731261

EnerSys Ltd
(formerly BTR Industrial Holdings Limited)

Report and Financial Statements

31 March 2002

Registered No: 731261

Directors
R R Kubis
M G Maine
R W Evans
D Zuidema

Secretary
Jordan Company Secretaries Limited

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

Registered Office
21 St Thomas Street
Bristol BS 1 6JS

Directors' report (continued)

The directors present their report and financial statements for the year ended 31 March 2002.

Change of ownership

On 22 March 2002 the company's ultimate parent undertaking became EnerSys Holdings Inc., following the acquisition of the Invensys Energy Storage business of which EnerSys Ltd is included.

Change of name

On 2 October 2002 the company changed its name to EnerSys Ltd.

Results and dividends

The loss for the year after taxation amounted to £29,760,000 (2001 – profit of £26,337,000). The directors paid an interim ordinary dividend of £25,000,000 on 5 December 2001 (2001 – £nil). However, because the company did not have sufficient distributable reserves to pay this dividend legal remedies have been put in place since the year end to recover this amount from the former shareholder. The directors do not propose a final ordinary dividend (2001 – £11,825,000), which leaves a loss of £29,760,000 (2001 – profit of £14,512,000) to be retained.

Principal activity and review of the business

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.

Post balance sheet events

On 14 March 2003 the company passed a resolution to increase the ordinary authorised share capital from £18,307,783 to £100,000,000. On 19 March 2003 the company issued 50,000,000 £1 ordinary shares to its parent undertaking, EnerSys Holdings UK Ltd, for a consideration of £50,000,000.

In May 2002 the directors announced a restructuring plan for the Manchester Reserve Power business which resulted in redundancy costs of approximately £4,600,000. The costs were incurred in the year ended 31 March 2003.

In February 2004 the directors announced further restructuring plans for the Manchester Reserve Power business. The redundancy costs are expected to be in the region of £5,200,000 for the year ended 31 March 2004.

Directors and their interests

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

J R W Clayton	(resigned 22 March 2002)
A C Cochrane	(resigned 22 March 2002)
R R Kubis	(appointed 22 March 2002)

In addition, M G Maine and R W Evans were appointed as directors of the company on 7 June 2002 and D Zuidema was appointed a director on 27 February 2003.

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

Directors' report (continued)

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 2002 was 100.2 days (2001 – 96.3 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 Invensys 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.

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

23 February 2004

Statement of directors' responsibilities in respect of the financial statements

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 period. 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.

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ERNST & YOUNG

Independent auditors' report

to the members of EnerSys Ltd (formerly BTR Industrial Holdings Limited)

We have audited the company's financial statements for the year ended 31 March 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Statement of Cash Flows and the related notes 1 to 30. 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 (formerly BTR Industrial Holdings Limited) (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Bristol

23 February 2004

Profit and loss account

for the year ended 31 March 2002

	Notes	2002 £000	2001 (restated) £000
Turnover			
Continued operations		78,678	110,782
Discontinued operations		22,554	56,260
	2	101,232	167,042
Cost of sales	4	(83,293)	(126,726)
Gross profit		17,939	40,316
Selling and distribution costs	4	(10,518)	(15,840)
Administrative expenses (including fixed asset impairments of £24,979,000, refer note 3)	4	(26,335)	(7,851)
Continuing operations		(22,588)	18,109
Discontinued operations		3,674	(1,484)
Operating (loss)/profit	3	(18,914)	16,625
(Loss)/profit on disposal of fixed assets		(1,922)	980
Profit on disposal of discontinued operations	21	308	6,151
Fundamental reorganisation	7	(13,106)	–
(Loss)/profit on ordinary activities before interest and taxation		(33,634)	23,756
Net interest (payable and similar charges)/ receivable and similar income	8	(255)	87
(Loss)/profit on ordinary activities before taxation		(33,889)	23,843
Tax on (loss)/profit on ordinary activities	9	4,129	2,494
(Loss)/profit on ordinary activities after taxation		(29,760)	26,337
Dividends	10	(25,000)	(11,825)
Less recoverable from former shareholder	10	25,000	–
		–	(11,825)
Retained (loss)/profit for the financial year		(29,760)	14,512

