

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

(Incorporated in Sri Lanka)

DIRECTORS

S B Ganguly, Chairman
(upto 5th April, 2010)

P K Katakya, Chairman
(w.e.f. 5th April, 2010)

Winston Wong

R G Kapadia

A. K. Mukherjee
(Alternate to R G Kapadia)

S V Somasunderam

I C Nanayakkara
(upto 10th November, 2009)

Ajith Devasurendra
(w.e.f. 10th November, 2009)

N M Prakash

SECRETARIES

Standard Finance Limited
481 T B Jayah Mawatha
Colombo 10

AUDITORS

Messrs, Ernst & Young LLP
Chartered Accountants
201 De Saram Place
Colombo 10

REGISTERED OFFICE

481 T B Jayah Mawatha
Colombo 10

BANKERS

Standard Chartered Bank Limited
Hatton National Bank Limited
Commercial Bank of Ceylon Limited
DFCC Vardhana Bank Limited
The Hongkong & Shanghai Banking
Corporation Limited

FACTORY

31, Katukurunduwatte Road
Off Attiya Road
Ratmalana

DIRECTORS' REPORT

REPORT OF THE DIRECTORS

The Report of the Directors to be presented at the Fifty First Annual General Meeting of the Company to be held at the Registered Office, 481, T.B. Jayah Mawatha, Colombo 10.

The Directors have pleasure in presenting their report for the year ended 31st March 2010 together with the Audited Balance Sheet and Accounts of the Company made up to that date.

PROFIT & LOSS

Net Profit for the year before Tax, but after providing SLR. 25,173,337/- for depreciation, amounts to SLR.151,121,274/- compared with SLR. 83,367,227/- for the previous year.

TAXATION

A sum of SLR. 49,800,000/- has been provided for taxation on the profits for the year including deferred taxation.

DIVIDENDS

The Directors approved and declared an Interim Dividend of SLR. 4/- per share for the year ended 31st March 2010.

DIRECTORATE

Mr. I.C. Nanayakkara, Director resigned from the Board of Directors with effect from 10th November 2009.

Mr. A.L. Devasurendra was appointed to the Board of Directors with effect from 10th November 2009.

Mr. S.B. Ganguly, Chairman resigned from the Board of Directors with effect from 5th April 2010.

Mr. P.K. Katakya was appointed Chairman of the Company with effect from 5th April 2010.

Mr. A.L. Devasurendra retires in accordance with Regulation 78 of Table 'A' and being eligible offers himself for re-election with the unanimous support of the Board.

AUDITORS

In accordance with Section 154(1) of the Companies Act No. 7 of 2007 a resolution proposing the reappointment of Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year will be proposed at the Annual General Meeting.

In terms of Section 155(a) of the Companies Act No. 7 of 2007, a resolution authorizing the Directors to fix the remuneration of the Auditors Messrs Ernst & Young, Chartered Accountants for the ensuing year will be proposed at the Annual General Meeting.

By Order of the Board

Colombo
15th April, 2010

STANDARD FINANCE (PVT) LIMITED
Secretaries

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Associated Battery Manufacturers (Ceylon) Limited, which comprise the balance sheet as at 31 March 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2010 and the financial statements give a true and fair view of the Company's state of affairs at at 31 March 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Ernst & Young
Colombo
15th April, 2010

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

BALANCE SHEET

AS AT 31st MARCH 2010

	Notes	2010 Rs.	2009 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	4	225,187,855	234,593,342
Investment Property	5	11,177,987	11,177,987
Receivables	9	14,166,389	3,104,963
Investments	7	200,000	530,250
Deferred Tax Asset	15	7,318,388	7,162,388
		<u>258,050,619</u>	<u>256,568,930</u>
Current Assets			
Inventories	8	198,497,021	271,493,697
Investments	7	60,000,000	—
Trade and other Receivables	9	398,829,230	281,780,575
Cash and Cash Equivalents	18	13,897,660	5,281,785
		<u>671,223,911</u>	<u>558,556,057</u>
Assets classified as held for sale	6	—	1,200,000
Total Assets		<u>929,274,530</u>	<u>816,324,987</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	10	63,360,000	63,360,000
General Reserves	11	82,679,732	82,679,732
Development Reserve	11	120,000	120,000
Retained Earnings		293,974,220	230,668,946
Total Equity		<u>440,133,952</u>	<u>376,828,678</u>
Non-Current Liabilities			
Interest Bearing Loans & Borrowings	12	37,666,622	55,666,622
Retirement Benefit Obligations	16	48,835,621	46,373,782
		<u>86,502,243</u>	<u>102,040,404</u>
Current Liabilities			
Trade and Other Payables	17	279,728,783	138,902,377
Dividend payable	19	25,344,000	15,840,000
Income Tax Liabilities		24,596,614	9,112,142
Interest Bearing Loans and Borrowings	12	58,440,206	162,072,654
Warranty Provision	13	14,528,732	11,528,732
		<u>402,638,335</u>	<u>337,455,905</u>
Total Equity and Liabilities		<u>929,274,530</u>	<u>816,324,987</u>

These financial Statements are in compliance with the requirements of the Companies Act No: 07 of 2007.

Nanda Corea
Finance Manager

The board of directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the board by:

N M Prakash
Director

Ajith Devasurendra
Director

The accounting policies and notes on page 6 through 22 form and integral part of the Financial Statements.

Colombo, 15th April, 2010

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

INCOME STATEMENTS

YEAR ENDED 31 MARCH, 2010

	Notes	2010 Rs.	2009 Rs.
Revenue	3	1,560,002,858	1,429,506,980
Cost of Sales		(1,328,961,553)	(1,251,564,320)
Gross Profit		231,041,305	177,942,660
Other Income	20	20,929,033	23,642,694
Selling and Distribution Expenses		(5,054,355)	(4,798,554)
Administrative Expenses		(67,468,754)	(53,229,025)
Finance Cost	21	(28,325,955)	(60,190,548)
Profit Before Tax		151,121,274	83,367,227
Income Tax Expense	14	(49,800,000)	(27,441,089)
Profit for the Year		101,321,274	55,926,138
Earnings Per Share	22	15.99	8.23
Dividend Per Share - Interim	19	4.00	2.50
- Final	19	—	2.00

The accounting policies and notes on pages 6 through 22 form an integral part of the financial statements.

