

**ASSOCIATED BATTERY MANUFACTURERS
(CEYLON) LIMITED**

**Balance Sheet
And
Auditors' Report
2020-21**

**Auditors:
PricewaterhouseCoopers,
Chartered Accountants
P. O, Box 918,
100 Braybrooke Place,
Colombo 2, Sri Lanka**

**ASSOCIATED BATTERY MANUFACTURERS
(CEYLON) LIMITED**

**FINANCIAL STATEMENTS
31 MARCH 2021**

ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

**FINANCIAL STATEMENTS
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ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

FINANCIAL STATEMENTS - 31 MARCH 2021

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Independent auditor's report

To the Shareholders of Associated Battery Manufacturers (Ceylon) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Associated Battery Manufacturers (Ceylon) Limited ("the Company") as at 31 March 2021, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium - sized Entities (SLFRS for SMEs).

What we have audited

The financial statements of the Company, which comprise:

- the statement of financial position as at 31 March 2021;
- the statement of profit or loss for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Other matter

The financial statements of the Company for the year ended 31 March 2020 were audited by another firm of auditors whose report, dated 22 May 2020, expressed an unmodified opinion on those statements.

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Independent auditor's report

To the Shareholders of Associated Battery Manufacturers (Ceylon) Limited (Contd)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report of the board of directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium - sized Entities (SLFRS for SMEs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent auditor's report

To the Shareholders of Associated Battery Manufacturers (Ceylon) Limited (Contd)

Auditor's responsibilities for the audit of the financial statements (Contd)

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

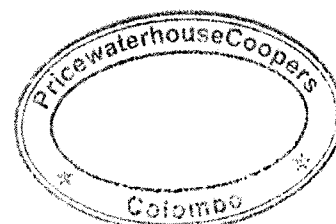
As required by Section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Sd/-

CHARTERED ACCOUNTANTS

COLOMBO

10 April 2021



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Statement of financial position

(all amounts in Sri Lankan Rupees)

	Note	As at 31 March	
		2021	2020
Assets			
Non-current assets			
Property, plant and equipment	4	619,633,524	659,854,537
Intangible assets	5	2,352,212	7,488,925
Loans to company employees	7	6,875,169	9,596,285
Total non-current assets		628,860,905	676,939,747
Current assets			
Inventories	6	873,587,028	844,377,776
Trade and other receivables	7	1,226,356,214	973,091,346
Income tax receivable	11	20,803,801	20,803,801
Cash and cash equivalents	19	14,508,066	17,081,261
Total current assets		2,135,255,109	1,855,354,184
Total assets		2,764,116,014	2,532,293,931
Equity and liabilities			
Equity			
Stated capital	8	63,360,000	63,360,000
Reserves	9	82,799,732	82,799,732
Retained earnings		126,213,833	310,450,970
Total equity		272,373,565	456,610,702
Non-current liabilities			
Deferred tax liabilities	11	15,199,526	68,865,914
Retirement benefit obligations	12	42,918,963	39,242,464
Interest bearing loans and borrowings	10	978,521,349	68,577,064
Total non-current liabilities		1,036,639,838	176,685,442
Current liabilities			
Trade and other payables	13	1,103,617,135	807,609,745
Interest bearing loans and borrowings	10	281,080,483	1,045,861,950
Warranty provisions	14	70,404,993	45,526,092
Total current liabilities		1,455,102,611	1,898,997,787
Total liabilities		2,491,742,449	2,075,683,229
Total equity and liabilities		2,764,116,014	2,532,293,931

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by the Board of Directors on 9 April 2021

Sd/-

Sd/-

Directors

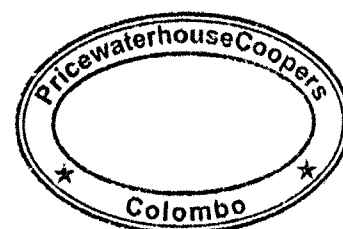
The notes on pages 8 to 25 form an integral part of these financial statements

Independent auditor's report \ pages 1 to 3

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 7 of 2007.

