EnerSys Ltd

Report and Financial Statements

31 March 2006

ERNST & YOUNG

Registered No: 731261

Directors
R R Kubis
M G Maine
D Zuidema

Secretary
Jordan Company Secretaries Limited

Auditors
Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Registered Office
21 St Thomas Street
Bristol
BS1 6JS

ERNST & YOUNG

Directors' report

The directors present their report and financial statements for the year ended 31 March 2006.

Results and dividends

The profit for the year after taxation amounted to £351,000 (restated 2005 - profit of £4,569,000). The directors do not propose a dividend for the year ended 31 March 2006 (2005 - £nil).

Research and development

Ongoing and new research and development programs have been established to launch new product ranges, enhance quality and increase the profitability of operations.

Principal activity and review of the business

The company is a wholly owned subsidiary of EnerSys, a company incorporated in the United States of America, whose financial statements are publicly available.

The principal activity of the company during the year continued to be the manufacture and distribution of industrial batteries. The directors do not expect any change in the principal activity during the next financial year. There have been no events since the balance sheet date which require disclosure.

As shown in the company's profit and loss account on page 8, the company's sales have increased by 10% over the prior year. Retained profit for the financial year has been impacted principally by restructuring costs and other income as shown in notes 3 and 4 on pages 13 and 14 respectively.

The balance sheet on page 9 of the financial statements shows that the company's financial position at the year end is, in both assets and cash terms, consistent with the prior year. Details of amounts owed from and to fellow group undertakings are shown in notes 13, 14 and 15 on page 20.

EnerSys manages its operations on a regional and divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the European region of EnerSys, which includes the company, is discussed in the group's Annual Report which does not form part of this report.

Environmental

EnerSys group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's Annual Report, which does not form part of this Report. Initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.

The company's export sales are principally made in Euros, with a portion in US dollars, and it is therefore exposed to the movement in the Euro to Pound exchange rate. The group's treasury function takes out contracts to manage this risk at a group level.

The company is financed by a fixed rate loan from its parent and has no third party debt. It therefore has no interest rate exposure.

Directors' report

Group risks are discussed in the group's Annual Report which does not form part of this Report.

Directors and their interests

The directors of the company who served during the year were as follows:

R R Kubis
M G Maine
D Zuidema

None of the directors had any beneficial interests, which require disclosure in accordance with section 324 of the Companies Act 1985.

Suppliers' payment policy

It is company policy in respect of its suppliers to develop long-term relationships with them, which includes making payment consistent with established practices agreed with suppliers and ensuring that they are aware of the terms of payment and that such terms are followed.

The average number of days purchases included within creditors at 31 March 2006 was 59 days (2005 - 55 days).

Employees

Information concerning employees and their remuneration is given in note 6. It is company policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled. To satisfy that need consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures, departmental channels and the publication of financial and economic information, employees are kept informed about company and EnerSys group affairs.

In order to safeguard its employees, the company pursues a policy designed to provide secure working environments and training standards at all operating locations. The company also recognises the need to provide information on matters of concern to employees.

Directors' report

Directors' statement as to disclosure of information to Auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and

Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

Director M G MAINE

Date 5 Jun 2007

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statement in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

Independent auditors' report

to the members of EnerSys Ltd

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ERNST & YOUNG

Independent auditors' report

to the members of EnerSys Ltd

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended.
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Registered Auditor
Bristol
Date 10 January 2007

Profit and loss account

for the year ended 31 March 2006

	Notes	2006 £000	(restated) 2005 £000
Turnover	2	92,873	84,348
Cost of sales	3	(81,195)	(69,733)
Gross profit		11,678	14,615
Selling and distribution costs	3	(3,906)	(5,229)
Administrative expenses	3	(4,857)	(1,742)
Other operating income		568	136
Operating profit	4	3,483	7,780
(Loss)/profit on disposal of fixed assets		(491)	(630)
Profit on ordinary activities before interest and taxation		2,992	7,150
Net interest (payable and similar charges)/ receivable and similar income	7	(1,533)	(1,199)
Profit on ordinary activities before taxation		1,459	5,951
Tax on profit on ordinary activities	8	(1,108)	(1,382)
Retained profit for the financial year	18	351	4,569

All results arise from continuing activities.

