

Company number: 731261

EnerSys Limited

Report and Financial Statements

31 March 2020



EnerSys Limited

Registered No: 731261

Directors

P L T Arrowsmith (appointed 25 January 2021)

T L Gibbons (appointed 25 January 2021)

M E Matthews (appointed 25 January 2021)

L B Debrue (appointed 13 August 2020)

A H Jowett (resigned 25 January 2021)

A Petillo (resigned 25 January 2021)

H P Aschke (resigned 13 August 2020)

Secretary

Eversecretary Limited

Auditors

Ernst & Young LLP

The Paragon

Counterslip

Bristol

BS1 6BX

Bankers

HSBC Bank Plc

26 Broad Street

Reading

RG1 2BU

Registered Office

Stephenson Street

Newport

South Wales

NP19 4XJ

United Kingdom

Strategic report for the year ended 31 March 2020

The directors present their strategic report on the company for the year ended 31 March 2020. The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Review of the business

The profit for the year after taxation amounted to £6,992,000 (2019 Profit: £3,700,000).

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.

The Statement of financial position on page 11 of the financial statements shows the company's financial position at the year end. Details of amounts owed from and to fellow group undertakings are shown in notes 15 and 16 on pages 22 and 23.

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.

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 is dealing with several customers and suppliers that are incorporated within the European area which raises the risk on the Company's supply chain and customers relations due to Brexit.

The Company has seen no significant impact due to Brexit but continues to engage alternative suppliers and customers within the UK.

The company's export sales are principally made in Euros, with a portion in US dollars, and it is therefore exposed to the movements in exchange rates. 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.

Whilst Covid-19 caused disruption at the beginning of the pandemic the Company has continued to trade throughout and has returned to trading activity pre Covid-19.

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

Section 172(1) statement

The Company has a structure which provides a framework for the Directors to make decisions for the long-term success of the Company and its stakeholders. That structure enables compliance with the requirements of Section 172 of the Companies Act 2006 through corporate practices based on the principles of transparency, equity, accountability and corporate responsibility.

When decisions are made, the Board of Directors has regard for matters set out in Section 172(1)(a) to (f) of the Companies Act 2006, when performing its duties under Section 172 and considers the following.

Strategic report for the year ended 31 March 2020

Interests of Employees

The reputation, performance and longevity of the company depend on an engaged and involved workforce.

There are quarterly Employee Engagement surveys to ensure the company understands employee's mood and opinions and act accordingly.

Quarterly Continuous Performance Management (CPM) reviews are carried out ensuring that employee development and concerns are realised and supported.

The company has a duty to monitor and minimise Lead in Blood levels.

The company's target was zero above 19 ug/dl² which is below the legal requirement.

Key decisions

The COVID-19 pandemic presented unprecedented challenges. A cross functional working committee was introduced in order to ensure the safest working environment for all employees.

Customer relationship

Customer relations and integration are at the forefront of the company's success.

The company drives to give customers a quality product and service that exceeds their expectations.

There is a constant dialogue with customers to ensure our products and the company can meet their current and future expectations.

Key decisions

The company decided to apply for ISO 22163 – Rail and Railways components. This has now been achieved

Supplier relationship

As with Customers, Supplier relations and integration are also a priority for the company.

The company carries out regular audits on suppliers and works with them to rectify any deficiencies or implement any potential improvements that are mutually beneficial.

Key decisions

We decided to move some product from an EU to a UK supplier for a key material as a result of Brexit.

Shareholders

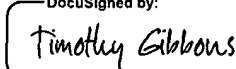
EnerSys Limited is part of the EnerSys group.

The Ultimate shareholder is EnerSys Inc who are responsible for the strategy of the group.

The engagement of shareholders is carried out by the Directors of EnerSys Inc.


The directors of EnerSys Limited have regard for the strategy set by its ultimate parent company and make decision in line with their goals and in the best interests of EnerSys Limited.

By order of the board

DocuSigned by:

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T L Gibbons

Director

Date: 30 March 2021

DocuSigned by:

Approved by Legal

Directors' report

The directors present their report and financial statements for the year ended 31 March 2020.