Sd/-

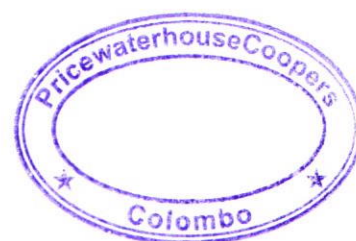
Chief Financial Officer



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED**Statement of profit or loss**

(all amounts in Sri Lankan Rupees)

	Note	Year ended 31 March	
		2021	2020
Revenue	3	4,450,678,531	3,710,790,914
Cost of Sales		(4,288,678,750)	(3,441,886,726)
Gross profit		161,999,781	268,904,188
Other income and gains	15	11,476,775	22,661,237
Administrative expenses		(302,362,344)	(136,784,112)
Finance costs	16	(109,017,738)	(103,242,327)
(Loss)/ profit before taxation	17	(237,903,526)	51,538,986
Income tax reversal/ (expense)	11	53,666,389	(20,320,334)
(Loss)/ profit for the year		(184,237,137)	31,218,652



The notes on pages 8 to 25 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3

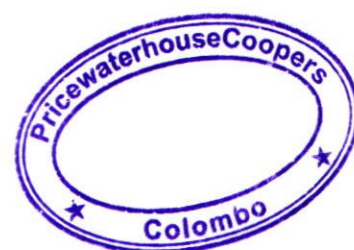
ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED**Statement of changes in equity**

(all amounts in Sri Lankan Rupees)

	Stated capital	Revenue reserve	Retained earnings	Total
Balance as at 1 April 2019	63,360,000	82,799,732	279,232,317	425,392,049
Net profit for the year	Nil	Nil	31,218,652	31,218,652
Balance as at 31 March 2020	63,360,000	82,799,732	310,450,970	456,610,702
Net loss for the year	Nil	Nil	(184,237,137)	(184,237,137)
Balance as at 31 March 2021	63,360,000	82,799,732	126,213,833	272,373,565

The notes on pages 8 to 25 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

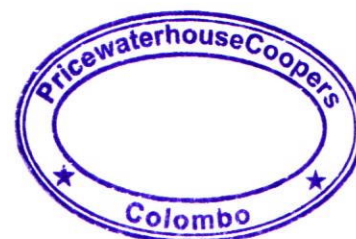
Statement of cash flows

(all amounts in Sri Lankan Rupees)

	As at 31 March	
	2021	2020
Cash flows from operating activities		
(Loss)/ profit before taxation	(237,903,526)	51,538,986
Adjustments for:		
Depreciation on property, plant and equipment	88,842,989	83,980,445
Amortization of intangible assets	2,893,350	3,430,297
Development cost write-off	2,243,362	2,323,870
Impairment of Assets	9,500,000	Nil
Income from investments	(658,078)	(118,769)
Provision for obsolete and slow moving stocks	63,419,903	Nil
Provision for impairment for trade receivables	19,645,165	Nil
Finance costs	109,017,738	103,242,327
Warranty provision	120,937,334	77,183,118
Provision for defined benefit plans	8,314,965	12,189,510
Operating cash flows before working capital changes	186,253,202	333,769,784
Increase in inventories	(92,629,156)	(233,635,057)
(Increase)/ decrease in trade and other receivables	(270,188,917)	26,792,525
Increase/ (decrease) in trade and other payables	296,007,395	(59,790,962)
Cash generated from operations	119,442,525	67,136,290
Defined benefit plan costs paid	(4,638,466)	(5,400,551)
Income tax paid	Nil	(70,398,421)
Warranty payments	(96,058,433)	(76,907,372)
Net cash flows from (used in) operating activities	18,745,626	(85,570,054)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(58,121,977)	(121,764,357)
Acquisition of intangible assets	Nil	(956,408)
Proceeds from sale of property, plant and equipment	Nil	Nil
Interest received	658,078	118,769
Loans given to related parties	Nil	Nil
Repayment of loans by related parties	Nil	Nil
Net cash flows used in investing activities	(57,463,898)	(122,601,996)
Cash flows from financing activities		
Proceeds from related party loans	200,000,000	Nil
Repayment of related party loans	(200,000,000)	Nil
Proceeds from interest bearing loans and borrowings	3,388,168,005	2,505,590,069
Repayment of interest bearing loans and borrowings	(3,089,362,476)	(2,137,454,784)
Finance cost paid	(109,017,738)	(103,242,327)
Net cash flows from financing activities	189,787,790	264,892,958
Net increase in cash and cash equivalents during the year	151,069,516	56,720,908
Cash and cash equivalents at the beginning of the year	(173,492,439)	(230,213,347)
Cash and cash equivalents at the end of the year (Note 19)	(22,422,923)	(173,492,439)

The notes on pages 8 to 25 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in Sri Lankan Rupees unless otherwise stated)

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

The principal activities of the Company were manufacturing of lead acid automotive and motorcycle batteries.

1.3 Parent enterprise and ultimate parent enterprise

The Company's parent undertaking is Exide Industries Ltd. – India, it is also the company's ultimate parent undertaking and controlling party.

2 General policies

2.1.1 Basis of preparation

The Financial Statements which comprise the Statement of Financial Position as at 31 March 2021, and the Statement of Profit or Loss, 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, have been prepared on a historical cost basis and are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

The preparation and presentation of these Financial Statements are in compliance with Companies Act No. 07 of 2007.