Statement of total recognised gains and losses

for the year ended 31 March 2006

	2006 £000	(restated) 2005 £000
Profit for the year	351	4,569
Actuarial gain recognised on pension scheme (note 23e)	662	421
Movement in deferred taxation in respect of pension scheme assets	(199)	(126)
Total recognised gain for the year	814	4,864
Prior Year adjustment (FRS17 – note 23)	135	
	949	

Balance sheet

at 31 March 2006

	Notes	2006 £000	(restated) 2005 £000
Fixed assets			
Intangible assets	9	4,412	-
Tangible assets	10	18,407	20,946
Investments	11	16,907	16,907
		39,726	37,853
Current assets			
Stocks	12	8,616	6,942
Debtors	13	76,057	93,660
Cash and short-term deposits		-	401
		84,673	101,003
Creditors: amounts falling due within one year	14	(48,563)	(63,270)
Net current assets		36,110	37,733
Total assets less current liabilities		75,836	75,586
Creditors: amounts falling due after more than one year	15	(11,211)	(11,232)
Provisions for liabilities and charges	16	(2,424)	(2,701)
Net assets excluding pension asset		62,201	61,653
FRS 17 pension asset	23b	283	17
Net assets including pension asset		62,484	61,670
Capital and reserves			
Called up share capital	17	68,308	68,308
Profit and loss account	18	(5,824)	(6,638)
Equity shareholders' funds		62,484	61,670

Approved by the Board on
and signed on its behalf by:

Director M G MAINE

Date 5 Jan 2007

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2006

	Share Capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
At 1 April 2004 previously stated	68,308	(11,637)	56,671
Prior year adjustment	-	135	135
At 1 April 2004 restated	68,308	(11,502)	56,806
Profit for the year	-	4,569	4,569
Other recognised gains/ (loss)	-	295	295
As at 1 April 2005	68,308	(6,638)	61,670
Profit for the year	-	351	351
Other recognised gains/ (loss)	-	463	463
At 31 March 2006	68,308	(5,824)	62,484

Notes to the financial statements

at 31 March 2006

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with all applicable UK accounting standards.

The company adopted Financial Reporting Standard no. 17 'Retirement Benefits' in full during the year, as a result the 2005 comparatives have been restated to reflect the adoption of the standard. Net assets before recognition of the pension asset are £62,201,000 (2005: £61,653,000), net assets after the recognition of the pension asset are £62,484,000 (2005: £61,670,000). The profit for the year before recognition of the pension scheme income and expenses was £634,000 (2005: £4,982,000), profit for the year after recognition of the pension scheme income and expenses was £351,000 (2005: £4,569,000). Actuarial gains recognised in the year amounted to £662,000 (2005: £421,000), of which deferred tax amounted to £199,000 (2005: £126,000). The total prior year adjustment recognised in the Statement of Total Recognised Gains and Losses in 2006 was a gain of £135,000.

Consolidated Financial Statements

The financial statements contain information about EnerSys Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirements to prepare consolidated financial statements as its results and those of its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its immediate parent, EnerSys Holdings UK Limited, a company registered in England and Wales.

Statement of cash flows

A statement of cash flows has not been presented because EnerSys Ltd is a subsidiary undertaking of EnerSys Holdings UK Limited who prepare consolidated financial statements that include the results of EnerSys Ltd and that are publicly available.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end. Exchange differences arising from the re-translation of foreign currency denominated assets and liabilities together with other exchange differences arising in the year are included in the profit and loss account.

Turnover

Turnover represents the invoiced value of goods and services supplied by the company, to third parties, excluding value added tax.