Environmental

Energys 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.

Streamlined energy and carbon reporting

Consumption of Electricity kWh ('000)	26,646
Consumption of Gas kWh ('000)	16,424
Total energy consumption kWh ('000)	43,070

12,392 Tonnes of CO² was produced based on the consumption of Electricity and Gas.

Of the Electricity consumed 881 kWh was converted into stored battery energy.

The company continues to attempt to reduce its energy usage and carbon footprint.

Energys as a group are changing manufacturing locations of products to ensure that the least amount of transport is required to reach its end customers.

Directors

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

A Petillo
A H Jowett
H P Aschke

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

Employees

Information concerning employees and their remuneration is given in note 5. 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 Energys 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.

EnerSys Limited

Company Number 731261

Directors' report (continued)

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on page 2.

The company has considerable financial resources together with a strong order book, with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

In the event that the company requires assistance to meet its financial obligations, then the parent, EnerSys Inc would be able to provide financial support to the company. The Directors have received a letter of support from the parent, confirming it will provide financial support to the company if needed, for a period of at least 12 months from the date of approval of the balance sheet, in order to allow the company to continue as a going concern. The Directors are satisfied that EnerSys Inc is in a position to be able to provide this financial support. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 confirm 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 not aware; 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

DocuSigned by:

Timothy Gibbons

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T L Gibbons

Director

Date: 30 March 2021

DocuSigned by:

Approved by Legat

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including FRS102. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditors' report

to the members of EnerSys Limited

Opinion

We have audited the financial statements of EnerSys Limited for the year ended 31 March 2020 which the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditors' report (continued)

to the members of EnerSys Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do 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 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditors' report (continued)

to the members of EnerSys Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

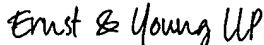
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

DocuSigned by:

Ernst & Young LLP

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Eleri James (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

Date: March 31, 2021

EnerSys Limited

Company Number 731261

Income statement

For the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Turnover	2	91,314	91,133
Cost of sales		(84,070)	(84,355)
Gross profit		7,244	6,778
Selling and distribution costs		(3,183)	(2,880)
Administrative expenses		(1,413)	(1,264)
Other operating income		5,372	4,153
Operating profit	3	8,020	6,787
Interest payable and similar charges	6	1	(1,394)
Interest receivable and similar income	7	390	564
Other finance costs	8	(92)	(181)
Profit on ordinary activities before taxation		8,319	5,776
Tax on profit on ordinary activities	9	(1,327)	(2,076)
Profit for the financial year		6,992	3,700

All results arise from continuing activities.

Statement of comprehensive income

for the year ended 31 March 2020

	2020 £000	2019 £000
Profit for the financial year	6,992	3,700
Other comprehensive income:		
Remeasurement (loss)/gain recognised on defined benefit pension scheme	(394)	3,175
Movement in deferred taxation in respect of pension scheme liability	75	(539)
Total comprehensive income for the year	6,673	6,336

EnerSys Limited

Company Number 731261

Statement of financial position

at 31 March 2020

	Notes	2020 £000	2019 £000
Non-Current assets			
Intangible assets	10	1,163	1,386
Fixed assets	11	12,515	10,190
Investments	12	-	3,000
Debtors	15	953	6,246
		<u>14,631</u>	<u>20,822</u>
Current assets			
Stocks	14	4,002	3,526
Debtors: amounts falling due within a year	15	114,609	99,349
Short term deposits		-	5,500
Cash at bank and in hand		2,627	2,812
		<u>121,238</u>	<u>111,187</u>
Creditors: amounts falling due within one year	16	<u>(41,042)</u>	<u>(43,971)</u>
Net current assets		<u>80,196</u>	<u>67,216</u>
Total assets less liabilities		<u>94,827</u>	<u>88,038</u>
Provisions for liabilities and charges	17	<u>(2,476)</u>	<u>(2,545)</u>
Net assets excluding pension liability		<u>92,351</u>	<u>85,493</u>
Pension liability	22b	<u>(4,020)</u>	<u>(3,834)</u>
Net assets including pension liability		<u>88,331</u>	<u>81,659</u>
Capital and reserves			
Called up share capital	18	68,308	68,308
Profit and loss account		20,023	13,351
Equity shareholders' funds		<u>88,331</u>	<u>81,659</u>