2.1.2 Statement of compliance

The statement of financial position, statement of profit or loss, changes in equity and cash flows, together with accounting policies and notes, ("Financial Statements") of the Company as at 31 March 2021 and for the year then ended, comply in all material respects with the applicable Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs).

2.1.3 Comparative information

The accounting policies have been consistently applied by the Company during the year under review with those used in the previous year.

2.2 Use of estimates and judgments

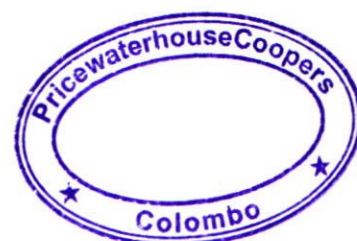
The preparation of Financial Statements of the Company in conformity with SLFRS for SMEs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements have been disclosed in the respective notes to the financial statements.

- Useful lives of property, plant and equipment- Note 4
- Useful lives of intangible assets- Note 5
- Provision for obsolete and slow moving stocks- Note 6
- Provision for doubtful debts- Note 7
- Retirement benefit obligations- Note 12
- Warranty provisions- Note 14



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

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 statement of financial position 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 date of statement of financial position.

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 recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the statement of financial position 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 recognized 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 utilized 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

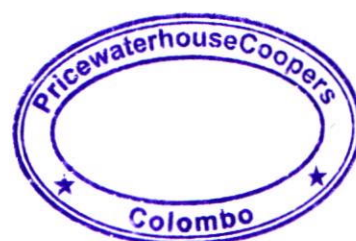
The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Sales Tax

Revenues, expenses and assets are recognized 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 recognized 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 statement of financial position.



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

2.3.3 Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing Costs

Borrowing costs are recognized 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 realizable value, after making due allowances for obsolete and slow moving items. Net realizable 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 formulars:

Raw Materials	- At weighted average cost
Work-in-progress	- At standard cost
Finished Goods	- At standard cost
Consumables and Spares	- At weighted average cost
Goods in Transit	- At actual cost

Provision for slow moving inventory

A provision for slow moving inventories is recognized based on the best estimates available to management on their future usability. As Management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements.

2.3.5 Trade and Other Receivables

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

Other receivables and dues from Related Parties are recognized at cost less provision for 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.

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

An item of Property, Plant and Equipment and Investment Property is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

2.3.8 Intangible assets

All software licensed for use by the Company, not constituting an integral part of related hardware are included in the Statement of Financial Position under the category of intangible assets and carried at cost less accumulated amortization and impairment loss.

The cost of intangible assets is amortized using the straight-line basis at a rate of 20% per annum (over 5 years) commencing from the acquisition date. The amortization cost is recognized as an expense.

2.3.9 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 recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

2.3.10 Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2.3.11 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 recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income 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.

2.3.12 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

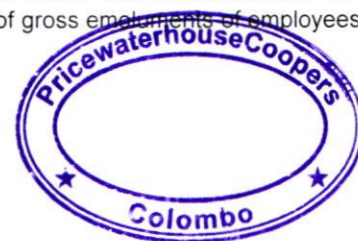
The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every financial year using Projected Unit Cost Method.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity payment to an employee arises only after the completion of 5 years of continued service.

The liability is not funded.

b) 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 to Employees' Provident Fund and Employees' Trust Fund respectively.



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

2.3.13 Warranties

All batteries sold are returnable for any manufacturing defects within 12 months for MF Batteries and within 24 months for UMF Batteries from the date of sale by the distributors.

Provision for manufacturing defects related warranty cost is based on the claims received up to the year end as well as the management estimate of the fair value of the future liabilities to be incurred during the period of warranty completion, on the basis of the past trends of such claims.

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.

2.3.14 Stated capital

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2.3.15 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 recognition of revenue.

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 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

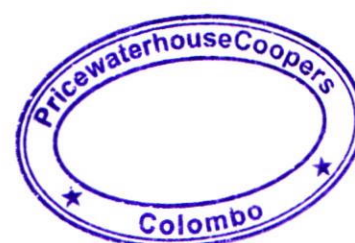
Interest Income is recognized as the interest accrues unless collectability is in doubt.

c) Others

Other income is recognized on an accrual basis.