Research and development

Research and development expenditure is expensed as incurred.

Pension costs

The company operates a defined benefit and defined contribution scheme.

In respect of the defined benefit scheme, the expected costs of providing pensions are charged to the profit and loss account so as to spread the costs over the service lives of the participating employees. The costs are assessed in accordance with the advice of actuaries and provision is made in the financial statements with the associated deferred taxation effect. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Company contributions made to the defined contribution scheme are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes to the financial statements

at 31 March 2006

1. Accounting policies (continued)

Depreciation and tangible fixed assets

Tangible fixed assets are depreciated to their residual values on a straight-line basis over their estimated useful lives at the following rates applied to original cost:

Freehold land	–	nil
Freehold and long leasehold buildings	–	2% - 5%
Short leasehold buildings	–	remaining lease period
Plant and machinery	–	7% - 35%
Computer software systems	–	10% - 25%

Impairment of fixed assets

Impairment reviews are undertaken if there are indications that the carrying values may not be recoverable.

Intangibles

Intangible fixed assets have arisen from the purchase of the Motive Power Division of Fiamm UK Limited, Motive Power. It is covered in 3 elements Goodwill, Customer List and Customer Non Compete.

Goodwill from the purchase of the trade and assets of the Motive Power division of Fiamm UK has been capitalised in accordance with FRS 10 and is amortised over a period of 20 years

Customer List represents the value associated with the customer list purchased from the business segment of Fiamm UK and is amortised over 5 years.

Customer Non compete is an agreement between EnerSys and Fiamm UK for a period of 5 years and is amortised over this period.

Leased assets

Rentals under operating lease are charged to the profit and loss account on a straight line basis.

Investments

Investments in subsidiary undertakings are held at cost less amounts written off and provisions for impairment.

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost comprises the cost of raw materials and an appropriate proportion of labour and overheads. Provision is made for obsolete and slow moving items.

Cash and borrowings

Cash and short-term deposits at the balance sheet date are deducted from bank loans and overdrafts where formal rights of set-off exist.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful life of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income in the period to which they relate.

Notes to the financial statements

at 31 March 2006

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and arises from goods produced in the United Kingdom.

The company operates in one business sector, the manufacture and sale of batteries.

An analysis of turnover by geographical destination is as follows:

	2006	*2005*
	£000	*£000*
United Kingdom	53,006	42,065
Rest of Europe	25,120	28,273
The Americas	7,733	7,703
Asia Pacific	4,960	4,573
Africa and Middle East	2,054	1,734
	92,873	84,348

3. Cost of sales and operating expenses/ (income)

		(Restated)
	2006	*2005*
	£000	*£000*
Cost of sales	81,195	69,733
Selling and distribution costs	3,906	5,229
Administrative expenses	4,857	1,742
Other operating income	(568)	(136)

Restructuring costs included in cost of sales and selling cost expenses are debit of £2,166,000 (2005 credit of £1,451,000) and £nil (2005 debit of £23,000) respectively.

Notes to the financial statements

at 31 March 2006

4. Operating profit

Operating profit is stated after charging/ (crediting):

		2006	(Restated) 2005
		£000	£000
Auditors' remuneration	– audit fees	118	115
	– non-audit fees	-	72
Amortisation of goodwill		190	-
Depreciation of owned fixed assets		3,731	3,501
Impairment of owned fixed assets		479	-
Research and development expenditure		218	64
Operating lease rentals	– plant and machinery	515	491
	– land and buildings	54	51
Restructuring costs		2,166	(1,428)
FRS 17 pension current service cost (note 23c)		1,547	1,831

5. Directors' emoluments

	2006	2005
	£000	£000
Emoluments	90	105
Company contributions paid to defined benefit schemes	3	3
	93	108