Approved by the Board

DocuSigned by:

Timothy Gibbons

T L Gibbons

Director

Date: 30 March 2021

DocuSigned by:

Approved by Legat

EnerSys Limited

Company Number 731261

Statement of changes in equity

at 31 March 2020

	<i>Share Capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 31 March 2018	68,308	7,015	75,323
Profit for the year	-	3,700	3,700
Other comprehensive income:			
Actuarial loss recognised on Pension Scheme	-	3,175	3,175
Deferred tax on pension scheme liability	-	(539)	(539)
At 31 March 2019	68,308	13,351	81,659
Profit for the year	-	6,992	6,992
Other comprehensive income:			
Actuarial (loss)/gain recognised on Pension Scheme	-	(395)	(395)
Deferred tax on pension scheme liability	-	75	75
At 31 March 2020	68,308	20,023	88,331

Notes to the financial statements

at 31 March 2020

1. Accounting policies

Statement of compliance

EnerSys Limited (registered number 731261) is private company limited by shares incorporated in England. These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). The presentation currency of these financial statements is sterling and amounts are rounded to the nearest thousand pounds. The company is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures have been applied

No separate company Cash Flow Statement is included

Not to disclose transactions with members of the group headed by Enersys on the grounds that 100% of the voting rights in the company are controlled within that company and the company is included in the group financial statements

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on page 2.

The company has considerable financial resources together with a strong order book, with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

In the event that the company requires assistance to meet its financial obligations, then the parent, EnerSys Inc would be able to provide financial support to the company. The Directors have received a letter of support from the parent, confirming it will provide financial support to the company if needed, for a period of at least 12 months from the date of approval of the balance sheet, in order to allow the company to continue as a going concern. The Directors are satisfied that EnerSys Inc is in a position to be able to provide this financial support. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 22.

Notes to the financial statements (continued)

at 31 March 2020

1. Accounting policies (continued)

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Consolidated financial statements

The financial statements contain information about EnerSys Limited as an individual company and do not contain consolidated financial information about its group. The company is exempt under Section 400 of the Companies Act 2006 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 ultimate parent, EnerSys, a company incorporated in the United States of America.

Statement of cash flows

A statement of cash flows has not been presented because EnerSys Limited is a subsidiary undertaking of EnerSys who prepare consolidated financial statements that include the results of EnerSys Limited 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.

Pension costs

The company operates a defined benefit scheme and a 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. The valuation has been based using a projected unit credit method. Scheme costs and interest are realised within the Income Statement. The discount rate is based upon the UK AA rated corporate bond yield and using a UK yield model as a deep corporate bond market exist within the UK.

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 (continued)

at 31 March 2020

1. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods and satisfying delivery terms, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from construction of submarine batteries is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Expected losses, if any, on construction contracts are recognised as an expense immediately. Materials or services purchased in advance and not yet utilised on the contracts are recorded as stock or prepayments, as appropriate.

Contract assets and contract liabilities

Where revenue on a contract is recognised in advance of invoicing, the asset is presented as a contract asset. Where amounts invoiced exceed the revenue recognised on a contract, the liability is presented as a contract liability.

Research and development

Research and development expenditure is expensed as incurred.

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

Goodwill, from the purchase of the trade and assets of the Motive Power division of Fiamm UK in 2006, has been capitalised in accordance with the transitional relief arrangements under FRS 102 and continues to be amortised over a period of 20 years.

Leased assets

Rentals under operating leases 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.

Notes to the financial statements (continued)

at 31 March 2020

1. Accounting policies (continued)

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.

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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 substantively enacted at the balance sheet date.