2.3.16 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

3 Revenue

	2021	2020
Sale of goods	4,450,678,531	3,710,790,914
	4,450,678,531	3,710,790,914

4 Property, plant and equipment

4.1 Gross carrying amounts

	Balance as at 1 April 2020	Additions	Transfers	Balance as at 31 March 2021
At Cost				
Land	59,475,299	Nil	Nil	59,475,299
Buildings	131,365,011	3,237,045	Nil	134,602,056
Plant and machinery	1,094,100,569	30,551,694	3,780,650	1,128,432,913
Motor vehicles	201,990	Nil	Nil	201,990
Tools & moulds	53,695,895	3,470,000	Nil	57,165,895
Computer & electronic appliances	4,181,015	1,897,120	Nil	6,078,135
Furniture and fittings	44,946,729	3,941,996	Nil	48,888,725
Total	1,387,966,508	43,097,855	Nil	1,434,845,013
In the course of construction				
Capital work in progress	Nil	15,024,122	(3,780,650)	11,243,472
Total gross carrying amount	1,387,966,508	58,121,977	(3,780,650)	1,446,088,485

4.2 Depreciation and impairment

	Balance as at 1 April 2020	Charge for the year/ transfers	Impairment	Disposals/ transfers	Balance as at 31 March 2021
At Cost					
Buildings	33,245,542	4,083,586	274,874	Nil	37,604,002
Plant and machinery	624,441,248	76,662,952	7,230,834	Nil	708,335,034
Motor vehicles	201,990	Nil	Nil	Nil	201,990
Tools & moulds	30,358,990	3,565,563	1,518,631	Nil	35,443,183
Computer & electronic appliances	1,894,632	1,227,926	46,986	Nil	3,169,544
Furniture and fittings	37,969,569	3,302,963	428,675	Nil	41,701,207
Total Depreciation	728,111,971	88,842,989	9,500,000	Nil	826,454,961

4.3 Net Book Values

	2021	2020
At Cost		
Land	59,475,299	59,475,299
Buildings	96,998,054	98,119,469
Plant and machinery	420,097,878	469,659,321
Motor vehicles	Nil	Nil
Tools & moulds	21,722,712	23,336,905
Computer & electronic appliances	2,908,591	2,286,383
Furniture and fittings	7,187,518	6,977,160
	608,390,052	659,854,537
In the course of construction		
Capital work in progress	11,243,472	Nil
Total carrying amount of property, plant and equipment	619,633,524	659,854,537



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

4. Property, plant and equipment (Contd)

4.4 The useful lives of the assets are estimated as follows.

	2021	2020
Buildings on freehold land	30 Years	30 Years
Plant & machinery	10 Years	10 Years
Motor vehicles	4 Years	4 Years
Tools & moulds	10 Years	10 Years
Computer & electronic appliances	4 Years	4 Years
Furniture and fittings	5 Years	5 Years

4.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs. 443,660,925 (2020 - Rs. 413,659,986).

5 Intangible assets

5.1 Gross carrying amounts

	Balance as at 31 March 2020	Additions/ Transfers	Write off	Balance As at 31 March 2021
At cost				
Computer software	11,183,035	Nil	Nil	11,183,035
Development cost	3,282,004	Nil	(3,282,004)	Nil
	14,465,039	Nil	(3,282,004)	11,183,035

5.2 Amortization and impairment

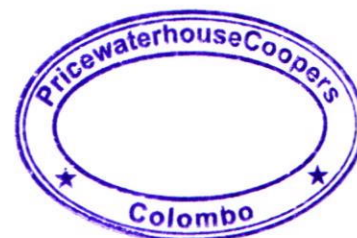
	Balance as at 31 March 2020	Amortisation	Write off	Balance as at 31 March 2021
At cost				
Computer software	6,594,110	2,236,713	Nil	8,830,823
Development cost	382,004	656,638	(1,038,642)	Nil
	6,976,114	2,893,350	(1,038,642)	8,830,823

5.3 Net book values

	2021	2020
Computer software	2,352,212	4,588,925
Development cost	Nil	2,900,000
	2,352,212	7,488,925

5.4 The useful lives of the intangible assets are estimated as follows.

	2021	2020
Computer software	5 Years	5 Years



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

6 Inventories

	2021	2020
Raw materials	344,926,371	223,752,360
Work in progress	370,185,779	378,967,616
Finished goods	175,943,980	174,327,589
Consumables and spares	42,859,583	49,852,671
Goods in transit	3,091,218	17,477,541
	937,006,931	844,377,776
Provision for obsolete and slow moving stocks	(63,419,903)	Nil
	873,587,028	844,377,776