	2006	2005
	No.	No.
Members of defined benefit schemes	2	2

Notes to the financial statements

at 31 March 2006

6. Staff costs

	2006	2005
	£000	£000
Wages and salaries	19,208	17,397
Social security costs	1,404	1,318
Other pension costs (see note 22)	1,618	1,327
	22,230	20,042

The average weekly number of employees during the year was as follows:

	2006	2005
	No.	No.
Administration	94	87
Production	465	428
Sales and marketing	126	117
	685	632

7. Net interest (payable and similar charges)/receivable and similar income

	2006	(restated) 2005
	£000	£000
Interest payable on bank loans, overdrafts and other loans	(32)	(4)
Interest payable to group undertakings	(2,603)	(2,647)
Foreign exchange gains/ (losses) on group loans	(218)	(18)
	(2,853)	(2,669)
Interest receivable from group undertakings	1,309	1,442
FRS 17 other finance income – (note 23d)	11	28
	1,320	1,470
Net interest payable	(1,533)	(1,199)

Notes to the financial statements

at 31 March 2006

8. Tax on profit on ordinary activities

a) Analysis of tax charge

	2006 £000	(restated) 2005 £000
UK corporation tax:		
Current tax on income for the year	672	1,300
Adjustments in respect of prior years	694	325
Total current tax (note 8b)	1,366	1,625
Deferred tax:		
Origination and reversal of timing differences – current year	(324)	(471)
Adjustments in respect of prior years	152	405
Movement in deferred tax in respect of pension scheme assets	(86)	(177)
Tax on profit on ordinary activities	1,108	1,382

(b) Factors affecting the tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 – 30%). The differences are reconciled below:

	2006 £000	(restated) 2005 £000
Profit on ordinary activities before tax	1,459	5,951
Tax charge on ordinary activities at 30.0% (2005 – 30.0%)	437	1,785
Adjustments in respect of prior years	694	503
Group relief received without payment	(215)	(263)
Other permanent differences	126	70
Timing differences provided	324	(470)
Total current tax (note 8a)	1,366	1,625

c) Factors that may affect future tax charges

EnerSys Ltd is a UK resident company in the EnerSys Holdings UK Limited group and as a consequence, the company is eligible to surrender UK group relief to, or claim UK group relief from, other EnerSys Holdings UK Limited group companies. These claims and/or surrenders may be made with or without charge.

Notes to the financial statements

at 31 March 2006

9. Intangible fixed assets

	Goodwill	*Customer List*	*Customer Non Compete*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 1 April 2005	-	-	-	-
Additions	4,468	76	58	4,602
At 31 March 2006	4,468	76	58	4,602
Accumulated depreciation:				
At 1 April 2005	-	-	-	-
Charge for the year	(167)	(13)	(10)	(190)
At 31 March 2006	(167)	(13)	(10)	(190)
Net book value:				
At 31 March 2006	4,301	63	48	4,412
At 1 April 2005	-	-	-	-

Goodwill additions relate to the purchase of the trade and assets of the Motive Power division of Fiamm UK and has been capitalised in accordance with FRS 10 and is amortised over a period of 20 years
Customer List represents the value associated with the customer list purchased from the business segment of Fiamm UK and is amortised over 5 years.
An analysis of the goodwill additions is provided below:

	Purchase price at 1st June 2005	*Adjustments / Revaluation*	*Fair value on acquisition*
	£000	*£000*	*£000*
Tangible fixed assets (note a)	3,540	(2,811)	729
Current assets (note b)	5,242	(856)	4,386
Current liabilities (note c)	(224)	(801)	(1,025)
Net capital employed	8,558	(4,468)	4,090
Goodwill arising on acquisition			4,468

a) result of independent third party valuation appraisal of fixed assets acquired and tested for impairment
b) write down of inventory and other debtors following reassessment
c) increase of various accruals and provisions following reassessment