Statement of total recognised gains and losses

for the year ended 31 March 2002

	2002 *£000*	*2001* *£000*
(Loss)/profit for the financial year	(29,760)	26,337
Total recognised gains and losses for the year	(29,760)	26,337
Prior year adjustment – FRS 19 (refer note 18)	(11,130)	–
Total recognised gains and losses since last report and financial statements	(40,890)	26,337

Balance sheet

at 31 March 2002

	Notes	2002 £000	2001 (restated) £000
Fixed assets			
Intangible assets	11	260	10,487
Tangible assets	12	26,746	73,710
Investments	13	1,063	1,454
		28,069	85,651
Current assets			
Stocks	14	7,119	15,660
Debtors	15	45,599	245,545
Cash and short-term deposits		417	54,240
		53,135	315,445
Creditors: amounts falling due within one year	16	(54,598)	(272,162)
Net current (liabilities)/assets		(1,463)	43,283
Total assets less current liabilities		26,606	128,934
Creditors: amounts falling due after more than one year	17	(16,426)	(82,380)
Provisions for liabilities and charges	18	(5,929)	(12,543)
		4,251	34,011
Capital and reserves			
Called up share capital	19	18,308	18,308
Profit and loss account	20	(14,057)	15,703
Equity shareholders' funds		4,251	34,011

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

Director
23 February 2004

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2002

	Notes	2002 £000	2001 (restated) £000
(Loss)/profit for the financial year		(29,760)	26,337
Dividends	10	(25,000)	(11,825)
Less recoverable from former shareholder	10	25,000	–
		(29,760)	14,512
Opening shareholders' funds		45,141	30,133
Prior year adjustment – FRS 19 (refer note 18)		(11,130)	(10,634)
Opening shareholders' funds (restated)		34,011	19,499
Closing shareholders' funds		4,251	34,011

Statement of cash flows

for the year ended 31 March 2002

	Notes	2002 £000	2001 £000
Net cash (outflow)/inflow from operating activities	22(a)	(52,707)	16,251
Returns on investments and servicing of finance			
Interest received		–	233
Interest paid		(255)	(49)
		(255)	184
Taxation			
Corporation tax paid		–	(1,822)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(2,925)	(9,478)
Receipts from sale of tangible fixed assets		3,814	1,011
		889	(8,467)
Acquisitions and disposals			
Sale of operations	21	23,035	7,100
Cash disposed of with operations	21	(10,867)	–
Investments in subsidiaries		–	(313)
		12,168	6,787
Equity dividends paid		(11,825)	–
Net cash (outflow)/inflow before financing		(51,730)	12,933
Financing		–	–
(Decrease)/increase in cash	22(b)	(51,730)	12,933

Statement of cash flows

for the year ended 31 March 2002

Reconciliation of net cash flow to movement in net funds/(debt)

	Notes	*2002* *£000*	*2001* *£000*
(Decrease)/increase in cash		(51,730)	12,933
Movement in net funds	22(b)	(51,730)	12,933
Net funds at 31 March		51,800	38,867
Net funds at 31 March	22(b)	70	51,800

Notes to the financial statements

at 31 March 2002

1. Accounting policies

Fundamental accounting concept

The financial statements have been prepared on the going concern basis because the company's ultimate parent undertaking has agreed to provide sufficient financial support to enable the company to meet its debts as they fall due.

Basis of preparation

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

Profit and loss account

Following the change in the company's ultimate parent undertaking on 22 March 2002, the company has elected to present the profit and loss account in accordance with Format 1 to Schedule 8 of the Companies Act 1985.

New financial reporting standards

(i) Adoption of FRS 17

In November 2000 the Accounting Standards Board (ASB) issued Financial Reporting Standard No. 17: Retirement Benefits (FRS 17). The full implementation of FRS 17 has been deferred by the ASB. At 31 March 2002 the employees of EnerSys Ltd were members of the Invensys Pension Scheme. In accordance with the requirements of FRS 17, EnerSys Ltd will account for the scheme as a defined contribution scheme as the company is unable to separately identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

(ii) Adoption of FRS 18

In December 2000 the Accounting Standards Board issued Financial Reporting Standard No. 18: Accounting Policies (FRS 18). FRS 18 updates an existing accounting standard and provides new guidance requiring that the most appropriate accounting policies and treatments are selected for the company's particular circumstances. It has not had a significant effect on the measurement of the results and assets and liabilities of the company.