7 Trade and other receivables

	Current 2021 Rs.	Non-Current 2021 Rs.	Total 2021 Rs.	Current 2020 Rs.	Non-Current 2020 Rs.	Total 2020 Rs.
Trade Debtors - related parties (7.1)	1,022,051,317	Nil	1,022,051,317	782,856,614	Nil	782,856,614
- other	32,657,846	Nil	32,657,846	18,059,619	Nil	18,059,619
	1,054,709,163	Nil	1,054,709,163	800,916,233	Nil	800,916,233
Provision for doubtful debts	(19,645,165)	Nil	(19,645,165)	Nil	Nil	Nil
	1,035,063,998	Nil	1,035,063,998	800,916,233	Nil	800,916,233
Other Debtors - related parties (7.2)	15,614,824	Nil	15,614,824	15,749,219	Nil	15,749,219
Prepaid expenses	11,660,998	Nil	11,660,998	10,222,759	Nil	10,222,759
Advance payments	116,485,254	Nil	116,485,254	105,802,423	Nil	105,802,423
Refundable deposits	38,892,210	Nil	38,892,210	1,556,890	Nil	1,556,890
Other receivables	2,739,148	Nil	2,739,148	32,944,041	Nil	32,944,041
Loans to company employees	5,899,782	6,875,169	12,774,951	5,899,782	9,596,285	15,496,067
	1,226,356,214	6,875,169	1,233,231,383	973,091,346	9,596,285	982,687,631

7.1 Trade debtors - related parties

	Relationship	2021	2020
Browns & Company PLC	Significant investor	847,638,181	614,437,486
Klevenberg (Private) Limited	Other related party	174,413,136	168,419,128
		1,022,051,317	782,856,614

7.2 Other debtors - related parties

	Relationship	2021	2020
Brown & Company PLC	Significant investor	2,385,541	2,385,541
Browns Thermal Engineering (Private) Limited	Other related party	13,229,283	13,363,678
		15,614,824	15,749,219

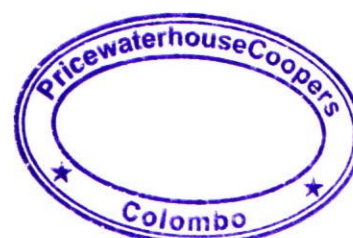


ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED**Notes to the financial statements (Contd)****8 Stated capital**

	2021		2020	
	Number	Rs.	Number	Rs.
Fully paid ordinary shares	6,336,000	63,360,000	6,336,000	63,360,000
	6,336,000	63,360,000	6,336,000	63,360,000

9 Reserves

	2021	2020
Revenue reserves	82,799,732	82,799,732
	82,799,732	82,799,732
	2021	2020
At the beginning of year	82,799,732	82,799,732
Transfers during the year	Nil	Nil
Transfers from retained earnings	Nil	Nil
At the end of the year	82,799,732	82,799,732



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

10 Interest bearing loans and borrowings

	Current 2021	Non Current 2021	Total 2021	Current 2020	Non Current 2020	Total 2020
Bank loans	244,149,494	978,521,349	1,222,670,842	855,288,250	68,577,064	923,865,314
Bank overdrafts	36,930,990	Nil	36,930,990	190,573,700	Nil	190,573,700
	281,080,483	978,521,349	1,259,601,832	1,045,861,950	68,577,064	1,114,439,014

Bank Loans	As at 1 April 2020	Loans obtained	Repayment	As at 31 March 2021
Term Loan - The Hongkong and Shanghai Banking Corporation Limited	150,869,531	Nil	(12,247,638)	138,621,893
Import Loan - The Hongkong and Shanghai Banking Corporation Limited	177,586,853	613,962,006	(791,548,859)	Nil
Import Loan - Deutsche Bank AG	8,805,034	116,583,638	(125,388,672)	Nil
Term Loan - DFCC Bank PLC	Nil	1,020,000,000	(12,142,858)	1,007,857,142
Import Loan - DFCC Bank PLC	586,603,896	1,065,335,796	(1,575,747,884)	76,191,808
Import Loan - HNB	Nil	572,286,564	(572,286,564)	Nil
	923,865,314	3,388,168,005	(3,089,362,476)	1,222,670,842

Term Loans

Securities

Securities are disclosed in Note 23.

Repayment terms

Payable within 84 months

Interest

Term loans carries interest at 8.5% p.a.

Import Loans

Securities

Securities are disclosed in Note 23.

Repayment terms

Payable within 90 days

Interest

Term loans carries interest at AWPLR+0.5% to 1.5%

11 Income tax

The major components of income tax expense for the year ended 31 March are as follows :

Income Statement	2021	2020
Current Income Tax		
Current income tax charge	Nil	20,485,240
Under provision of current taxes in respect of prior years	Nil	2,596,803
	Nil	23,082,043
Deferred Income Tax		
Deferred taxation reversal	(53,666,389)	(2,761,709)
Income tax (reversal) expense reported in the Income Statement	(53,666,389)	20,320,334



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

11 Income tax (Contd)

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

	2021	2020
Accounting (loss)/ profit before income tax	(237,903,526)	51,538,986
Aggregate disallowable items	399,736,166	244,191,431
Aggregate allowable items	(225,348,407)	(215,410,431)
Taxable profit	(63,515,767)	80,319,986
Income tax at 28%		
Income tax expense reported in the income statement	Nil	20,485,240
	Nil	20,485,240

* Income tax provision for year of assessment 2020/21 has not considered any impact that may arise from restated financial statement for the year of assessment 2017/18 and 2018/19 as income tax return amendments are still being processed and confirmation from tax authority yet to be finalized.