Notes to the financial statements

at 31 March 2006

10. Tangible fixed assets

	Land and buildings £000	*Plant and machinery £000*	*Total £000*
Cost:			
At 1 April 2005	8,375	74,625	83,000
Additions	-	2,364	2,364
Disposals	-	(1,082)	(1,082)
At 31 March 2006	8,375	75,907	84,282
Accumulated depreciation:			
At 1 April 2005	5,763	56,291	62,054
Charge for the year	63	3,668	3,731
Disposals	-	(389)	(389)
Impairment	-	479	479
At 31 March 2006	5,826	60,049	65,875
Net book value:			
At 31 March 2006	2,549	15,858	18,407
At 1 April 2005	2,612	18,334	20,946

The net book value of land and buildings at 31 March comprises:

	2006 £000	*2005 £000*
Freehold and long leasehold	2,549	2,612

During the year, management undertook a review of its product lines and following the review the decision was made to discontinue the production of one particular product manufactured by the Manchester Reserve Power plant. The review resulted in a £368,000 write-down to the net book value of plant and machinery. A review of other assets resulted in an additional write down of £111,000. Management believes that the impairment was necessary to ensure that the carrying value of fixed assets accurately reflects the company's current mode of operation.

Notes to the financial statements

at 31 March 2006

11. Investments

	Shares in subsidiary undertakings £000
Cost:	
At 1 April 2005 and 31 March 2006	17,413
Provisions:	
At 1 April 2005 and 31 March 2006	506
Net book value:	
At 31 March 2005 and 31 March 2006	16,907

Details of the company's principal subsidiary undertaking are as follows:

Name of company	*Country of registration, incorporation and operation*	*Holding*	*Proportion held*	*Nature of business*
VHB Industrial Batteries Limited	England and Wales	Ordinary shares	100%	Dormant
Hawker Batteries Limited	England and Wales	Ordinary shares	100%	Dormant

As permitted by section 231 (5) of the Companies Act 1985, only principal subsidiary undertakings are shown above. A complete list of all subsidiary undertakings is filed with the company's annual return.

Group financial statements have not been prepared because the company is a wholly owned subsidiary of EnerSys Holdings UK Limited, a company registered in England and Wales. As a result, the financial statements present information about the company as an individual undertaking and not about its group.

12. Stocks

	2006 £000	*2005 £000*
Raw materials and consumables	1,181	941
Work in progress	1,898	2,332
Finished goods	5,537	3,669
	8,616	6,942

Notes to the financial statements

at 31 March 2006

13. Debtors

	2006	2005
	£000	£000
Trade debtors	15,073	10,739
Amounts due from fellow group undertakings	59,658	81,837
Other debtors	452	704
Prepayments and accrued income	874	380
	76,057	93,660

Included in amounts due from fellow group undertakings are amounts totalling £12,650 (2005 - £11,000) that are recoverable in over one year.

14. Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Bank Loan and Overdraft	52	-
Trade creditors	7,905	6,964
Amounts owed to fellow group undertakings	33,795	50,932
Corporation tax	748	820
Other taxes and social security	1,465	1,680
Other creditors	1,154	1,027
Accruals and deferred income	3,444	1,847
	48,563	63,270

15. Creditors: amounts falling due after more than one year

	2006	2005
	£000	£000
Loans owed to fellow group undertakings	11,211	11,211
Other creditors	-	21
	11,211	11,232

Loans owed to fellow group undertakings accrue interest at 7.5% per annum and are wholly repayable on 22 March 2012.

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Notes to the financial statements

at 31 March 2006

16. Provisions for liabilities and charges

	Deferred taxation	*Restructuring*	*Total*
	£000	*£000*	*£000*
At 1 April 2005	1,952	749	2,701
Utilised in year	-	(2,035)	(2,035)
Charged during the year	-	2,079	2,079
Released during the year	(301)	(20)	(321)
At 31 March 2006	1,651	773	2,424

The provision for restructuring costs predominantly relates to the reorganisation of the FMP business purchased in June 2005. The remaining provision relates to committed costs which are expected to be incurred within one year of the balance sheet date.

