ABSL Power Solutions Limited

Annual report

For the year ended 31 March 2009

Registered Number 2840892

ABSL Power Solutions Limited

Contents

ABSL Power Solutions Limited

Financial highlights

- Revenue up **7%** to **£18.1M**

- Operating profit **£1.3M** before exceptional items

- **£1.7M** cash generated from operations

- **£9.5M** of debt converted to equity shares on 28th September 2009 resulting in positive net assets of **£0.6M**.

ABSL Power Solutions Limited

Directors and advisers for the year ended 31 March 2009

Directors
C G Murray
M A J Kelly
R N Forster
G C Ryan, resigned 30th June 2009
P M Cooper, resigned 31st August 2009

Secretary
Jamestown Investments Limited

Registered office
Building F4
Culham Science Centre
Abingdon
Oxfordshire
OX14 3ED

Independent Auditors
PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Bankers
HSBC Bank Plc
26 Broad Street
Reading
RG1 2BU

ABSL Power Solutions Limited
Directors' report for the year ended 31 March 2009

The directors present their annual report and the audited consolidated financial statements of ABSL Power Solutions Ltd ("the Company") and its subsidiary undertakings ("the Group") for the year ended 31 March 2009. The Company's registered number is 2840892.

Principal activities

The principal activity of the Group is the supply of integrated power systems. The business researches, designs and manufactures battery packs, chargers and power management systems for highly demanding markets including defence, space, aerospace, marine and medical. With its acquisition in June 2008 of AGM Batteries Limited the Group also has the ability to produce and supply lithium ion cells for its own and third party battery manufacture.

Operating and financial review

This has been another positive year for the ABSL Group, marked by increased turnover and actions taken to improve competitiveness in a difficult market.

The **Custom Products Division**, which includes batteries for spacecraft, delivered its first products manufactured in the Group's US subsidiary's new facility in Longmont, Colorado. Being in the United States this plant gives additional reassurance to customers such as NASA that the battery expertise developed in the UK is now firmly implanted in the US. It is not possible to value a US presence with certainty but our Longmont facility has subsequently attracted significant new business from the US space industry, including participation in a manned mission.

The Culham, Oxfordshire arm of Custom Products remained strong during the year, gaining good orders and business from outside its core markets of Europe and North America including building on its heritage in designing and making space borne "black body" calibration equipment.

An excellent order intake after the year end has reinforced the Directors' view that ABSL is well positioned for strong growth in this division and in support of this, a strategic purchase of specialised cells from a Japanese supplier was made during March 2009 in order to ensure supply of these particular cells to meet customer demand over the next several years.

The Group's cells business, **AGM Batteries Ltd** is preparing for new products with considerable research and development undertaken, some with the benefit of funding from the UK government's Technology Strategy Board. During the year AGM also started detailed planning for the introduction of a new production line to manufacture high capacity flat or 'pouch' cells. This will start limited production in early 2010; the prototype product has already attracted considerable interest, particularly in the US. In this changing environment, the Directors took the opportunity afforded by FRS 11, to reduce the carrying value of the equipment unique to the production of the previous generation of lithium ion cells.

The **Power Solutions Division** produces power management systems for demanding markets including defence and aerospace. During the year, the division substantially completed supply of batteries and chargers under the Bowman contract, and has commenced a replacement, refurbishment and repair service to support the Army's logistics operation after in-theatre use in Afghanistan and elsewhere. Power Solutions also supplied substantial numbers of batteries to a US based contractor for incorporation into a US Army robot programme. Development work was satisfactorily concluded for a combined battery and fuel cell power source for the UK Ministry of Defence, and subsequent trials have demonstrated the validity of the concept and this programme has been extended.

ABSL Power Solutions Limited
Directors' report for the year ended 31 March 2009 (continued)

In order to rationalise the number of UK manufacturing plants, the Glengarnock, Ayrshire site was closed in January 2009. Charger production was relocated to Thurso, Caithness and has brought significant engineering and process efficiencies. The closure resulted in the loss of 15 jobs in Glengarnock, though 3 roles were moved to Culham, Oxfordshire. The exceptional administrative costs in Note 3 show the impact to the profit and loss account of these changes. ABSL also finally concluded long running disputes with a supplier and customer: as a result an exceptional profit of £1.1m was taken and is shown as a reduction in administration costs.