(iii) Adoption of FRS 19

In December 2000 the Accounting Standards Board issued Financial Reporting Standard No 19: Deferred Tax. Under FRS 19 the company is required to recognise deferred tax as a liability or asset if transactions or events giving rise to an obligation to pay more or a right to pay less, tax in the future, have occurred by the balance sheet date.

Previously the company provided for deferred tax using the liability method to the extent that it was probable that liabilities would crystallise in the foreseeable future. Under FRS 19, full provision is required whether or not an actual liability will crystallise. As permitted by FRS 19, the company has adopted a policy of not discounting deferred tax assets and liabilities.

The implementation of FRS 19 has given rise to a prior year adjustment (refer note 18).

Notes to the financial statements

at 31 March 2002

1. Accounting policies (continued)

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 period 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 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.

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	–	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.

Leased assets

Rentals under operating lease are charged to 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.

Stock

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.

Notes to the financial statements

at 31 March 2002

1. Accounting policies (continued)

Government grants

Government grants on a capital expenditure are credited to a deferral account and are released to revenue over the expected useful life of the relevant asset by equal annual instalments.

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

Purchased goodwill

Purchased goodwill arising on acquisition is capitalised and amortised over its useful life not exceeding 20 years.

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

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:

- Provision is made for tax on gains arising from the revaluation of fixed assets, or gains on disposal of fixed assets, that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associated and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which 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 substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 March 2002

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:

	2002	*2001*
	£000	*£000*
United Kingdom	47,984	56,647
Rest of Europe	17,569	34,002
The Americas	4,504	7,348
Asia Pacific	5,434	9,188
Africa and Middle East	3,187	3,597
Continuing operations	78,678	110,782
Discontinued operations	22,554	56,260
	101,232	167,042

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

		2002	*2001*
		£000	*£000*
Auditors' remuneration	– audit fees	23	52
	– non-audit fees	27	3
Amortisation of goodwill		893	893
Impairment of goodwill		9,334	–
Depreciation of owned fixed assets		6,793	8,891
Impairment of owned fixed assets		15,645	–
Research and development expenditure		414	1,060
Operating lease rentals	– plant and machinery	465	918
	– land and buildings	376	926
Restructuring costs		2,393	4,197

Restructuring costs relate to selling, general and administrative cost reductions (£974,000) and discontinued operations (£1,419,000).

2002 restructuring costs included in cost of sales, selling and distribution costs and administrative expenses are £376,000, £96,000 and £1,921,000 respectively.

Notes to the financial statements

at 31 March 2002

4. Cost of sales and operating expenses

	2002 *Continuing operations* *£000*	*2002* *Discontinued operations* *£000*	*2002* *Total* *£000*	*2001* *Continuing operations* *£000*	*2001* *Discontinued operations* *£000*	*2001* *Total* *£000*
Cost of sales	64,339	18,954	83,293	76,126	50,600	126,726
Selling and distribution costs	6,819	3,699	10,518	8,172	7,668	15,840
Administrative expenses	30,108	(3,773)	26,335	3,348	4,503	7,851

Included in 2002 cost of sales, selling and distribution costs and administrative expenses are restructuring costs amounting to £376,000, £96,000 and £1,921,000 respectively.

5. Directors' emoluments

None of the directors received any emoluments from the company during the year (2001 – £nil).

6. Staff costs

	2002 *£000*	*2001* *£000*
Wages and salaries	25,343	36,328
Social security costs	1,903	2,942
Other pension costs	373	47
	27,619	39,317

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

	2002 *No.*	*2001* *No.*
Administration	83	216
Production	1,015	1,262
Sales and marketing	184	179
	1,282	1,657

7. Fundamental reorganisation

During the year the company undertook a fundamental reorganisation which involved the closure of the UK Motive Power factory and the transfer of production to a fellow group company in Poland at a cost of £13,106,000. The costs represent severance, fixed asset write offs, other asset write offs and other closure costs.