An analysis of the deferred tax provision at 31 March is as follows:

	2006	*(restated) 2005*
	£000	*£000*
Deferred tax assets and liabilities are analysed as follows:		
Accelerated capital allowances	2,008	2,261
Other timing differences	(357)	(309)
	1,651	1,952
Included in net pension asset (note 23b)	120	7
Net deferred tax liability	1,771	1,959

17. Share capital

	2006	*2006*	*2005*	*2005*
	No.	*£000*	*No.*	*£000*
Authorised:				
Ordinary shares of £1 each	100,000,000	100,000	100,000,000	100,000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	68,307,783	68,308	68,307,783	68,308

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Notes to the financial statements

at 31 March 2006

18. Reserves

	(restated) Profit and loss account £000
At 1 April 2004 previously stated	(11,637)
Prior year adjustment	193
At 1 April 2004 restated	(11,444)
Profit for the year	4,511
Other recognised gains/ (losses)	295
At 1 April 2005	(6,638)
Profit for the year	351
Other recognised gains/ (losses)	463
At 31 March 2006	(5,824)

19. Capital commitments

	2006 £000	2005 £000
Contracted for but not provided	23	-

20. Other financial commitments

At 31 March 2006 the company had annual commitments under non-cancellable operating leases as set out below:

	At 31 March 2006			At 31 March 2005		
	Land and buildings £000	Other £000	Total £000	Land and buildings £000	Other £000	Total £000
Within one year	-	102	102	41	424	465
Within two to five years	41	294	335	83	484	567
At 31 March	41	396	437	124	908	1,032

21. Contingent liabilities

In accordance with provisions contained in the Value Added Tax Act 1983, the company has entered into a joint and several guarantee for group registrations.

The company has contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

Notes to the financial statements

at 31 March 2006

22. Pension arrangements

a) Invensys Pension Scheme

From 6 April 2000 through to 5 July 2002, the UK employees of EnerSys Ltd have been eligible for membership of the Invensys Pension Scheme, which arose from the merger of the BTR Group Pension Scheme and the Siebe Pension Scheme as at that date. The Invensys Pension Scheme and its predecessors are funded defined benefit schemes. Contributions have been made in accordance with the recommendations of independent actuaries based on pension costs across the eligible group. Contributions made to the scheme during the year were £nil (2005 - £nil). Following the disposal of the company, by Invensys plc, on 22 March 2002 the sales agreement provided that EnerSys Ltd could continue to be a participating member until 5 July 2002. Details of the latest actuarial valuation are included in the financial statements of Invensys plc.

b) EnerSys UK Defined Benefit Pension Scheme

The company commenced operating the EnerSys UK Defined Benefit Pension Scheme on 6 July 2002. This is a funded defined benefit plan for employees who were members of the Invensys Pension Scheme and Defined Contribution plan for members employed by EnerSys Limited after 22 March 2002. The assets of the plan are held separately from those of the company and are invested in managed funds.

The EnerSys UK Defined Benefit Pension Scheme commenced on 6 July 2002. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations. The assumptions which have the most significant effect on the results are salary growth at 3% per annum, price inflation at 3% per annum and present and future pensions to increase by 3% per annum on that part of the pension in excess of the members' guaranteed minimum pension.

The charge for the year amounted to £1,547,000 (2005 - £1,831,000), which represents the current service cost of the scheme in the year.

c) EnerSys UK Defined Contribution Pension Scheme

The company also operates a defined contribution pension scheme, the assets of which are held in an independently administered fund. Contributions are charged to the profit and loss account as and when incurred. The total contributions charged to the profit and loss account in the year were £167,000 (2005 - £90,000).

23. FRS 17 Retirement Benefits

a) Composition of the defined benefit scheme

The company operates a defined benefit scheme in the UK, being the EnerSys UK Defined Benefit Pension Scheme. An actuarial valuation was carried out as at 31 March 2006 by a qualified independent actuary.