Colombo
15th April, 2010

All figures are in Sri Lankan Rupee

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH, 2010

	Note	Stated Capital Rs.	General Reserve Rs.	Development Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2008		63,360,000	82,679,732	120,000	215,926,808	362,086,540
Net Profit for the year		—	—	—	55,926,138	55,926,138
Dividend - Final 2007/08	19	—	—	—	(25,344,000)	(25,344,000)
Dividends-Interim 2008-09	19	—	—	—	(15,840,000)	(15,840,000)
Balance as at 31 March 2009		63,360,000	82,679,732	120,000	230,668,946	376,828,678
Net Profit for the year		—	—	—	101,321,274	101,321,274
Dividends - Final 2008/09	19	—	—	—	(12,672,000)	(12,672,000)
Dividends - Interim 2009/10	19	—	—	—	(25,344,000)	(25,344,000)
Balance as at 31 March 2010		63,360,000	82,679,732	120,000	293,974,220	440,133,952

The accounting policies and notes on page 6 through 22 form an integral part of the financial statements.

Colombo, 15th April, 2010

CASH FLOW STATEMENTS

YEAR ENDED 31 MARCH, 2010

	Note	2010 Rs.	2009 Rs.
Cash flows from / (used in) Operating Activities			
Profit before Tax from continuing operations		151,121,274	83,367,227
Adjustments for:			
Depreciation	4	25,173,337	26,510,377
Income from Investments	20	(2,200,000)	(13,242,748)
Profit on disposal of Property, Plant and Equipments		(11,737,500)	(838,500)
Profit on disposal of Investments		(366,917)	—
Finance Costs	21	28,325,955	60,190,548
Warranty Provision		24,589,996	35,395,444
Provision for Retirement Benefit Liability	16	6,063,766	5,685,974
Operating Profit/(Loss) before Working Capital Changes		220,969,911	197,068,323
(Increase)/Decrease in Inventories		72,996,675	78,659,039
(Increase)/Decrease in Trade and Other Receivables		(128,110,081)	63,523,388
Increase/(Decrease) in Trade and Other Payables		140,826,406	(81,979,808)
Cash Generated from Operations		306,682,911	257,270,942
Finance Costs paid	21	(28,325,955)	(60,190,548)
Retirement Benefit Liability Paid	16	(3,601,927)	(1,202,722)
Income Tax Paid		(34,471,527)	(20,416,844)
Warranty Payments		(21,589,996)	(35,011,547)
Net Cash from/(used in) Operating Activities		<u>218,693,505</u>	<u>140,449,281</u>
Cash Flows from/(used in) Investing Activities			
Acquisition of Property, Plant & Equipment	4	(15,767,849)	(5,511,575)
Proceeds of Sales of Investment		697,167	—
Acquisition of Investments	7	(60,000,000)	—
Proceeds from Sale of Property Plant & Equipment		12,937,500	838,500
Interest Received	20	2,200,000	13,242,748
Net Cash Flows from/(used in) Investing Activities		<u>(59,933,182)</u>	<u>8,569,673</u>
Cash Flows from/(used in) Financing Activities			
Proceeds from Interest Bearing Loans & Borrowings	12	163,431,443	508,121,459
Repayment of Interest Bearing Loans & Borrowings	12	(254,210,012)	(606,765,035)
Dividend Paid	19	(28,512,000)	(25,344,000)
Net Cash Flows from/(used in) Financing Activities		<u>(119,290,569)</u>	<u>(123,987,576)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		39,469,754	25,031,378
Cash and Cash Equivalents at the beginning of the year	18	(42,565,029)	(67,596,407)
Cash and Cash Equivalents at the end of the year	18	<u>(3,095,275)</u>	<u>(42,565,029)</u>

The accounting policies and notes on page 6 through 22 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Associated Battery Manufacturers (Ceylon) Limited ("Company") is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 481, T. B. Jayah Mawatha, Colombo 10, and the principal place of business is situated at 31, Katukurunduwatte Road, Off Attidiya Road, Ratmalana.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were manufacturing of lead acid automobiles and motorcycle batteries.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Exide Industries Ltd. – India, which in the opinion of the directors, is the company's ultimate parent undertaking and controlling party which is incorporated in India.

1.4 Date of Authorization for issue

The Financial Statements of Associated battery Manufacturers (Ceylon) Limited for the year ended 31 March 2010 were authorized for issue in accordance with a resolution of the Board of directors on 15 April 2010.

2.0 GENERAL POLICIES

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for land and buildings that have been measured at fair value. The financial Statements are presented in Sri Lankan Rupees.

2.1.1 Statement of Compliance

The Financial Statements of Associated Battery manufacturers (Ceylon) Limited have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.2 Comparative Information

The accounting policies have been consistently applied by the Company are consistent with those used in the previous year except for those mentioned in Note 28.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgements

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Taxation

Current Taxes

Current Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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 relevant tax legislations.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Balance Sheet.

2.3.3 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.3.4 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition are accounted using the following cost formulae:-

- | | |
|-------------------------------------|--|
| a) Raw Materials | – At actual cost on first-in first-out basis. |
| b) Work-in-progress | – At the cost of Direct Materials & Overheads. |
| c) Finished Goods | – At actual cost on Direct Material, Direct Labour and Variable overheads. |
| d) Consumables and Goods in Transit | – At actual cost |

2.3.5 Trade and Other Receivables

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

Other receivables and dues from Related Parties are recognised at cost less provision for bad and doubtful receivables.

2.3.6 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on 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 on hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.7 Property, Plant and Equipment

Property, Plant and Equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the Property, Plant and Equipment when that cost is incurred, if the recognition criteria are met.

Land and buildings are measured at fair value less depreciation on buildings and impairment charged subsequent to the date of the revaluation.

Depreciation is calculated on a straight line basis over the useful life of the assets.

Valuations are performed when it is ensured that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offsetting against the surplus in the asset revaluation reserve.

2.3.8 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated/amortised.

2.3.9 Investments

a) Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The company distinguishes and presents current and non current investment in the balance sheet.

b) Measurement

Long Terms Investments

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

c) Disposal of Investments

On disposal of an investment, the difference between net disposals and proceed and the carrying amounts is recognised as income or expense.

2.3.10 Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing Investment Property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

After initial recognition the company measure all of its investment property in according with requirements in SLAS 18 Property, Plant and Equipment other than those meet the criteria to be classified as held for sale.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to Investment Property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from Investment Property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from Inventories to Investment Property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Company completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

2.3.11 Impairment of Non Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.3.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.3.13 Retirement benefit Obligations

a) Defined benefit Plan – Gratuity

Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute.

In order to meet this liability, a provision is carried forward in the balance sheet, in a manner computed using the prescribed formulae in Appendix E of SLAS 16 (Revised 2006).

The resulting difference between brought forward provision at the beginning of a year net of any payments made, and the carried forward provision at the end of a year, is dealt with in the income statement.

The gratuity liability is not funded nor actuarially valued.

b) Provision is made in these Financial Statements for the payment of Non-recurring cost of living gratuity payable to all the employees governed by the collective agreements.

c) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees' Provident Fund and Employees' Trust Fund respectively.