During the year the Group generated £1.7m of cash from operations on consolidated revenue of £18.1m, The Group recorded a net increase in cash of £0.8M after capital expenditure of £0.4M and £0.5m in interest payments. This is significantly better than the previous year thanks largely to lower interest charges and a decrease in capital expenditure requirements.

The bank overdraft of £10m shown in these accounts is part of the portfolio funding arrangements between ABSL's ultimate parent, CIP Industries L.P. Incorporated ("CIPI"), and HSBC. This level of overdraft tends to distort customer and supplier perceptions of ABSL and as a result in September 2009, a capital reorganisation was executed, in which £9,500,000 of debt was converted to share capital reducing the overdraft to £1m. This debt to equity conversion is further discussed in Post Balance Sheet Event below.

A summary of the net assets position had the recapitalisation been taken into account at March 31, 2009 is shown below:

Proforma March 31, 2009 Group balance sheet	£m
Total non – current assets	1.0
Total current assets	6.7
Total current liabilities	(7.1)
Net current liabilities	(0.4)
Net Assets	**0.6**
Ordinary Shares	12.3
Capital Contribution	1.2
Deficit on Profit & Loss Account	(12.9)
Net Shareholder's Equity	**0.6**

Key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development performance or position of the business.

Financial risk management

IFRS 7 Financial instruments: disclosures, requires disclosure on financial risk management in the financial statements and accordingly this is presented in accounting policies, note 3, of these financial statements. On this basis no discussion of financial risk management is made in the directors' report.

ABSL Power Solutions Limited
Directors' report for the year ended 31 March 2009 (continued)

Funding arrangements
The ultimate parent undertaking, CIPI has grouped certain businesses together as a portfolio for the purpose of arranging appropriate funding. The portfolio comprises:

(i) UK Facility Group:
- ABSL Power Solutions Limited and subsidiaries
- Accentus Plc
- ESR Technology Limited
- EASA Limited and subsidiary
- SHE Software Limited
- MAPS Technology Limited

(ii) QSA Holdings Limited, Guernsey, and subsidiaries (QSA)

The portfolio's funding requirements have been assessed as a whole and facilities made available from the portfolio's bankers (HSBC), additional funding from CIPI and the securitisation of QSA. The securitisation of QSA provides facilities required by QSA and by CIPI for loaning to UK Facility Group companies as it deems appropriate.

Funding needs and cash generated by the UK Facility Group of companies are managed on a group basis whereby each company has access to facilities within limits based on agreed budgets.

Post balance sheet event
On 28th September 2009 £9.5m of overdraft financing provided to the Group from the UK Facility was converted to share capital in ABSL Power Solutions Limited. This resulted in 9,500,000 £1 ordinary shares being issued.

Results and dividends
The consolidated loss for the financial year amounted to £1.0m (2008: £0.4m profit).

No interim dividend was paid during the year (2008: £nil). The directors do not recommend payment of a final dividend (2008: £nil).

Research and development
Research and development expenditure amounted to £0.6m (2008: £1.8m). Costs incurred on development projects relate to the development of new integrated power systems.

Environmental safety and health
The directors take their responsibility in this area seriously and have in place appropriate reporting procedures which ensure that all incidents are notified and actions reviewed. The RoHS, WEEE and COSHH directives are all complied with. Where qualified exemptions exist, in respect of batteries and military equipment, the Group is working with its suppliers to meet the requirements ahead of time.

Directors
The directors who held office during the year are listed on page 2.

ABSL Power Solutions Limited
Directors' report for the year ended 31 March 2009 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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 that the financial statements comply with IFRSs as adopted by the European Union.
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors and disclosure of information to auditors
In accordance with section 234ZA(2), the directors confirm that in so far as they are aware, there is no relevant audit information (that is information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware.

The directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ABSL Power Solutions Limited
Directors' report for the year ended 31 March 2009 (continued)

Creditor payment policy

The group's policy is to agree terms of trading which are appropriate for suppliers' markets and to abide by such terms where suppliers' obligations have been met.

The average creditor payment period at 31 March 2009 was 26 days (2008: 56 days).

Political donations and political expenditure

The Group made no political donations and incurred no political expenditure during 2009 (2008: £nil).

Charitable donations

The Group made no charitable donations during 2009 (2008: £nil).