** Income tax receivable as at 31 March 2021 amounting to Rs. 20,803,801 consist of tax overpayment and ESC payments for the year of assessment 2019/2020.

11.2 Deferred tax assets and liabilities

	Statement of financial position		Income statement	
	2021	2020	2021	2020
Deferred tax liability				
Property, plant and equipment	87,586,489	92,601,110	(5,014,621)	(801,600)
	87,586,489	92,601,110	(5,014,621)	(801,600)
Deferred tax assets				
Retirement benefit obligations	(12,017,310)	(10,987,890)	(1,029,420)	(1,882,899)
Warranty provisions	(19,713,398)	(12,747,306)	(6,966,092)	(77,210)
Provision for bad and doubtful debts	(5,500,646)	Nil	(5,500,646)	Nil
Provision for obsolete and slow moving stocks	(17,757,573)	Nil	(17,757,573)	Nil
Tax losses carried forward	(17,398,036)	Nil	(17,398,036)	Nil
	(72,386,963)	(23,735,196)	(48,651,767)	(1,960,109)
Deffered income tax reversal			(53,666,389)	(2,761,709)
Net Deferred Tax Liability	15,199,526	68,865,914		

Deferred tax liabilities are offset when there is a legally enforceable right to offset assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority.



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

12 Retirement benefit liability

	2021	2020
Balance at the beginning of the year	39,242,464	32,453,504
Provision made during the year	6,365,971	5,990,470
Gain arising from changes in assumptions used	1,948,993	6,199,041
Payments during the year	(4,638,466)	(5,400,551)
Balance at the end of the year	42,918,963	39,242,464

The significant actuarial assumptions were as follows:

	2021	2020
Discount rate	8%	10%
Salary escalation rate	3%	3%
Attrition rate	2%	2%
Retirement years	55 years	55 years

13 Trade and other payables

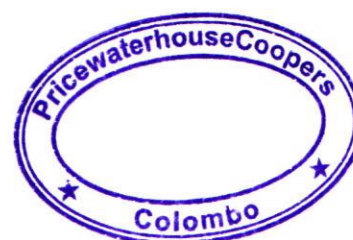
	2021	2020
Trade creditors - related parties (13.1)	105,570,411	302,114,990
Trade creditors - other	843,086,176	407,545,203
Other creditors - related parties (13.2)	13,900,000	11,947,156
Accrued expenses	106,724,797	56,691,141
Dividend payables	25,225,467	25,225,467
Other payables	9,110,283	4,085,787
	1,103,617,135	807,609,745

13.1 Trade creditors - related parties

	Relationship	2021	2020
Exide Industries Ltd	Parent company	9,055,776	98,907,251
Browns & Company PLC	Significant investor	12,777,176	6,830,540
Klevenberg (Private) Ltd	Significant investor	3,167,000	3,334,665
Browns Thermal Engineering (Pvt) Ltd	Other related party	65,461,964	23,002,086
Chloride Metals Ltd	Other related party	15,108,495	170,040,448
		105,570,411	302,114,990

13.2 Other Creditors - Related Parties

	Relationship	2021	2020
Exide Industries Ltd	Parent company	13,900,000	11,947,156
		13,900,000	11,947,156



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED**Notes to the financial statements (Contd)****14 Provisions**

	2021	2020
Warranty provision		
Opening balance	45,526,092	45,250,346
Charge for the year	120,937,334	77,183,118
Payments during the year	(96,058,433)	(76,907,372)
Closing balance	70,404,993	45,526,092

15 Other income and gains

	2021	2020
Interest income	658,078	118,769
Sundry income	10,818,697	11,729,074
Creditor write back	Nil	10,813,394
	11,476,775	22,661,237

16 Finance costs

	2021	2020
Interest expense on overdrafts	9,926,381	17,235,837
Interest expense on interest bearing loans & borrowings	99,091,357	86,006,490
	109,017,738	103,242,327

17 (Loss)/ profit from continuing operations

	2021	2020
Stated after charging		
Included in Cost of Sales		
<i>Employees benefits</i>		
Direct labour	261,408,589	247,477,211
Indirect wages	62,479,238	63,541,007
Management staff cost	47,328,856	49,172,170
Depreciation and amortisation	91,736,338	87,410,742
Included in administrative expenses		
Employees Benefits including the following	47,794,036	23,471,825
- Defined Contribution Plan Costs - EPF & ETF	3,112,916	7,735,373
Auditor's fees and expenses	960,000	802,067
Legal and professional fees	8,546,516	2,851,528