2.3.14 Warranties

All batteries sold are returnable for any manufacturing defects within 12 months from the date of sale by the distributors. All guarantee claims for Hard Rubber Manufacturing Batteries are met in full for the first 6 months and on a pro-rata basis for the balance 6 months. In the case of PP Batteries all claims are met in full for the first 12 months.

Upto 31st March 2002, no provision was made for any outstanding warranties but expenses as warranties were charged direct to Income Statement in the period in which goods were returned.

With effect from 01 April 2002, this policy was changed, whereby a provision is recognized for expected warranty claims on products sold during the year based on past experience of the level of returns. It is expected that all of these costs will be incurred in the next financial year.

2.3.15 Revenue Recognition

Revenue is recognised 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 recognition of revenue.

a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to 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

Interest Income is recognised as the interest accrues unless collectability is in doubt.

c) Dividend

Dividend income is recognised when the shareholders' right to receive the payment is established.

d) Rental Income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms.

e) Others

Other income is recognised on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of property, plant & equipment and other non current assets including investments are accounted for in the income statement, having deducted from

proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued Property, Plant and Equipment, the amount remaining in Revaluation Reserve relating to that asset is transferred directly to Retained Earnings Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.4 FUTURE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet Effective:

Effect of Sri Lanka Accounting Standard issued but not yet effective:

The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka and are effective for the accounting periods on the dates specified below.

- a) Sri Lanka Accounting Standard 44 - Financial Instruments; Presentation (SLAS 44) and Sri Lanka Accounting Standard 45 - Financial Instruments; Recognition & Measurement (SLAS 45)

SLAS 44 and 45 become effective for financial years beginning on or after 1 January 2011. Accordingly, the financial Statements for the year ending 31 March 2012 will adopt SLAS 44 and 45, for the first time.

These two standards together provide comprehensive guidance on identification, classification, measurement and presentation of financial instruments (including Derivatives) into financial assets, financial liabilities and equity instruments.

In order to comply with the requirements of these standards, the Company is in the process of setting up an implementation plan in assessing the effect of adoption of the aforesaid two standards. Due to the complex nature of the effect of these standards the impact of adoption is not estimable as the date of publication of these financial statements.

- b) **Sri Lanka Accounting Standard 39 - Share based Payments (SLAS 39)**

SLAS 39 Share based payments, effective for periods beginning on or after 1st January 2010 will be first adopted in the year ending 31 March 2011. This standard require an expense to be recognized where the Company buys goods or services in exchange for shares or rights over share (equity - settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cashsettled transactions). For equity-settled share-based payment transactions, the Company is required to apply SLAS 39 to grants of shares, share options or other equity instruments that were granted after 1 January 2010.

The Company is in the process of evaluating to impact of this standard, and the impact of the same is not currently estimable as at the date of the publication of these financial statements.

3. REVENUE

3.1 Revenue

Sales of Goods

– Manufacturing -Local

– Export

– Trading

	2010 Rs.	2009 Rs.
	1,499,418,736	1,225,290,920
	60,584,122	204,049,060
	–	167,000
	<u>1,560,002,858</u>	<u>1,429,506,980</u>

4. PROPERTY, PLANT & EQUIPMENT

4.1 Gross Carrying Amounts

	Balance As at 01.04.2009 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
At Cost				
Land	26,985,562	–	–	26,985,562
Buildings	7,333,403	–	–	7,333,403
Plant & Machinery	398,821,917	1,641,542	–	400,463,459
Furniture & Fittings, Office Equipment and Tools & Moulds	37,396,544	1,433,880	–	38,830,424
Motor Vehicles	9,303,922	13,500,000	–	22,803,922
	<u>479,841,348</u>	<u>16,575,422</u>	<u>–</u>	<u>496,416,770</u>
At Valuation				
Land	21,323,750	–	–	21,323,750
Buildings	23,158,242	–	–	23,158,242
	<u>44,481,992</u>	<u>–</u>	<u>–</u>	<u>44,481,992</u>

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	Balance As at 01.04.2009 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
In the Course of Construction				
4.2 Capital Work in Progress	807,573	—	(807,573)	—
	<u>807,573</u>	<u>—</u>	<u>(807,573)</u>	<u>—</u>
	525,130,913	16,575,422	(807,573)	540,898,762
4.3 Depreciation				
	Balance As at 01.04.2009 Rs.	Charge for Year Rs.	Disposals Rs.	Balance As at 31.03.2010 Rs.
At Cost				
Building	370,904	228,766	—	599,670
Plant & Machinery	239,885,106	21,140,610	—	261,025,716
Furniture & Fittings, Office Equipment and Tools & Moulds	28,975,421	2,798,287	—	31,773,708
Motor Vehicles	9,303,922	281,250	—	9,585,172
	<u>278,535,354</u>	<u>24,448,913</u>	<u>—</u>	<u>302,984,267</u>
At Valuation				
Buildings	12,002,217	724,424	—	12,726,641
	<u>12,002,217</u>	<u>724,424</u>	<u>—</u>	<u>12,726,641</u>
Total Depreciation	<u>290,537,570</u>	<u>25,173,337</u>	<u>—</u>	<u>315,710,907</u>
4.4 Net Book Values				
			2010 Rs.	2009 Rs.
At Cost				
Land			26,985,562	26,985,562
Building			6,733,733	6,962,499
Plant & Machinery			139,437,742	158,936,810
Furniture, Fittings & Office Equipment			7,056,716	8,421,122
Motor Vehicles			13,218,750	—
			<u>193,432,503</u>	<u>201,305,993</u>
At Valuation				
Land			21,323,750	21,323,750
Buildings			10,431,601	11,156,025
			<u>31,755,351</u>	<u>32,479,775</u>
In the Course of Construction				
Capital Work in Progress			—	807,573
			—	807,573
Total Carrying Amount of Property, Plant & Equipment			<u>225,187,855</u>	<u>234,593,342</u>

- 4.5 The fair value of land and buildings was determined by means of a revaluation during the financial year 1990/1991 by Messrs. M.J.T.P. Senadheera, an independent valuer in reference to market based evidence. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 1990/1991. The surplus arising from the revaluation net of deferred taxes, was transferred to a revaluation reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation has not been computed due to non availability of adequate information.

- 4.6 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 16,572,422/- (2009 - Rs. 7,919,106/-). Cash payments amounting to Rs. 15,767,849/- (2009 - Rs. 5,511,575/-) were made during the year for purchase of Property, Plant & Equipment.

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

4.7 The useful lives of the assets is estimated as follows:

	2010	2009
Buildings	Over 30 years	Over 30 years
Plant and Machinery	Over 10 years	Over 10 years
Motor Vehicles	Over 04 years	Over 04 years
Furniture, Fittings, Office Equipment and Tools & Moulds	Over 05 years	Over 05 years

4.8 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs. 231,938,941/- (2009 - Rs. 197,867,004/-).