Liabilities and Contingencies

No guarantees have been given to 3rd parties

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

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

An analysis of turnover by geographical destination is as follows:

	2020	2019
	£000	£000
United Kingdom	48,525	51,254
Rest of Europe	42,120	37,060
The Americas	599	2,749
Asia Pacific	2	18
Africa and Middle East	68	52
	<u>91,314</u>	<u>91,133</u>

Notes to the financial statements (continued)

at 31 March 2020

3. Operating profit

Operating profit is stated after charging/(crediting):

	2020 £000	2019 £000
Auditors' remuneration – audit fees	99	63
– non-audit fees	-	-
Amortisation of goodwill and intangibles	223	224
Depreciation of owned fixed assets	1,552	1,618
Operating lease rentals – plant and machinery	416	415
– land and buildings	257	257
Pension current service cost (note 22c)	-	-
Foreign exchange gain on group loans	-	(831)
Foreign exchange loss on trading activities	34	25
Stock provisions	-	4
Stock recognised as an expense	53,459	46,083
Transfer price adjustment	1,423	3,362
	<u> </u>	<u> </u>

4. Directors' emoluments

	2020 £000	2019 £000
Emoluments	89	239
	<u> </u>	<u> </u>

The highest paid director received remuneration of £88,500 (2019 - £239,237).

	2020 No.	2019 No.
Members of defined benefit schemes	-	-
	<u> </u>	<u> </u>

Notes to the financial statements (continued)

at 31 March 2020

5. Staff costs

	2020	2019
	£000	£000
Wages and salaries	19,026	18,713
Social security costs	1,910	1,901
Other pension costs	900	895
	<u>21,836</u>	<u>21,509</u>

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

	2020	2019
	No.	No.
Administration	4	5
Production	476	462
Sales and marketing	87	90
	<u>567</u>	<u>557</u>

6. Interest payable and similar charges

	2020	2019
	£000	£000
Interest payable to group undertakings	1	(1,394)

Inter company interest is charged at a rate of 8%

7. Interest receivable and similar income

	2020	2019
	£000	£000
Interest receivable from third parties	34	54
Interest receivable from group undertakings	356	510
	<u>390</u>	<u>564</u>

Inter company interest is charged at a rate of 8%

Notes to the financial statements (continued)

at 31 March 2020

8. Other finance costs

	2020 £000	2019 £000
Interest on net defined benefit pension liability	(92)	(181)

9. Tax on profit on ordinary activities

a) Analysis of tax charge

	2020 £000	2019 £000
<i>UK corporation tax:</i>		
Current tax on income for the year	1,336	840
Adjustments in respect of prior years	(220)	22
Charge for current year group relief surrender	-	569
	<u>1,116</u>	<u>1,431</u>

Deferred tax:

Adjustments in respect of current year	243	(317)
Adjustments in respect of prior years	(197)	962
Impact of change in corporation tax rate	165	-
	<u>1,327</u>	<u>2,076</u>

(b) Factors affecting the tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	8,319	5,776
Tax charge on ordinary activities at 19% (2019: 19%)	1,580	1,097
Origination and reversal of timing differences – current year	-	(317)
Adjustments in respect of prior years	(417)	984
Group Relief at non-standard rates	-	461
Other permanent differences	(1)	(149)
Impact of change in corporation tax rate	165	-
Total tax (note 9a)	<u>1,327</u>	<u>2,076</u>

Notes to the financial statements (continued)

at 31 March 2020

9. Tax on ordinary activities (continued)

c) Factors that may affect future tax charges

EnerSys Limited 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.

10. Intangible fixed assets

	<i>Goodwill</i> <i>£000</i>
<i>Cost:</i>	
At 1 April 2019 and at 31 March 2020	4,468
<i>Accumulated depreciation:</i>	
At 1 April 2019	(3,082)
Charge for the year	(223)
At 31 March 2020	(3,305)
<i>Net book value:</i>	
At 31 March 2020	1,163
At 31 March 2019	1,386

Notes to the financial statements (continued)

at 31 March 2020

11. Tangible fixed assets

	Land & buildings £000	Plant & machinery £000	Total £000
<i>Cost:</i>			
At 1 April 2019	5,634	34,545	40,179
Additions	7	3,870	3,877
Disposals	-	(301)	(301)
At 31 March 2020	5,641	38,114	43,755
<i>Accumulated depreciation:</i>			
At 1 April 2019	3,357	26,632	29,989
Additions	205	1,347	1,552
Disposals	-	(301)	(301)
At 31 March 2020	3,562	27,678	31,240
<i>NBV:</i>			
At 31 March 2020	2,079	10,436	12,515
At 31 March 2019	2,277	7,913	10,190

