745,610.40	369,419
ETF	186,402.60	92,355
Licence Fees	193,700.00	43,623
Insurance - Stocks	196,978.00	218,769
- Others	229,751.90	115,800
Travelling - Management	264,000.00	53,800
Professional Charges	265,306.51	244,328
Printing & Stationery	237,816.99	139,776
Postage & Telegram	160,241.00	123,200
Telephone & Telex	282,188.00	153,115
Stamp Duty	-	-
Motor Car - Running Expenses	2,059,207.00	1,022,040
Technical Fees	339,932.00	84,920
General Charges	691,427.60	353,425
Commission on Export Sales	2,556,852.92	-
Sales Promotion Expenses	203,090.44	24,728
Promotional Discounts	-	-
NBT on Local Sales	3,676,065.68	1,993,679
Watch & Ward	1,918,536.00	751,494
Gratuity	749,492.22	461,760
Tax Computation & Return Filing Charges	40,000.00	40,000
Freight on FG -Transport	79,000.00	
Other Office Expenses	714,312.00	2,141,963
	<u>28,265,116.53</u>	<u>14,169,141</u>
(E) <u>FINANCE INCOME</u>		
Interest Income - Fixed Deposits	7,908,896.64	4,325,548
	<u>7,908,896.64</u>	<u>4,325,548</u>
(F) <u>FINANCE COSTS</u>		
Bank Charges	1,528,915.07	740,093
Ex. Diff. Fluctu. Exports	(1,641,167.08)	-
Ex. Diff. Fluctu. Imports	106,751.64	106,367
	<u>(5,500.37)</u>	<u>846,460</u>