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

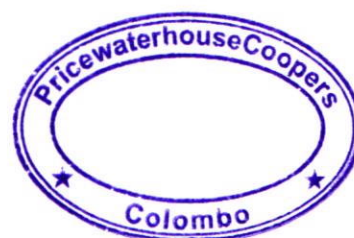
18 Earnings per share

	2021	2020
Net Profit / (Loss) Attributable to Ordinary Shareholders	(184,237,137)	31,218,652
	(184,237,137)	31,218,652
	2021 Number	2020 Number
Number of ordinary shares	6,336,000	6,336,000
	6,336,000	6,336,000
Earnings per share	(29.08)	4.93

19 Cash and cash equivalents in the cash flow statement

Components of Cash and Cash Equivalents

	2021	2020
Favourable Cash and Cash Equivalents balance		
Cash and Bank Balances	14,508,066	17,081,261
	14,508,066	17,081,261
Unfavourable Cash and Cash Equivalent Balances		
Bank Overdraft (Note 10)	(36,930,990)	(190,573,700)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(22,422,924)	(173,492,439)



Notes to the financial statements (Contd)

20 Related party disclosures

Details of significant related party transactions are as follows:

20.1 Transactions with the related parties

Nature of Transaction	Parent company		Other related companies	
	2021	2020	2021	2020
Balance as at Beginning of the Year	(110,854,407)	(15,706,818)	595,393,064	807,316,135
Sale of goods*	Nil	Nil	4,823,302,630	4,097,010,717
Purchase of goods and cost of services	(136,817,974)	(139,142,717)	(456,869,466)	(698,253,897)
Royalty fees	(13,900,000)	(12,487,478)	Nil	Nil
Net payments	238,616,605	56,482,606	(4,021,773,841)	(3,610,679,892)
Balance as at End of the Year	(22,955,776)	(110,854,407)	940,052,386	595,393,064

* includes VAT on purchases

Related companies include:

Name	Relationship
Exide Industries Limited - India	Parent Company
S.F.L Services (Private) Limited	Significant Investor
Brown and Company PLC	Significant Investor
Chloride Batteries S E Asia Pte. Limited	Other Related Party
Klevenberg (Private) Limited	Other Related Party
Browns Thermal Engineering Pvt Ltd	Other Related Party

20.2 Transactions with Key Management Personnel of the Company or its Parent

The Key Management Personnel of the Company are the members of its Board of Directors and that of its Parent.

a) Key Management Personnel Compensation

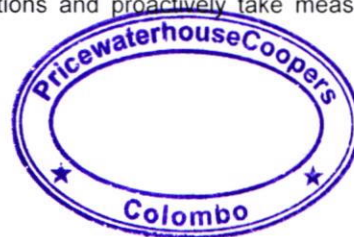
	2021	2020
Short-term Employee Benefits	12,566,858	16,188,382
	12,566,858	16,188,382

21 COVID 19 impact on business

COVID-19 pandemic has resulted in a substantive shift in management's focus towards ensuring the continued safety of people, connectivity of customers, compliance with guidelines issued by various government authorities and continuity of critical business operations.

The outbreak and the associated developments impacted the business, our customers and staff due to restrictions on movement and economic slowdown. Due to lockdowns, credit extensions are provided to keep customers connected. The current unprecedented situation is yet evolving and the future impact will depend on the time taken for economic activity to rebound to pre COVID-19 levels. The overall impact on consumer spending and the recovery of the country's enterprises will also be key determinants of future impact on our business. Based on present trends, management expects an impact on the Company's financial performance and financial position. The Company has resorted to cost rescaling and rationalisation initiatives both in operating and capital expenditure to soften the impact on the business.

Although it is early to make an assessment, the Company expects the economy to revive with the resumption of business activities where the Company is already seeing positive momentum. Given the volatile and evolving landscape, the Company will continue to monitor the impacts on its operations and proactively take measures to ensure the business continues as seamlessly as possible.



Notes to the financial statements (Contd)

22 Commitments and contingencies

22.1 The Company has received tax assessments on 4 March 2014 and 4 April 2014 for additional tax liability amounting to Rs. 59.2 Mn for income tax and value added tax. Based on the initial appeal, the Company has received a revised assessment on 15 June 2015 and the liability was reduced to Rs. 28.6 Mn. The Company has taken necessary actions to further appeal against this liability and out come of which can not be ascertained as at the reporting date. The management is of the view that the outcome of the appeal process may not cause any adverse financial impact to the Company.