5. INVESTMENT PROPERTY

	2010 Rs.	2009 Rs.
At 1 April	11,177,987	11,177,987
Additions	—	—
At 31 March	<u>11,177,987</u>	<u>11,177,987</u>

5.1 Rental income earned from Investment Property the Company amounted to Rs. 2,179,730/- (2009 - Rs. 2,067,633/-).

5.2 The Company applied the cost model in valuing Investment Properties.

6. ASSETS CLASSIFIED AS HELD FOR SALE

	2010 Rs.	2009 Rs.
Freehold land at Thelawela	—	1,200,000
	<u>—</u>	<u>1,200,000</u>

The Company entered into an agreement with Magline Switchboard (Pvt) Limited on 12 September 2008 to dispose the freehold land held by the Company. As per the agreement the total disposal value amounts to Rs.12,000,000/-. The disposal was completed during the financial year of 2009/10.

7. INVESTMENTS

7.1 Investments in Equity Securities - Quoted

	No. of Shares 2010	No. of Shares 2009	cost 2010 Rs.	Market Value 2010 Rs.	Cost 2009 Rs.	Market Value 2009 Rs.
None Current						
Asia Capital PLC	—	11,000	—	—	112,750	63,250
Browns beach Hotel PLC	—	10,440	—	—	217,500	302,760
			<u>—</u>	<u>—</u>	330,250	366,010

7.2 Investments in Equity Securities - Unquoted

	No. of Shares 2010	No. of Shares 2009	Carrying Value 2010 Rs.	Directors Valuation 2010 Rs.	Carrying Value 2009 Rs.	Directors Valuation 2009 Rs.
None Current						
Browns Group Metals Ltd.	20,000	20,000	200,000	200,000	200,000	200,000
			<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Total Carrying Value of Investments			<u>200,000</u>		<u>530,250</u>	

7.3 Other Investments

	2010 Rs.	2009 Rs.
Current		
Investment in Treasury Bills	60,000,000	—
	<u>60,000,000</u>	<u>—</u>

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8. INVENTORIES

	2010 Rs.	2009 Rs.
Raw Materials	142,333,829	145,267,048
Work in Progress	35,030,214	41,746,797
Finished Goods	5,995,918	67,465,082
Consumables & Separators	11,733,077	17,014,771
Goods in Transit	3,403,983	–
	<u>198,497,021</u>	<u>271,493,697</u>

9. TRADE AND OTHER RECEIVABLES

9.1 Summary

	Current 2010 Rs.	Non Current 2010 Rs.	Total 2010 Rs.	Current 2009 Rs.	Non Current 2009 Rs.	Total 2009 Rs.
Trade Debtors	4,017,321	–	4,017,321	6,730,409	–	6,730,409
Amounts Receivable from Related Parties (9.2)	<u>354,627,655</u>	<u>–</u>	<u>354,627,655</u>	<u>241,083,661</u>	<u>–</u>	<u>241,083,661</u>
	358,644,976	–	358,644,976	247,814,070	–	247,814,070
Less: Provision for Doubtful Debts	<u>(818,754)</u>	<u>–</u>	<u>(818,754)</u>	<u>(35,000)</u>	<u>–</u>	<u>(35,000)</u>
	357,826,222	–	357,826,222	247,779,070	–	247,779,070
Other Debtors	22,932,699	–	22,932,699	31,255,424	–	31,255,424
Advances and Prepayments	13,661,479	1,015,755	14,677,234	2,700,726	1,503,110	4,203,836
Loans to Company Officers (9.4)	<u>4,408,830</u>	<u>13,150,634</u>	<u>17,559,464</u>	<u>45,355</u>	<u>1,601,853</u>	<u>1,647,208</u>
	<u>398,829,230</u>	<u>14,166,389</u>	<u>412,995,619</u>	<u>281,780,575</u>	<u>3,104,963</u>	<u>284,885,538</u>

9.2 Amounts Receivable from Related Parties

	Relationship	2010 Rs.	2009 Rs.
Brown and Company PLC	Significant Investor	265,667,048	182,610,667
Klevenbert (Pvt) Limited	Other Related Party	<u>88,960,607</u>	<u>58,472,994</u>
		<u>354,627,655</u>	<u>241,083,661</u>

9.3 Other Related Parties are companies controlled / jointly controlled / significantly influenced by Key Management Personal.

9.4 Loans to Company officers:

	2010 Rs.	2009 Rs.
Summary		
Balance as at the beginning of the year	1,647,208	44,48,817
Loans granted during the year	20,266,961	161,088
Less: Repayments	<u>(4,354,705)</u>	<u>(2,962,697)</u>
Balance as at the end of the year	<u>17,559,464</u>	<u>1,647,208</u>

10. STATED CAPITAL

	2010 Number	2010 Rs.	2010 Number	2010 Rs.
Fully Paid ordinary Shares	<u>6,336,000</u>	<u>63,360,000</u>	<u>6,336,000</u>	<u>63,360,000</u>
	<u>6,366,000</u>	<u>63,360,000</u>	<u>6,366,000</u>	<u>63,360,000</u>

10.1 Rights Preference and Restrictions of Classes of Capital

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

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11. RESERVES

Summary

General Reserves (11.1)

Development Reserve

	2010 Rs.	2009 Rs.
General Reserves (11.1)	82,679,732	82,679,732
Development Reserve	120,000	120,000
	<u>82,799,732</u>	<u>82,799,732</u>
At the beginning of the year	82,679,732	82,679,732
At the end of the year	<u>82,679,732</u>	<u>82,679,732</u>

11.1 General Reserves

At the beginning of the year

At the end of the year

General Reserve which is a revenue reserve represents the amounts set aside by the directors for general application.

12. INTEREST BEARING LOANS & BORROWINGS

	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	2010 Rs.	2010 Rs.	2010 Rs.	2009 Rs.	2009 Rs.	2009 Rs.
Bank Loans (12.1)	18,000,000	37,666,622	55,666,622	29,111,064	55,666,622	84,777,686
Short Term Loans(12.2)	23,447,271	–	23,447,271	85,114,776	–	85,114,776
BankOverdrafts (Note 18)	16,992,935	–	16,992,935	47,846,814	–	47,846,814
	<u>58,440,206</u>	<u>37,666,622</u>	<u>96,106,828</u>	<u>162,072,654</u>	<u>55,666,622</u>	<u>217,739,276</u>

12.1 Bank Loans

	As At 01.04.2009 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2010 Rs.
Term Loans - DFCC Bank				
- 100Mn	11,111,038	–	(11,111,038)	–
- 70 Mn	55,999,981	–	(14,000,026)	41,999,955
- 20 Mn	17,666,667	–	(4,000,000)	13,666,667
	<u>84,777,686</u>	–	<u>(29,111,064)</u>	<u>55,666,622</u>

12.2 Short Term Loans

Trust Receipts - DFCC Vardhana Bank Ltd.	50,197,008	133,651,161	(160,400,898)	23,447,271
- Hongkong and Shanghai Banking Corporation	34,917,768	29,780,282	(64,698,050)	–
	<u>85,114,776</u>	<u>163,431,443</u>	<u>(225,098,948)</u>	<u>23,447,271</u>

Terms of Repayment

Rs. 100Mn loan - Equal monthly instalments of Rs. 1,388,890/-, interest rate - AWPLR + 2% p.a.