Notes to the financial statements

at 31 March 2002

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

	2002	*2001*
	£000	*£000*
Interest payable on bank loans, overdrafts and other loans	–	(27)
Other interest payable	(255)	(22)
Foreign exchange loss	–	(97)
	(255)	(146)
Interest (receivable) on bank balances	–	64
Interest (receivable) from group undertakings	–	169
	–	233
Net interest (payable)/receivable	(255)	87

9. Tax on (loss)/profit on ordinary activities

(i) Analysis of tax charge

	2002	*2001*
		(restated)
	£000	*£000*
UK corporation tax:		
Current tax on income for the year	(31)	–
Adjustments in respect of prior years	(3,658)	2,990
Total current tax	(3,689)	2,990
Deferred tax:		
Origination and reversal of timing differences	7,818	(496)
Tax credit on (loss)/profit on ordinary activities	4,129	2,494

Notes to the financial statements

at 31 March 2002

9. Tax on (loss)/profit on ordinary activities (continued)

(ii) Factors affecting the tax charge

	2002	*2001*
	£000	*£000*
(Loss)/profit on ordinary activities before tax	(33,889)	23,843
Tax credit/(charge) on ordinary activities at 30.0%	10,167	(7,153)
Adjustments in respect of prior years	(3,658)	2,990
Group relief losses without payment	–	4,237
Current year losses not provided	(678)	–
Other permanent differences	(1,702)	2,420
Timing differences provided	(7,818)	496
Total current tax	(3,689)	2,990

(iii) Factors that may affect future tax charges

Since 22 March 2002, EnerSys Ltd has been 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. Dividends

	2002	*2001*
	£000	*£000*
Ordinary – interim paid	25,000	–
Ordinary – final proposed	–	11,825
Less recoverable from former shareholder	(25,000)	–
	–	11,825

The interim ordinary dividend of £25,000,000 was paid on 5 December 2001. However, because the company did not have sufficient distributable reserves to pay this dividend legal remedies have been put in place since the year end to recover this amount from the former shareholder.

Notes to the financial statements

at 31 March 2002

11. Intangible assets

	Goodwill
	£000
Cost:	
At 1 April 2001	34,346
Disposals	(16,497)
At 31 March 2002	17,849
Amortisation:	
At 1 April 2001	23,859
Charge for the year	893
Impairment write down	9,334
Disposals	(16,497)
	17,589
Net book value:	
At 31 March 2002	260
At 1 April 2001	10,487

Purchased goodwill is being amortised over the directors' estimate of its useful economic life of 20 years.

During the year the directors performed an impairment review of the goodwill attributable to the Manchester Reserve Power division. As a result an impairment write down of £9,334,000 has been made.

Notes to the financial statements
at 31 March 2002

12. Tangible fixed assets

	Land and buildings £000	*Plant and machinery £000*	*Total £000*
Cost:			
At 1 April 2001	16,372	129,887	146,259
Additions	–	2,925	2,925
Disposals	(1,711)	(28,154)	(29,865)
Disposals to Invensys group undertakings	(6,258)	(32,892)	(39,150)
At 31 March 2002	8,403	71,766	80,169
Depreciation:			
At 1 April 2001	3,773	68,776	72,549
Charge for the year	320	6,473	6,793
Disposals	(369)	(17,484)	(17,853)
Disposals to Invensys group undertakings	(843)	(22,868)	(23,711)
Impairment write down	2,851	12,794	15,645
At 31 March 2002	5,732	47,691	53,423
Net book value:			
At 31 March 2002	2,671	24,075	26,746
At 1 April 2001	12,599	61,111	73,710

During the year the directors performed an impairment review of fixed assets resulting in an impairment write down of £15,645,000.

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

	2002 £000	*2001 £000*
Freehold and long leasehold	2,656	12,301
Short leasehold	15	298
	2,671	12,599

Notes to the financial statements

at 31 March 2002

13. Investments

	Shares in subsidiary undertakings £000
Cost:	
At 1 April 2001	3,414
Disposals	(1,845)
At 31 March 2002	1,569
Provisions:	
At 1 April 2001	1,960
Disposals	(1,454)
At 31 March 2002	506
Net book value:	
At 31 March 2002	1,063
At 1 April 2001	1,454

During the year, the company disposed of the share capital of Invensys Secure Power Limited and Best Power Technology (Germany) GmbH to other Invensys group undertakings at net book value. No profit or loss arose on disposal.