22.2 A case (No. 81294) has been filed against the Company concerning public nuisance in 2012. The case is based on the public nuisance caused by the impact on the environment as a result of the dumping of waste in a remote area in Horana.

The case filed against the Company is still pending at the Horana Magistrate Court as no further communication have been received from the magistrate courts to the Company as of to date.

The Company at its own cost has taken steps to rectify the environmental impact and subsequently the water of the affected area has been checked and is present clear according to the recent reports. The management is of the view that the outcome of the litigation may not cause any adverse financial impact to the company.

22.3 As per the notice by the Divisional Secretary of Moratuwa [Reference number MOR/LAN/01/F1/214] and the letter received from the Minister of Lands and Parliamentary Reforms on 9 March 2018, the Company was informed that the land in Katubedda, Moratuwa will be acquired for a public purpose of constructing a high rise housing project for resettlement of underserved settlers, under the Urban Regeneration Project.

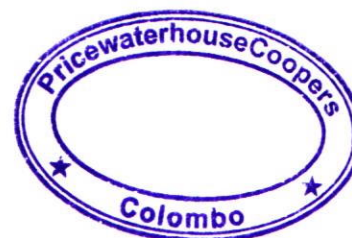
The Company has appealed against the above. Case referring (No 76914) is hearing at the Moratuwa Magistrate Court and the court has issued a stay order. The management is of the view that the outcome of the appeal process may not cause any adverse financial impact to the Company.

22.4 A former key management personnel has filed a case at the labor tribunal against the constructive termination from the post. Case reference No - 32/RM/62/2020 is to be called on 23 April 2021 in LT court of Ratmalana.

Further, the staff-driver of the aforementioned key management personnel has filed a case against the Company for requesting compensation for termination. This case which holds reference No 32/RM/16/2021 is also pending at LT court of Ratmalana.

The management is of the view that the above cases may not cause any adverse financial impact to the Company.

		2021	2020
22.5	Letters of Credit Opened with Banks favouring suppliers	LKR 398,702,804	125,725,047
22.6	Customs Guarantee	LKR 9,500,000	10,215,500
22.7	Shipping Guarantee	LKR 39,062,030	10,230,994



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED

Notes to the financial statements (Contd)

23 Assets pledged

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	2021	2020
Immovable Properties			
- Land & Building at Rathmalana	Mortgaged to DFCC Bank PLC in connection with the bank Loans	156,473,353	157,594,768
- Plant & Machinery	HSBC Bank in connection with the bank Loans	420,097,878	469,659,321
- Inventories	Mortgaged to DFCC Bank PLC,	873,587,028	844,377,776
- Trade Debtors	Commercial Bank of Ceylon PLC and HSBC for TR Loan and Overdraft facilities	1,054,709,163	800,916,233



ASSOCIATED BATTERY MANUFACTURERS (CEYLON) LIMITED**Notes to the financial statements (Contd)****Detailed income statement**

	2021	2020
Sale of goods	4,450,678,531	3,710,790,914
Less : Cost of sales		
Direct material cost	3,481,999,195	2,677,665,311
Direct labour	261,408,589	247,477,211
Indirect wages	62,479,238	63,541,007
Management staff cost	47,328,856	49,172,170
Power and water	130,422,889	173,968,692
Maintenance of plant and machinery	46,959,642	45,927,978
Welfare	46,062,364	41,081,595
Process materials, consumable stores and tools	16,970,936	14,674,872
Royalty expenses	13,787,714	12,487,478
Depreciation and amortisation	91,736,338	87,410,742
Various production overhead	26,103,086	28,479,670
Provision for obsolete and slow moving stock	63,419,903	Nil
	4,288,678,750	3,441,886,726
Gross profit	161,999,781	268,904,188
Less : Administrative Expenses		
Management staff cost	47,794,036	23,471,825
Postage and telephone	876,094	1,836,253
Printing and stationery	3,356,268	4,048,396
Auditors' fees and expenses	960,000	1,340,000
Bank charges	22,198,656	9,839,274
Legal and professional fees	8,546,516	2,851,528
Business promotional expenses	111,648,361	34,111,296
Allowance for bad and doubtful debts	19,645,165	Nil
SAP subscriptions	11,033,165	5,229,666
Development cost write-off	2,243,362	2,323,870
Impairment of assets	9,500,000	Nil
Overseas travelling expenses	Nil	2,197,012
Rent expense	3,300,000	3,265,680
Slag clearing expense	939,800	4,195,096
Provision for unreconciled VAT input tax	14,578,964	27,949,526
Other expenses	45,741,958	48,235,985
	302,362,344	136,784,112
(Loss)/ profit from operating activities	(140,362,564)	136,784,112