Land and buildings includes £255,000 of Freehold Land not being depreciated

12. Investments

	Shares in Subsidiary undertakings £000
<i>Cost:</i>	
At 1 April 2019 and 31 March 2020	3,000
At 31 March 2020	3,000
<i>Provisions:</i>	(3,000)
<i>Net book value:</i>	
At 31 March 2020	-
At 31 March 2019	3,000

Details of the company's subsidiary undertakings are as follows:

Name of company	Country of registration, incorporation and operation	Holding	Proportion held	Nature of business
Hawker Energy Products Limited	Stephenson Street Newport NP19 4 XJ	Ordinary shares	100%	In Liquidation

Notes to the financial statements (continued)

at 31 March 2020

13. Post balance sheet events

The process of liquidation has been started for the non trading subsidiary Hawker Energy Products Limited.

14. Stocks

	2020	2019
	£000	£000
Raw Materials	464	273
Finished goods	3,538	3,253
	<u>4,002</u>	<u>3,526</u>

15. Debtors

	2020	2019
	£000	£000
Trade debtors	10,726	13,870
Amounts due from fellow group undertakings	99,090	81,086
Other debtors	1,201	5,228
Prepayments and accrued income	3,557	4,260
Corporation tax	-	292
Deferred tax	988	859
	<u>115,562</u>	<u>105,595</u>

Amounts falling due after more than one year included in above are:

	2020	2019
	£000	£000
Amounts due from fellow group undertakings	133	4,912
Deferred tax	819	1,334
	<u>953</u>	<u>6,246</u>

Deferred tax assets and liabilities are analysed as follows:

	2020	2019
	£000	£000
Accelerated capital allowances	(353)	(151)
Pension differences	781	652
Other timing differences	560	358
	<u>988</u>	<u>859</u>

Notes to the financial statements (continued)

at 31 March 2020

15. Debtors (cont'd)

Estimate of deferred tax 31 March 2020
amounts falling due within one year
and greater than one year

	<i><1 year £000</i>	<i>>1 year £000</i>	<i>Total £000</i>
Accelerated capital allowances	176	(530)	(353)
Pension differences	(35)	817	781
Other timing differences	28	532	560
Net deferred tax asset	169	819	988

16. Creditors: amounts falling due within one year

	<i>2020 £000</i>	<i>2019 £000</i>
Trade creditors	2,421	1,566
Amounts owed to fellow group undertakings	31,465	37,488
Corporation Tax	1,051	840
Other taxes and social security	661	935
Accruals and deferred income	5,444	3,142
	41,042	43,971

17. Provisions for liabilities and charges

	<i>Warranty £000</i>	<i>Pension Obligation £000</i>	<i>Dilapidation Lease £000</i>	<i>Total £000</i>
At 1 April 2019	464	2,051	30	2,545
Charged during the year	-	304	-	304
Utilised	-	(373)	-	(373)
At 31 March 2020	464	1,982	30	2,476

The provision for the pension obligation relates to a guarantee by the company to former employees to maintain their pension payments in line with a former pension scheme. The valuation of the provision has been calculated on a discounted basis.

The Warranty provision is based on known exposure and historical expense. Possible exceptional warranty expense is recognised immediately.

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Notes to the financial statements (continued)

at 31 March 2020

18. Share capital

	2020 No.	2020 £000	2019 No.	2019 £000
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	68,307,783	68,308	68,307,783	68,308

19. Other financial commitments

At 31 March 2020, the company had total commitments under non-cancellable operating leases as set out below:

	2020			2019		
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Total £000</i>	<i>Land and Buildings £000</i>	<i>Other £000</i>	<i>Total £000</i>
Payments due:						
Within one year	213	288	501	257	416	673
Within two to five years	476	181	657	627	411	1,038
Over 5 years	134	-	134	253	-	253
	<u>823</u>	<u>469</u>	<u>1,292</u>	<u>1,137</u>	<u>827</u>	<u>1,964</u>

20. 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 (continued)

at 31 March 2020

21. Pension arrangements

a) EnerSys Limited UK Defined Benefit Pension Scheme

The company commenced operating the EnerSys Limited 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. The assets of the plan are held separately from those of the company and are invested in managed funds.