Rs. 20 Mn loan - Equal monthly instalments of Rs. 333,333/-, interest rate - AWPLR + 2% p.a.

Rs. 70Mn loan - Equal monthly instalments of Rs. 1,166,667/-, interest rate - AWPLR + 2% p.a.

Trust Receipts - payable with 90-120 days

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

13. WARRANTY PROVISION

	2010 Rs.	2009 Rs.
Balance as at the beginning of the year	11,528,732	11,144,835
Charge for the year	24,589,996	35,395,444
Claimed during the year	(21,589,996)	(35,011,547)
Balance as at the end of the year	<u>14,528,732</u>	<u>11,528,732</u>

14. INCOME TAX

Income Statement

Current Income Tax

	2010 Rs.	2009 Rs.
Current Income Tax charge	49,956,000	29,000,454
Under/(Over) Provision of current taxes in respect of prior year	—	—

Deferred Income Tax

	2010 Rs.	2009 Rs.
Deferred Taxation Charge/(Reversal) (Note 15)	(156,000)	(1,559,365)

Income tax expense reported in the Income Statement

	2010 Rs.	2009 Rs.
	<u>49,800,000</u>	<u>27,441,089</u>

14.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	2010 Rs.	2009 Rs.
Accounting Profit before tax from continuing operations	151,121,274	83,367,227
Aggregate Disallowable items	30,080,859	31,358,351
Aggregate Allowable Expenses	(44,396,182)	(26,248,961)
Taxable Profit	136,805,951	88,476,617
Statutory Tax Rate%	15% & 35%	15% & 35%
Income tax expense reported in the income statement	49,217,734	28,571,876
Social Responsibility Levy - 1.5% (2009 - 1.5%)	738,266	428,578
	<u>49,956,000</u>	<u>29,000,454</u>

15. DEFERRED TAX

Deferred Tax Liability

	Balance Sheet 2010 Rs.	Balance Sheet 2009 Rs.	Income Statement 2010 Rs.	Income Statement 2009 Rs.
Capital allowances for tax purposes	14,859,136	13,103,492	1,755,643	389,138
	<u>14,859,136</u>	<u>13,103,492</u>		

Deferred Tax Assets

	Balance Sheet 2010 Rs.	Balance Sheet 2009 Rs.	Income Statement 2010 Rs.	Income Statement 2009 Rs.
Retirement Benefit Obligations	(17,092,467)	(16,230,824)	(861,643)	(1,569,138)
Warranty Provision	(5,085,056)	(4,035,056)	(1,050,000)	(379,365)
	<u>(22,177,524)</u>	<u>(20,265,880)</u>		

	Balance Sheet 2010 Rs.	Balance Sheet 2009 Rs.	Income Statement 2010 Rs.	Income Statement 2009 Rs.
Deferred income tax (Income)/Expense			(156,000)	(1,559,365)
Net Deferred Tax Liability/(Asset)	<u>(73,18,388)</u>	<u>(7,162,388)</u>		

16. RETIREMENT BENEFIT OBLIGATIONS

Expense on Defined Benefit Plan

	2010 Rs.	2009 Rs.
Current Service Cost	7,245,722	6,283,579
Interest Cost of Benefit Obligation	4,173,640	3,770,147
(Gain)/Loss arising from changes in the assumption	(5,355,596)	(4,367,752)
	<u>6,063,766</u>	<u>5,685,974</u>

Defined Benefit Obligation

	2010 Rs.	2009 Rs.
Balance as at beginning of the year	46,373,782	41,890,530
Current Servicing Cost	7,245,722	6,283,579
Interest Cost on Benefit Obligation	4,173,640	3,770,147
(Gain)/Loss Arising from changes in the assumptions	(5,355,596)	(4,367,752)
Payments made during the year	(3,601,927)	(1,202,722)
As at end of the year	<u>48,835,621</u>	<u>46,373,782</u>

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16.1 The Company used the Gratuity Formula Method as described in the Appendix E of SLAS 16 (Revised 2006) to compute Retirement Benefit Obligations - Provision for Gratuity.

The principal assumptions used in determining the cost of employee benefits were:

	2010	2009
Discount rate	9%	9%
Future salary increases	8%	8%

17. TRADE AND OTHER PAYABLES

	2010 Rs.	2009 Rs.
Trade Payables	192,658,090	23,732,337
Amounts payable to Related Parties (17.1)	30,590,370	79,700,578
Sundry Creditors including Accrued Expenses	56,320,023	34,309,162
Advance Received	160,300	1,160,300
	<u>279,728,783</u>	<u>138,902,377</u>

17.1 Amount payable to Related Parties

	Relationship	2010 Rs.	2009 Rs.
Cloride EAstern Industries Pte Limited	Other Related Party	–	49,230,585
Brown and Company PLC	Significant Investor	19,901,546	23,190,150
Brown Group Industries Limited	Other Related Party	10,688,824	7,279,843
		<u>30,590,370</u>	<u>79,700,578</u>

17.2 Other Related Parties are companies controlled/jointly controlled/significantly influenced by Key Management Personal.

18. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

18.1 Components of Cash and Cash Equivalents

Favourable Cash & Cash Equivalent balances

Cash & Bank Balances	13,897,660	5,281,785
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18.2 Unfavourable Cash & Cash Equivalent Balance

Bank Overdraft (Note 12)	(16,992,935)	(47,846,814)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	<u>(3,095,275)</u>	<u>(42,565,029)</u>

19. DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares

Declared previous year and paid during the year

Interim dividend for 2008/09 - Rs. 250 per share	15,840,000	–
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Declared and paid during the year

Final dividend for 2008/09 - Rs. 2.00 per share (2007/08 - Rs. 4.00 per share)	12,672,000	25,344,000
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Declared during the year

Interim dividend for 2009/10 - Rs. 4.00 per share (2008/09 - Rs. 2.50 per share)	25,344,000	15,840,000
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20. OTHER INCOME

Profit on Disposal of Current Investments
Other Income
Treasury Bill Income
Rent Income
Sundry Income
Profit on Disposal of Property, Plant & Equipment

2010 Rs.	2009 Rs.
366,917	—
—	13,242,748
2,200,000	—
2,179,730	2,067,633
4,444,886	8,332,313
11,737,500	—
<u>20,929,033</u>	<u>23,642,694</u>

21. FINANCE COST

Interest Expense on Overdrafts
Interest Expense on Interest Bearing Loans & Borrowings

2010 Rs.	2009 Rs.
5,202,244	11,824,311
23,123,711	48,366,238
<u>28,325,955</u>	<u>60,190,548</u>

22. EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders (after deducting preference share dividends) by the weighted average number of ordinary share outstanding during the year. The weighted average number of ordinary share outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

Net Profit Attributable to Ordinary Shareholders for basic Earnings Per share

2010 Rs.	2009 Rs.
101,321,274	55,926,138
<u>101,321,274</u>	<u>55,926,138</u>

Number of Ordinary Shares used as ghe denominator:

Weighted abverage number of ordinary shares in issue applicable to basic Earnings Per Share

2010 Number	2009 Number
6,336,000	6,336,000

23. PROFIT BEFORE TAX

Stated after Charging/(Crediting)
Depreciation
Personnel Costs including the following:
– Defined Benefit Plan Costs - Gratuity
– Defined Contribution Plan Costs - EPF & ETF
Directors' Fees and Emoluments
Auditors' Remuneration - Fees and Expenses
Royalty Fees
Exchange (Gain) / Loss
Sales Promotion
Legal & Professional Fees

2010 Rs.	2009 Rs.
25,173,337	26,323,075
6,063,766	5,894,554
10,780,701	8,359,680
108,000	108,000
513,000	540,000
11,800,000	8,493,143
349,846	(372,066)
5,054,355	4,798,554
<u>739,152</u>	<u>989,654</u>

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

25. COMMITMENTS AND CONTINGENCIES

The Company has no any commitments and contingencies as at the balance sheet date.

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26. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2010 Rs.	2009 Rs.	
Immovable Properties				
– Land & Buildings at Rathmalana	Mortgaged to DFCC Bank in connection with the bank Loan	59,274,646	58,027,836	Property, Plant & Equipment
– Plant & Machinery		139,437,742	158,936,810	
– Land at Thelawala	Morgaged to Commercial Bank of Ceylon PLC in connection with the Overdraft Facility	6,200,000	8,400,000	
Inventories	Concurrent mortgaged to DFCC Vardhana Bank and HSBC for TR Loan	198,497,021	271,493,697	Inventories
Trade debtors	and Overdraft facilities	358,644,976	247,814,070	Trade & Other Receivables
Treasury Bill	Kept as security with Commercial Bank of Ceylon PLC for Letter of Credits already opened	60,000,000	–	Investment

27. RELATED PARTY DISCLOSURES

During the period the Company entered into transactions with the following Related Parties.

27.1 Transaction with Related Parties

Name of Company	Relationship	Nature of Transactions	2010 Rs.	2009 Rs.
Exide Industriwies Limited - India	Parent Company	Purchases	–	1,4,70,752
		Sales	39,136,097	204,049,060
		Dividends Paid (Net of Taxes)	15,781,392	14,027,904
		Royalty Fees (Paid and Accrued)	11,800,000	8,493,143
		Purchases	18,017,280	–
Cloride Metals Industries Limited	Other Related Party	Purchases	–	–
Cloride Eastern Industries Pte Limited	Other Related Party	Purchases	–	345,099,966
Cloride Batteries South East Asia Pte Limited	Other Related Party	Sales	20,520,000	–
Brown and Company PLC	Significant Investor	Purchases	14,828,125	18,420,441
		Sales	1,407,217,000	978,280,000
Klevenberg (Pvt) Limited	Other Related Party	Sales	297,838,000	146,750,000
Browns Group Industries Limited	Other Related Party	Purchases	81,445,080	71,332,903

27.2 Other Related Parties are companies controlled / jointly controlled / significantly influenced by key Management Personnel.

27.3 The amounts payable to the above related parties as at 31st March 2009 and 31st March 2010 are disclosed in Notes 9.2 and 17.1.

27.4 Transactions with Directors/ Key Management Personnel*	2010 Rs.	2009 Rs.
Emoluments and Fees Including Other Benefits	108,000	108,000
Total compensation paid to key management personnel	108,000	108,000

* Key Management personnel include the Board of Directors of the Company.

28. COMPARATIVE INFORMATION

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with current year.

Balance Sheet

Assets

Non-Current Assets

Long Term Deposit

Receivables

2009 As reported Previously Rs.	Increase Rs.	(Decrease) Rs.	2009 Current Presentation Rs.
1,503,110	–	(1,503,110)	–
1,598,401	1,503,110	–	3,101,511
3,101,511	1,503,110	(1,503,110)	3,101,511

Reasons for change in the presentation and classification:

For fair presentation of the Financial Statements.

DETAILED INCOME STATEMENT

YEAR ENDED 31 MARCH 2010

	Statement	2010 Rs.	2009 Rs.
Manufacturing Activity			
Sales	I	1,560,002,858	1,429,339,980
Less : Manufacturing Marginal Cost	II	(1,270,805,966)	(1,199,558,537)
Factory Fixed Expenses	IV	(58,155,587)	(51,879,759)
Gross Profit		<u>231,041,305</u>	<u>177,901,684</u>
Trading Activity			
Sales		–	167,000
Cost of Sales		–	(126,024)
Gross Profit		–	<u>40,976</u>
Total Gross Profit		<u>231,041,305</u>	<u>177,942,660</u>
Distribution Costs	V	(5,054,355)	(4,798,554)
Administrative Expenses	VI	(67,468,754)	(53,229,025)
Other Operating Income		<u>20,929,033</u>	<u>23,642,694</u>
Profit from Operating Activities		<u>179,447,229</u>	<u>143,557,775</u>
STATEMENT I	Statement	2010 Rs.	2009 Rs.
Manufacturing Activity			
Sales less Returns		<u>1,560,002,858</u>	<u>1,429,339,980</u>
		<u>1,560,002,858</u>	<u>1,429,339,980</u>
STATEMENT II			
Less : Manufacturing Marginal Costs			
Materials		1,026,586,491	947,298,553
Scrap		21,589,796	27,676,400
Direct Labour		97,471,284	96,732,487
Manufacturing Variable Expenses	III	<u>125,158,395</u>	<u>127,851,097</u>
		<u>1,270,805,966</u>	<u>1,199,558,537</u>