By order of the Board

Ralph Forster

Director

5th January 2010

ABSL Power Solutions Limited
Independent auditors' report to the members of ABSL Power Solutions Limited

We have audited the Group and Company financial statements (the "financial statements") of ABSL Power Solutions Limited for the year ended 31 March 2009 which comprise the Consolidated income statement, the Group and Company Statements of changes in shareholders' equity, the Group and Company Balance sheets, the Group and Company Cash flow statements, the Group and Statement of recognised income and expense, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the Director's Report includes that specific information presented in the Financial Highlights section that is cross referenced from the Business Review section of the Director's Report.

In addition we 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the financial highlights page, the directors and advisors page and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

ABSL Power Solutions Limited

Basis of audit opinion (continued)

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.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of the Group's loss and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 March 2009 and cash flows 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow
7 *January 2010*

ABSL Power Solutions Limited
Consolidated income statement for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Revenue	1	**18,090**	16,896
Cost of sales	1	**(9,365)**	(8,747)
Gross profit		**8,725**	8,149
Selling and distribution costs		**(1,279)**	(809)
Administrative expenses		**(6,419)**	(6,493)
Exceptional administrative expenses	3	**(1,811)**	63
Other income	4	**256**	297
Operating (loss) / profit	2	**(528)**	1,207
Finance costs	5	**(458)**	(771)
(Loss) / profit before income tax	2	**(986)**	436
Income tax	6	**-**	-
(Loss) / profit for the year	18	**(986)**	436

All results are from continuing operations.

The accounting policies and notes on pages 14 to 34 are an integral part of these financial statements.

The Company has elected to take exemption under section 230 of the Companies Act 1985 to not present the parent company profit and loss account.

The profit for Company for the year was £0.7m (2008: £1.2m).

ABSL Power Solutions Limited
Statement of changes in shareholders' equity

Group

	Share capital £'000	Share premium £'000	Capital contribution £'000	Accumulated losses £'000	Exchange difference £'000	Total £'000
(Loss) for the year	-	-	-	(986)	(317)	(1,303)
Balance as at 1 April 2008	2,796	54	1,156	(11,575)	-	(7,569)
Balance as at 31 March 2009	**2,796**	**54**	**1,156**	**(12,561)**	**(317)**	**(8,872)**

* Exchange difference on retranslation of net assets of subsidiary undertaking

Company

	Share capital £'000	Share premium £'000	Capital contribution £'000	Accumulated losses £'000	Total £'000
Profit for the year	-	-	-	742	742
Balance as at 1 April 2008	2,796	54	1,156	(11,724)	(7,718)
Balance as at 31 March 2009	2,796	54	1,156	(10,982)	(6,976)

The accounting policies and notes on pages 14 to 34 are an integral part of these financial statements.

Statement of recognised income and expense

	2009 £'000	2008 £'000
(Loss) / profit for the year	**(986)**	436
Other comprehensive income:		
Currency translation differences	**(317)**	-
Total comprehensive (loss) / profit for the year	**(1,303)**	436

ABSL Power Solutions Limited
Balance sheet as at 31 March 2009

		Group		Company	
		2009	2008	2009	2008
	Notes	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Intangible assets	7	**54**	863	54	863
Property plant and equipment	8	**973**	2,143	845	1,150
Trade and other receivables	10	-	-	60	503
Total non-current assets		**1,027**	3,006	959	2,516
Current assets					
Inventories	9	**2,788**	1,774	2,270	1,449
Trade and other receivables	10	**3,908**	3,509	5,396	3,529
Total current assets		**6,696**	5,283	7,666	4,978
Liabilities					
Current liabilities					
Trade and other payables	11	**(4,995)**	(4,636)	(3,716)	(3,836)
Financial liabilities borrowings	14	**(9,979)**	(10,794)	(10,264)	(11,165)
Provisions for liabilities and charges	13	**(1,618)**	(206)	(1,618)	(206)
Total current liabilities		**(16,592)**	(15,636)	(15,598)	(15,207)
Net current liabilities		**(9,896)**	(10,353)	(7,932)	(10,229)
Non-current liabilities					
Creditors: amounts falling due after 1 year	12	**(3)**	(222)	(3)	(5)
Net liabilities		**(8,872)**	(7,569)	(6,976)	(7,718)
Shareholders' equity					
Capital and reserves attributable to the Company's equity holders					
Ordinary shares	16	**2,796**	2,796	2,796	2,796
Share premium	17	**54**	54	54	54
Capital contribution	19	**1,156**	1,156	1,156	1,156
Accumulated losses	18	**(12,561)**	(11,575)	(10,982)	(11,724)
Exchange difference on retranslation of net assets of subsidiary undertaking		**(317)**	-	-	-
Total deficit on shareholders' equity		**(8,872)**	(7,569)	(6,976)	(7,718)

The notes on pages 14 to 34 are an integral part of the financial statements.