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 3.25% per annum, price inflation at 3.00% per annum and present and future pensions to increase by 2.90% per annum on that part of the pension in excess of the members' guaranteed minimum pension.

With effect from 31 January 2009, future accrual in the defined benefit section ceased and all active members at that date were provided with benefits under the defined contribution section for future service. The benefits accrued to 31 January 2009 for active members under the defined benefit section remain linked to future salary increases. Contributions made to the scheme during the year were £300,000 (2019 £300,000).

b) EnerSys Limited 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 £1,369,220 (2019: £1,094,440).

22. Retirement benefits

a) Composition of the defined benefit scheme

An actuarial valuation was carried out as at 31 March 2019 and updated to 31 March 2020 by a qualified independent actuary.

The major assumptions used by the actuary were:

	2020	2019
	%	%
Rate of increase in salaries	3.25	3.85
Rate of increase in pensions in payment	2.90	3.30
Discount rate	2.25	2.50
Inflation assumption	3.00	3.60

In calculating the value of the liabilities, the mortality assumption for 2020 has used the SINA CMI 2017 with 1.25% long term rate of improvement.

Notes to the financial statements (continued)

at 31 March 2020

22. Retirement benefits (continued)

	2020	2019
b) The assets in the scheme were:		
	£000	£000
Equities	8,331	9,624
Bonds	4,309	4,066
Gilts	5,878	5,807
Diversified Funds	7,530	8,196
Cash	114	64
Total market value and assets	26,162	27,757
Present value of scheme liabilities	(30,182)	(31,591)
Scheme deficit	(4,020)	(3,834)

c) Amounts recognised in the profit and loss account for the year are analysed as follows:

<i>Recognised in the Profit and Loss account</i>	2020	2019
	£000	£000
Current service cost	-	-
Recognised in arriving at operating profit	-	-
Net interest on net defined benefit liability	92	181
Total recognised in the profit and loss account	92	181
<i>Taken to other comprehensive income</i>		
Actual return on scheme assets	(1,258)	1,598
Less: amounts included in net interest on the net defined benefit liability	(691)	(703)
	(1,949)	895
Other actuarial gains and losses recognised in other comprehensive income	1,555	2,280
Remeasurement gains and losses recognised in other comprehensive income	(394)	3,175

d) Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
	£000	£000
Opening defined benefit obligation	31,591	34,212
Employer's part of current service cost	-	-
Interest cost	783	884
Actuarial loss/(gains)	(1,555)	(2,280)
Benefits paid	(637)	(1,225)
Closing defined benefit obligation	30,182	31,591

Notes to the financial statements (continued)

at 31 March 2020

22. Retirement benefits (continued)

e) Changes in the fair value of the Plan assets are as follows:	2020 £000	2019 £000
Opening fair value of the Plan assets	27,757	27,084
Expected return on Plan assets	(1,949)	895
Interest Income	691	703
Contributions by the employer	300	300
Benefits paid	(637)	(1,225)
Closing fair value of plan assets	26,162	27,757

23. Share based payments

Share incentives in the company's ultimate parent undertaking, EnerSys, are granted to senior executives of the company for services they provide across the group. The nature and extent of share based payments is disclosed in the accounts of the company's ultimate parent undertaking. The charge in relation to the grant of these options has been taken in the ultimate parent company's financial statements.

24. Related party transactions

The company has taken advantage of the exemptions conferred by FRS102 not to disclose transactions with members of the group headed by EnerSys on the grounds that 100% of the voting rights in the company are controlled within that company and the company is included in the group financial statements.

25. Immediate parent undertaking

The immediate parent undertaking of EnerSys Limited is Chloride Industrial Batteries Ltd, a company registered in England and Wales.

26. Ultimate parent undertaking

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