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

STATEMENT III	Statement	2010 Rs.	2009 Rs.
MANUFACTURING VARIABLE EXPENSES			
warranty		—	35,779,341
Scrap		15,835,823	27,676,400
Indirect Wages		7,378,486	7,788,451
Power, Water, etc.		62,363,596	70,028,389
Maintenance Plant & Machinery		26,584,180	19,273,887
Process Materials, Consumable Stores & Tools		4,017,831	6,464,405
Welfare & Medical Expenses		13,914,070	13,885,242
Maintenance Department - Labour Costs		7,598,226	7,273,032
Casual Labour		3,302,006	2,753,794
Discounts		20,523,479	75,669,352
		<u>161,517,697</u>	<u>266,592,292</u>
Less			
Warranty Claims and 1% Rebate netted off sales		(20,523,479)	(111,064,795)
Scrap taken under Marginal Costs		<u>(15,835,823)</u>	<u>(27,676,400)</u>
		<u>125,158,395</u>	<u>127,851,097</u>
STATEMENT IV			
FACTORY FIXED EXPENSES			
Staff Training		1,076,581	1,027,988
Salaries		22,800,272	16,777,142
Maintenance Buildings		3,433,651	2,223,590
Maintenance Vehicles		926,712	910,389
Factory Rates & Insurance		1,627,363	1,344,461
Laboratory Expenses		881,734	772,717
Security Services		3,307,115	3,285,862
Depreciation		24,102,159	25,537,609
		<u>58,155,587</u>	<u>51,879,759</u>
STATEMENT V			
DISTRIBUTION COSTS			
Sales Promotion		5,054,355	4,798,554
		<u>5,054,355</u>	<u>4,798,554</u>
STATEMENT VI			
ADMINISTRATIVE EXPENSES			
Depreciation		1,069,988	972,769
Salaries		38,889,631	32,518,717
Postage & Telephone		756,073	876,537
Printing & Stationery		711,881	828,096
Auditors' Fees and Expenses		645,000	540,000
Bank Charges		2,190,539	2,565,657
Secretarial Fees		120,000	60,000
General Expenses		1,969,875	816,894
Maintenance Vehicles		1,917,981	1,724,716
Directors' Fees		108,000	108,000
Maintenance General		720,496	599,379
Expenses on Foreign Visitors		1,196,538	975,311
Royalty Fees		11,800,000	8,493,143
Exchange (Gain)/Loss		349,846	(372,066)
Legal & Professional Fees		739,152	989,654
Nation Building Tax		—	1,532,218
Anniversary Celebration		3,500,000	—
Bad and Doubtful debtors		783,754	—
		<u>67,468,754</u>	<u>53,229,025</u>

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

(Disclosures as per Schedule VI of the Companies Act, 1956 in Indian Rupees)

BALANCE SHEET

AS AT 31 MARCH 2010

SCHEDULE		31.3.2010		31.3.2009	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	25,344,000		27,878,400	
Reserves & Surplus	2	142,812,704		120,929,645	
			168,156,704		148,808,045
Loan Funds					
Secured	3		38,442,731		95,805,281
			206,599,435		244,613,326
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	202,243,367		195,613,198	
Less: Depreciation		120,065,101		109,744,033	
Net Block		82,178,265		85,869,165	
Add: Capital Work-in-Progress		—		355,332	
			82,178,265		86,224,497
Investments	5		28,551,195		5,151,624
Deferred Tax Asset	6		2,927,355		3,151,451
Current Assets, Loans & Advances					
Inventories	7	79,398,808		119,985,227	
Sundry Debtors	8	143,130,488		122,775,177	
Cash and Bank Balances	9	5,559,064		2,323,985	
Loans & Advances	10	22,067,759		2,574,459	
		250,156,119		247,658,848	
Less:					
Current Liabilities & Provisions					
Liabilities	11	111,891,512		61,117,046	
Provisions	12	45,321,987	53,563,897	36,456,048	—
		157,213,499		97,573,094	
Net Current Assets					
			92,942,620		150,085,754
			206,599,435		244,613,326

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

(Disclosures as per Schedule VI of the Companies Act, 1956 in Indian Rupees)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st MARCH 2010

	SCHEDULE	2009-2010 Rs.	2008-2009 Rs.
INCOME			
Gross Sales	13	639,601,172	600,231,694
Net Sales		639,601,172	600,231,694
Other Income	14	6,785,214	3,499,571
		<u>646,386,386</u>	<u>603,731,265</u>
EXPENDITURE			
(Increase)/Decrease in Stocks	15	31,642,774	881,533
Materials Consumed	16	398,252,941	388,009,989
Personnel Costs	17	80,331,528	75,077,879
Expenses	18	53,167,199	53,400,575
Interest and Finance Costs	19	10,711,642	19,718,077
Depreciation/Amortisation	20	10,320,580	11,134,359
		<u>584,426,664</u>	<u>548,222,412</u>
PROFIT BEFORE TAX		61,959,722	55,508,853
Taxation	21	20,418,000	11,525,257
		<u>41,541,722</u>	<u>43,983,596</u>
PROFIT AFTER TAXATION		41,541,722	43,983,596
Balance brought forward		101,005,062	75,142,426
		<u>142,546,784</u>	<u>119,126,022</u>
PROFIT AVAILABLE FOR APPROPRIATION			
APPROPRIATIONS			
Proposed Dividend		15,206,400	18,120,960
Balance Carried Forward		127,340,384	101,005,062
		<u>142,546,784</u>	<u>119,126,022</u>

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2010

	31.03.2010		31.03.2009	
	Rs.	Rs.	Rs.	Rs.
1. SHARE CAPITAL				
Issued and Subscribed		25,344,000		27,878,400
		<u>25,344,000</u>		<u>27,878,400</u>
2. RESERVES & SURPLUS				
General Reserve				
Balance as per Last Account	30,950,540		30,950,540	
Add: Transfer from Profit & Loss Account	<u>—</u>		<u>—</u>	
		30,950,540		30,950,540
Foreign Currency Translation Reserve		(15,478,220)		(11,025,957)
Profit and Loss Account Balance		127,340,384		101,005,062
		<u>142,812,704</u>		<u>120,929,645</u>
3. LOAN FUNDS				
Bank Overdraft		38,442,731		95,805,281
		<u>38,442,731</u>		<u>95,805,281</u>

4. FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET VALUE		
	Cost/ Valuation			Cost Valuation			As at		
	As at	Additions	Deductions	As at	As at	Depreciation/	Less: on Sales/	As at	As at
	1.04.2009			31.03.2010	1.4.2009	Amortisation	Adjustments	31.3.2010	31.3.2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land									
Freehold	17,238,599	—	—	17,238,599	—	—	—	17,238,599	17,238,599
Buildings	11,449,375	—	—	11,449,375	4,649,400	390,808	—	5,040,208	6,409,167
Plant & Machinery	149,836,911	656,617	—	150,493,528	90,800,139	8,667,650	—	99,467,789	51,025,739
Furniture & Fittings	13,694,197	573,552	—	14,267,749	10,912,284	1,147,298	—	12,059,582	2,208,167
Motor Vehicles	3,394,116	5,400,000	—	8,794,116	3,382,210	115,313	—	3,497,523	5,296,594
Total	195,613,198	6,630,169	0	202,243,367	109,744,033	10,321,068	—	120,065,101	82,178,265
Previous Years Total	193,213,039	3,484,407	1,084,248	195,613,198	99,165,922	11,134,359	556,248	109,744,033	85,869,165
Capital Work-in-Progress									—
									355,332
									<u>82,178,265</u>
									<u>86,224,497</u>

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

	2009-10 Rs.	2008-09 Rs
5. INVESTMENTS (AT COST)		
Non Current – Quoted		
Browns Beach Hotel & Hutton National Bank	80,000	233,310
Treasury Bill	24,000,000	–
Investment in Property	4,471,195	4,918,314
	<u>28,551,195</u>	<u>5,151,624</u>
6. DEFERRED TAX ASSET		
Deferred Tax Liability as at 1st April 2008	2,927,355	3,151,451
	<u>2,927,355</u>	<u>3,151,451</u>
7. INVENTORIES		
(At Lower of Cost or Net Realisable value)		
Stores, Spare parts, Loose Tools etc.*	4,693,231	7,486,499
Raw Materials and Components @	58,295,125	63,917,501
Work-in-progress	14,012,086	18,368,591
Finished goods (including in transit)	2,398,367	29,684,636
Asset awaiting for sale	–	528,000
	<u>79,398,808</u>	<u>119,985,227</u>
8. SUNDRY DEBTORS		
(Unsecured, considered good)		
Debts over six months	1,801,873	6,622,389
Other Debts	141,328,615	116,152,788
	<u>143,130,488</u>	<u>122,775,177</u>
9. CASH AND BANK BALANCES		
Balances with Scheduled banks on:		
Current Account	5,559,064	2,323,985
	<u>5,559,064</u>	<u>2,323,985</u>
10. LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind for value to be received or pending adjustments	22,067,759	1,913,091
Advance Tax and Tax deducted at source (net of provisions)		
Deposits –	–	661,368
Others		
	<u>22,067,759</u>	<u>2,574,459</u>
11. LIABILITIES		
Sundry Creditors		
– Due to Small Scale Industrial Undertakings		
– Due to others	111,827,392	60,606,514
Advance from customers	64,120	510,532
	<u>111,891,512</u>	<u>61,117,046</u>
12. PROVISIONS		
Provision for Employee Benefits	19,534,248	20,404,464
Product related Warranty / Guarantees	5,811,493	5,072,642
Taxation (net of Advance Tax)	9,838,646	4,009,342
Proposed Dividend	10,137,600	6,969,600
	<u>45,321,987</u>	<u>36,456,048</u>

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

	2009-10	2008-09
	Rs.	Rs.
13. SALES		
Storage Batteries	639,601,172	600,231,694
	<u>639,601,172</u>	<u>600,231,694</u>
14. OTHER INCOME		
Profit on Sale of Investment	150,436	—
Sundry Income	1,822,403	3,499,571
Profit on Sale of Assets	4,812,375	—
	<u>6,785,214</u>	<u>3,499,571</u>
15. INCREASE / (DECREASE) IN STOCKS		
Opening Stocks		
Work-in-progress	18,368,591	17,512,182
Finished Goods	29,684,636	31,422,578
	48,053,227	48,934,760
Closing Stocks		
Work-in-progress	14,012,086	18,368,591
Finished Goods	2,398,367	29,684,636
	16,410,453	48,053,227
	<u>(31,642,774)</u>	<u>(881,533)</u>
16. MATERIALS CONSUMED		
	Rs.	Rs.
Opening Stock	63,917,501	75,706,032
Add: Purchase (including Processing charges, Procurement expenses etc and after adjusting Modvat Credits)	392,630,565	376,221,458
	<u>456,548,066</u>	<u>451,927,490</u>
Less: Closing Stock	58,295,125	63,917,501
	<u>398,252,941</u>	<u>388,009,989</u>
17. PERSONAL COSTS		
Salaries, Wages & Bonus	65,844,130	66,426,213
Contribution to provident & Other Funds	6,906,231	2,388,109
Welfare Expenses	7,581,167	6,263,557
	<u>80,331,528</u>	<u>75,077,879</u>
18. EXPENSES		
Stores & Spare Parts consumed	2,008,822	3,039,591
Power & Fuel	25,569,074	29,411,923
Repairs & Maintenance		
Buildings	1,407,797	933,908
Plant & Machinery	10,899,514	8,095,033
Others	295,403	251,739
	<u>12,602,714</u>	<u>9,280,680</u>

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

	2009-10 Rs.	2008-09 Rs
Rent & Hire Charges (net)	(893,689)	(868,406)
Rates & Taxes	667,219	1,208,205
Royalty and Technical Aid Fees	4,838,000	3,567,120
Publicity and Sales Promotion	2,072,286	2,015,393
Travelling & Conveyance	490,581	409,631
Bank Charges	898,121	1,077,576
Communication Costs	309,990	368,146
Audit Fees	264,450	226,800
Provision for Doubtful debts	321,339	—
Directors' Fees	44,280	45,360
Miscellaneous Expenses (Schedule 22)	3,974,014	3,618,556
	<u>53,167,199</u>	<u>53,400,575</u>
19. <u>INTEREST AND FINANCE COST</u>		
Interest on:		
Term Loan	—	—
Working Capital Borrowings	11,613,642	25,280,031
	<u>11,613,642</u>	<u>25,280,031</u>
Less: Interest Received on loans, deposits etc.	902,000	5,561,954
	<u>10,711,642</u>	<u>19,718,077</u>
* after adjusting net exchange gain Rs 132.81 lacs		
20. <u>DEPRECIATION / AMORTISATION</u>		
Charge for the year	10,320,580	11,134,359
	<u>10,320,580</u>	<u>11,134,359</u>
21. <u>TAXATION</u>		
Provision for Income Tax	20,418,000	11,525,257
	<u>20,418,000</u>	<u>11,525,257</u>
22. <u>MISCELLANEOUS EXPENSES</u>		
Motor Vehicle Upkeep	1,166,324	1,106,744
Consultancy & Services outsourced	352,252	440,855
Security Service Charges	1,355,917	1,380,062
General Expenses	807,649	343,095
Printing & Stationery	291,871	347,800
	<u>3,974,014</u>	<u>3,618,556</u>