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%	Industrial batteries

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.

Notes to the financial statements
at 31 March 2002

14. Stocks

	2002	*2001*
	£000	*£000*
Raw materials and consumables	1,472	2,406
Work in progress	3,567	5,276
Finished goods	2,080	7,978
	7,119	15,660

15. Debtors

	2002	*2001*
	£000	*£000*
Trade debtors	12,649	24,030
Amounts owed by Invensys plc group undertakings	26,877	220,516
Amounts due from fellow group undertakings	4,635	–
Other debtors	647	434
Prepayment and accrued income	791	565
	45,599	245,545

Included in amounts owed by Invensys plc group undertakings are amounts totalling £25,000,000 that are recoverable in over one year.

Included in amounts due from fellow group undertakings are amounts totalling £4,217,000 that are recoverable in over one year.

16. Creditors: amounts falling due within one year

	2002	*2001*
	£000	*£000*
Bank loans and overdrafts	347	2,440
Trade creditors	8,431	21,801
Amounts owed to fellow group undertakings	37,892	–
Amounts owed to Invensys plc group undertakings	1,650	225,517
Corporation tax	31	1,533
Other taxes and social security	1,033	1,645
Other creditors	2,782	727
Accruals and deferred income	2,432	6,581
Government and investment grants	–	93
Dividends payable	–	11,825
	54,598	272,162

Notes to the financial statements

at 31 March 2002

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

	2002	*2001*
	£000	*£000*
Loans owed to fellow group undertakings	4,468	–
Amounts owed to Invensys plc group undertakings	11,901	82,323
Other creditors	57	57
	16,426	82,380

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

18. Provisions for liabilities and charges

	Deferred taxation	*Onerous leases*	*Restructuring*	*Total*
	£000	*£000*	*£000*	*£000*
At 1 April 2001	–	1,413	–	1,413
Prior year adjustment due to adoption of FRS 19	11,130	–	–	11,130
At 1 April 2001 as restated	11,130	1,413	–	12,543
Utilised in year	(7,818)	–	(8,882)	(16,700)
Charged in year	–	–	11,499	11,499
Released in the year	–	(1,413)	–	(1,413)
At 31 March 2002	3,312	–	2,617	5,929

The provision for restructuring costs predominantly relates to the closure of the UK Motive factory which represented a fundamental reorganisation of the business in the year. These relate to committed costs which are expected to be incurred within one year of the balance sheet date.

Deferred taxation:

Deferred tax unprovided at 31 March 2001, and which is now required to be provided for under FRS 19, has been provided for and shown as a prior year adjustment. Shareholders' funds at 31 March 2001 have been reduced by £11,130,000. The impact on the profit and loss account for the year to 31 March 2002 is to increase the tax credit by £7,818,000 (2001 – decrease £496,000).

Notes to the financial statements

at 31 March 2002

18. Provisions for liabilities and charges (continued)

The movement for the year in the deferred tax provision is as follows:

	Deferred tax
	£000
At 1 April 2001	
Prior year adjustment	–
	11,130
At beginning of year – restated	11,130
Utilised in the year	(7,818)
At 31 March 2002	3,312

	2002	*2001*
	£000	*£000*
Deferred tax assets and liabilities are analysed as follows:		
Accelerated capital allowances	3,312	11,130
Other timing differences	–	–
	3,312	11,130

19. Share capital

		Authorised		*Allotted, called up and fully paid*
	2002	*2001*	*2002*	*2001*
	£000	*£000*	*£000*	*£000*
18,307,783 ordinary shares of £1 each	18,308	18,308	18,308	18,308

20. Reserves

	Profit and loss account
	£000
At 1 April 2001	26,833
Prior year adjustment (refer note 18)	(11,130)
At 1 April 2001 restated	15,703
Retained loss for the year	(29,760)
At 31 March 2002	(14,057)

Notes to the financial statements

at 31 March 2002

21. Profit on disposal of discontinued operations

On 30 October 2001, the company disposed of the business and net assets of the uninterruptible power systems for computers business to Invensys Secure Power Limited, an Invensys group undertaking. Details of the disposal are set out below:

	£000
Net assets disposed of:	
Fixed assets	599
Stocks	3,103
Debtors	19,012
Cash	10,867
Creditors	(28,383)
	5,198
Satisfied by cash consideration	7,551
Profit on disposal	2,353

In addition, on 30 October 2001 the company also disposed of the business and net assets of an industrial battery manufacturing business to Tungstone Batteries Limited, an Invensys group undertaking. Details of the disposal are set out below:

	£000
Net assets disposed of:	
Fixed assets	14,840
Stocks	2,397
Debtors	3,207
Creditors	(4,960)
	15,484
Satisfied by cash consideration	15,484
	–
Other costs and adjustments on disposal	(2,045)
Loss on disposal	(2,045)

Notes to the financial statements

at 31 March 2002

22. Notes to statement of cash flows

(a) Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	2002	*2001*
	£000	*£000*
Operating (loss)/profit	(18,914)	16,625
Depreciation of tangible fixed assets	6,793	8,891
Impairment of tangible fixed assets	15,645	–
Goodwill impairment	9,334	–
Amortisation of goodwill	893	893
Decrease/(increase) in debtors	176,931	(32,217)
Decrease in stocks	3,130	47
(Decrease)/increase in creditors	(240,509)	22,012
Cash paid in respect of reorganisation and restructuring costs	(6,010)	–
Net cash (outflow)/inflow from operating activities	(52,707)	16,251

(b) Analysis of net debt

	At 1 April 2001	*Cash flow*	*Other movements*	*At 31 March 2002*
	£000	*£000*	*£000*	*£000*
Cash at bank and in hand	54,240	(53,823)	–	417
Bank loans and overdrafts	(2,440)	2,093	–	(347)
	51,800	(51,730)	–	70

(c) Major non-cash transactions

See note 21 for an analysis of disposals in the year.

23. Capital commitments

	2002	*2001*
	£000	*£000*
Contracted	451	465

Notes to the financial statements

at 31 March 2002

24. Other financial commitments

Operating leases

At 31 March 2002 the company had commitments under operating leases to make payments in the year to 31 March 2003 under agreements expiring as below:

	At 31 March 2002			*At 31 March 2001*		
	Land and buildings	*Other*	*Total*	*Land and buildings*	*Other*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Within one year	–	154	154	–	148	148
Within two to five years	–	433	433	–	274	274
In over five years	37	–	37	789	182	971
At 31 March 2002	37	587	624	789	604	1,393

25. 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.

26. Pensions

From 6 April 2000 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. Following the disposal of the company 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.

27. Post balance sheet events

On 14 March 2003 the company passed a resolution to increase the ordinary authorised share capital from £18,307,783 to £100,000,000. On 19 March 2003 the company issued 50,000,000 £1 ordinary shares to its parent undertaking, EnerSys Holdings UK Ltd, for a consideration of £50,000,000.

In May 2002 the directors announced a restructuring plan for the Manchester Reserve Power business which resulted in redundancy costs of approximately £4,600,000. The costs were incurred in the year ended 31 March 2003.

In February 2004 the directors announced further restructuring plans for the Manchester Reserve Power business. These redundancy costs are anticipated to be in the region of £5,200,000 for the year ended 31 March 2004.

Notes to the financial statements

at 31 March 2002

28. Related party transactions

In the period from 22 March 2002 to 31 March 2002 the company has recorded the following transactions with Invensys plc undertakings, the previous shareholder, in the profit and loss account as follows:

	£000
Sales	70
Cost of sales	(41)

Balances with Invensys plc undertakings at 31 March 2002 are disclosed in notes 15 and 16.

There are no other related party transactions requiring disclosure in accordance with FRS 8.

29. Immediate parent undertaking

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

30. Ultimate parent undertaking

Until 22 March 2002 the ultimate parent undertaking of EnerSys Ltd was Invensys plc, a company registered in England and Wales. On 22 March 2002 the company's ultimate parent undertaking became EnerSys Holdings Inc., following the acquisition of the Invensys Energy Storage business of which EnerSys Ltd is included.

EnerSys Holdings Inc. is incorporated in the United States and its financial statements are not publicly available.