The major assumptions used by the actuary were:

	2006 %	*2005* %	*2004* %
Rate of increase in salaries	3.00	4.00	3.75
Rate of increase in pensions in payment	3.00	3.00	2.75
Discount rate	5.00	5.75	5.75
Inflation assumption	3.00	3.00	2.75

Notes to the financial statements

at 31 March 2006

23. FRS 17 Retirement Benefits (continued)

b) The assets in the scheme and the expected rates of return were

	At 31 March 2006		*At 31 March 2005*		*At 31 March 2004*	
	Long term rate of return expected	*Value*	*Long term rate of return expected*	*Value*	*Long term rate of return expected*	*Value*
	%	*£000*	*%*	*£000*	*%*	*£000*
Equities	6.75	5,410	6.75	3,625	6.75	2,405
Bonds	5.75	1,665	5.75	1,115	5.75	740
Gilts	4.75	1,248	4.75	836	4.75	555
Cash	3.75	58	3.75	62	3.75	75
Total market value and assets		8,381		5,638		3,775
Present value of scheme liabilities		(7,978)		(5,614)		(3,582)
Scheme surplus		403		24		193
Related deferred tax liability		(120)		(7)		(58)
Net pension asset		283		17		135

c) Amounts which would be charged to operating profit

	2006	*2005*
	£000	*£000*
Current service cost	1,547	1,831
Past service cost	-	-
Total operating charge	1,547	1,831

d) Amounts which would be credited to other finance income

	2006	*2005*
	£000	*£000*
Expected return on pension scheme assets	392	287
Interest on pension scheme liabilities	(381)	(259)
Net (charge)/return	11	28

Notes to the financial statements

at 31 March 2006

23. FRS 17 Retirement Benefits (continued)

e) Amounts which would be recognised in the statement of total recognised gains and losses (STRGL):

	2006	2005
	£000	£000
Actual return less expected return on pension scheme assets	1,021	397
Experience gains and losses arising on the scheme liabilities	79	167
Changes in assumptions underlying the present value of the scheme liabilities	(438)	(143)
Actuarial gain recognised in STRGL	662	421

f) Movement in the surplus during the year:

	2006	2005
	£000	£000
Surplus at the start of the year	24	193
Current service cost	(1,547)	(1,831)
Contributions	1,253	1,213
Other finance (charges)/Income	11	28
Actuarial gain	662	421
Surplus in scheme at 31 March 2006	403	24

g) History of experience gains and losses

	2006	2005
	£000	£000
Difference between the expected and actual return on scheme assets:		
Amount £000	1,021	397
Percentage of scheme assets	12.2%	7.0%
Experience (losses)/gains on scheme liabilities:		
Amount £000	79	167
Percentage of present value of scheme liabilities	1.0%	3.0%
Total actuarial gain recognised in statement of total recognised gains and losses:		
Amount £000	662	421
Percentage of present value of scheme liabilities	8.3%	7.5%

Notes to the financial statements

at 31 March 2006

24. Related party transactions

The company has taken advantage of the exemptions in FRS 8 from disclosing transactions with other related parties forming part of the EnerSys Group of companies as it is a wholly owned subsidiary undertaking.

25. Immediate parent undertaking

The immediate parent undertaking of EnerSys Ltd is EnerSys Holdings UK Limited, a company registered in England and Wales.

26. Ultimate parent undertaking

The company's ultimate parent undertaking is EnerSys, a company incorporated in the United States of America, whose financial statements are publicly available.

The parent undertaking of the smaller group of which the company is a member and which includes the company in it consolidated financial statements is EnerSys Holdings Ltd.

The company's ultimate parent undertakings and controlling party is EnerSys Inc. a company incorporated in the United Stated of America. Copies of the group financial statements are available from the parent undertakings registered office at EnerSys Inc., 2366 Bernville Road, Reading, PA 19605, USA.