These financial statements on pages 10 to 34 were approved by the board of directors on 5 January 2010 and were signed on its behalf by:

C Murray

Catherine Murray
Director

ABSL Power Solutions Limited
Cash flow statements for the year ended 31 March 2009

		Group		Company	
		2009	2008	**2009**	2008
	Notes	**£'000**	£'000	**£'000**	£'000
Cash flows from operating activities					
Cash generated from operations	20	**1,685**	2,097	**1,666**	1,813
Interest paid		**(458)**	(771)	**(458)**	(771)
Net cash generated from operating activities		**1,227**	1,326	**1,208**	1,042
Cash flows from investing activities					
Purchases of intangible assets		**(250)**	(563)	**(250)**	(563)
Purchase of property, plant and equipment		**(162)**	(523)	**(57)**	(472)
Interest received		**-**	-	**-**	28
Net cash used in investing activities		**(412)**	(1,086)	**(307)**	(1,007)
Net increase in cash and cash equivalents		**815**	240	**901**	35
Cash and cash equivalents at 1 April 2008		**(10,794)**	(11,034)	**(11,165)**	(11,200)
Cash and cash equivalents at 31 March 2009	14	**(9,979)**	(10,794)	**(10,264)**	(11,165)

The accounting policies and notes on pages 14 to 34 are an integral part of these financial statements.

ABSL Power Solutions Limited

Accounting policies

1 General information

ABSL Power Solutions Limited ("the Company") and its subsidiaries (together, "the Group") designs, manufactures and supplies integrated power systems. The Group has facilities in the UK and the US.

The Company is limited by shares, incorporated and domiciled in the United Kingdom. The registered office of the Company is:

Building F4
Culham Science Centre
Abingdon
Oxfordshire
OX14 3ED

The financial statements comprise the results of the Group.

The financial statements have been approved for issue by the Board of Directors on 5th January 2010. No persons have the power to amend the financial statements beyond that date.

2 Summary of significant accounting policies

The basis of preparation and the principal accounting policies adopted in the preparation of the financial information are set out below.

Basis of preparation
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS, and have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in the Critical Accounting Estimates and Judgements section.

Consolidation
Subsidiaries are all entities which the Group has the power to govern the financial and operating policies of and generally accompanying a shareholding with more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 Summary of significant accounting policies (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Going concern

In the year to 31 March 2009 the Group made a loss of £1.0m (2008: £0.4m profit) and had a net cash inflow from operating activities of £1.2m (2008: £1.3m). The Group is party to a portfolio funding arrangement and its continuation as a going concern is dependent on sufficient facilities being made available as described within 'Funding arrangements' in the Directors' Report. The directors are satisfied that sufficient facilities will be made available.

Revenue recognition

Revenue, which excludes value added tax and trade discounts, represents the fair value of services supplied and the value of long-term contract work completed.

Segmental reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Onerous lease provision

IAS 37 Provisions, contingent liabilities and contingent assets requires that if an entity has an onerous contract, the present obligation under the contract shall be recognised and measured as a provision. The Group determines that a contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2 Summary of significant accounting policies (continued)

Foreign currency translation
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property plant and equipment
All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Leasehold improvements	20% straight line
Furniture and fixtures	20% straight line
Computer equipment	33% to 50% straight line
Plant and equipment	10% to 20% straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

2 Summary of significant accounting policies (continued)

Intangible assets

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to developing new integrated power systems are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Only direct costs are capitalised which include the design engineering employee costs. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding ten years.

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of three to five years.

Impairment of fixed tangible assets and intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories and work in progress

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Work in progress is valued at cost, less the cost of work invoiced on incomplete contracts and less foreseeable losses.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Trade payables

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

ABSL Power Solutions Limited

2 Summary of significant accounting policies (continued)

Employee benefits
The Group operates a defined contribution plan for which the Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with the attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

Share capital and share premium
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Current and deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Critical judgements in applying the entity's accounting policies
The Group makes judgements on specific items when applying its' accounting policies. The judgement that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

ABSL Power Solutions Limited

2 Summary of significant accounting policies (continued)

Development expenditure

The Group invests in the development of future products in accordance with the accounting policy stated in the Intangible assets note. The assessment as to whether this expenditure will achieve a complete product for which the technical feasibility is assured is a matter of judgement, as is the forecasting of how the product will generate future economic benefit. Finally, the period of time over which the economic benefit associated with the expenditure incurred will arise is also a matter of judgement. These judgements are made by evaluating the development plan prepared by the research and development department and approved by management, regularly monitoring progress by using an established set of criteria for assessing technical feasibility and benchmarking to other products.

3 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (primarily currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Management consider that the Group is not significantly exposed to foreign exchange risk arising from various currency exposures as the Group operates predominantly in the UK with a small proportion of transactions denominated in Euros, US Dollars and Japanese Yen. During the year, transactions in currencies other the GBP amounted to approximately £3m. If the currencies above had weakened/strengthened by 10% against the GBP with all other variables held constant, the post-tax loss for the year would have been approximately £0.3m higher/lower.

(ii) Cash flow and fair value interest rate risk

The Group has interest bearing liabilities. Interest bearing liabilities include bank borrowings which were £10m as at 31 March 2009. These borrowings currently bear interest at a rate of 2.5% over base rate and are part of the portfolio funding arrangement with HSBC, as discussed in the Directors' report.

As such, management consider that the Group is not significantly exposed to foreign exchange, cash flow and fair value interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit quality of the customer is assessed taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. Management monitors the utilisation of credit limits regularly.

3 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its cash commitments as they fall due. Liquidity risk may result from either the inability to realise financial assets quickly at their fair values; or from the inability to generate cash inflows as anticipated. Management monitors rolling forecasts of the group's liquidity reserve and cash and cash equivalents on the basis of expected cash flow.

Capital risk management

The Group's and Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group and Company have focused on maximising shareholder value.

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Notes to the financial statements for the year ending 31 March 2009

1. Segmental reporting

At 31 March 2009, the Company is organised on a worldwide basis into four main geographical segments. The revenue analysis in the table below is based on the location of the customers where the order is received:

- United Kingdom
- Europe
- North America
- Rest of the World

The assets and liabilities are all located in the United Kingdom.

Primary reporting format – geographical segments

	United Kingdom	Europe	North America	Rest of the World	Unallocated	2009 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	10,187	2,764	4,081	1,058	-	18,090
Segment result operating (loss) / profit	(1,467)	553	190	196	-	(528)
Finance costs – net	-	-	-	-	(458)	(458)
(Loss)/ profit before taxation for the year	(1,467)	553	190	196	(458)	(986)

	United Kingdom	Europe	North America	Rest of the World	Unallocated	2008 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	10,002	2,435	3,862	598	-	16,896
Segment result operating profit	406	510	165	126	-	1,207
Finance costs – net	-	-	-	-	(771)	(771)
Profit / (loss) before taxation for the year	406	510	165	126	(771)	436

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1. Segmental reporting (continued)

Secondary reporting format – business segments

At 31 March 2009, the Group is organised into three main business segments:

1) Power Solutions;
2) Custom Products; and
3) AGM.

	Power Solutions	Custom Products	AGM	Unallocated	2009 Total
	£'000	£'000	£'000	£'000	£'000
Total segment revenue	12,491	5,298	1,574	-	19,363
Inter-company segment revenue	-	-	(1,273)	-	(1,273)
External segment revenue	12,491	5,298	301	-	18,090
Segment result operating profit / (loss)	1,705	755	(1,370)	(1,618)	(528)
Finance costs - net	-	-		(458)	(458)
Profit/(loss) before and after taxation for the year	1,705	755	(1,370)	(2,076)	(986)

Unallocated loss relates to exceptional central costs of £1,618k relating to an onerous lease

	Power Solutions	Custom Products	AGM	Unallocated	2008 Total
	£'000	£'000	£'000	£'000	£'000
Total segment revenue	11,623	5,062	1,979	-	18,664
Inter-company segment revenue	-	-	(1,768)	-	(1,768)
External segment revenue	11,623	5,062	211	-	16,896
Segment result operating profit / (loss)	805	840	(438)	-	1,207
Finance costs - net	-	-		(771)	(771)
Profit/(loss) before and after taxation for the year	805	840	(438)	(771)	436

ABSL Power Solutions Limited

2. Profit before income tax

The following is the disclosure of expenses by nature:

		Group	
		2009	2008
	Notes	**£'000**	£'000
Employee benefit expense	21	**5,632**	5,580
Depreciation of property, plant and equipment			
- owned assets	8	**494**	508
Amortisation of intangibles	7	**1,059**	231
Costs of inventories included in cost of sales		**6,564**	6,849
Transportation		**108**	211
Advertising costs		**16**	25
Occupancy costs		**1,084**	1,146
Other expenses		**3,996**	1,499
Total cost of sales, selling and distribution costs, research and development expense and administrative expenses		**18,951**	16,049

Services provided by the Group's auditors and network of firms

During the period the Group obtained the following services from the Group's auditor at costs as detailed below:

	2009	2008
	£'000	£'000
Audit services		
- statutory audit	**49**	42
Total	**49**	42

The Group's auditors, PricewaterhouseCoopers LLP, provide no non-audit services for the Group.

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3. Exceptional administrative expenses

	Group	
	2009	2008
	£'000	£'000
Onerous lease provision	(1,618)	-
Fixed asset impairment	(810)	-
Site closure costs	(450)	-
Settlement of outstanding claims	1,067	-
Compensation from supplier	-	63
	(1,811)	63

4. Other operating income

	Group	
	2009	2008
	£'000	£'000
Income from Research & Development Grant	-	254
Amortisation of Capital Grant	256	43
	256	297

5. Finance costs

	Group	
	2009	2008
	£'000	£'000
Interest expense on bank borrowings	458	771

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6. Income tax

The taxation for the year differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as explained below.

	Group	
	2009	2008
	£'000	£'000
(Loss) / profit before taxation	(986)	436
Tax calculated at domestic tax rates applicable to profits in the respective countries	(276)	131
Effects of:		
Expenses not deductible for tax purposes	215	211
Deferred tax asset not recognised	435	130
Losses set against profits of the trade	(374)	(472)
Total taxation	-	-

The weighted average applicable tax rate was 30%.

Cumulative unrecognised tax asset £3,360k (2008: £3,986k) in respect of losses carried forward against future profits arising from the same trade.

7. Intangible assets

Group and Company	Software £'000	Development assets £'000	Total £'000
Cost			
At 1 April 2008	31	1,075	1,106
Additions	6	244	250
At 31 March 2009	**37**	**1,319**	**1,356**
Accumulated amortisation and impairment			
At 1 April 2008	18	225	243
Charge for the year	6	1,053	1,059
At 31 March 2009	**24**	**1,278**	**1,302**
Net book amount at 31 March 2009	**13**	**41**	**54**
Net book amount at 31 March 2008	13	850	863

The useful economic life for development costs is considered by the directors to be five years, except where it is known that likely future economic benefits from these development costs are less than five years. In such cases, the useful economic life is considered to be the period over which future economic benefits are anticipated to be recognised.

8. Property, plant and equipment

Group	Plant machinery & equipment £'000
Aggregate cost	
At 1 April 2008	4,487
Additions at cost	146
Disposals at cost	(38)
Exchange differences	17
At 31 March 2009	**4,612**
Accumulated depreciation	
At 1 April 2008	2,344
Charge for the year	494
On disposals	(9)
Impairment of subsidiary undertaking's assets	810
At 31 March 2009	**3,639**
Net book amount at 31 March 2009	**973**
Net book amount at 31 March 2008	2,143

Company	Plant machinery & equipment £'000
Aggregate cost	
At 1 April 2008	3,194
Additions at cost	58
Disposals at cost	(38)
At 31 March 2009	**3,214**
Accumulated depreciation	
At 1 April 2008	2,044
Charge for the year	334
On disposals	(9)
At 31 March 2009	**2,369**
Net book amount at 31 March 2009	**845**
Net book amount at 31 March 2008	1,150

9. Inventories

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**2,546**	1,693	**2,075**	1,378
Work-in-progress	**173**	47	**173**	47
Finished goods and goods for resale	**69**	34	**22**	24
	2,788	1,774	**2,270**	1,449

10. Trade and other receivables

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Trade receivables	**3,096**	2,636	**2,520**	2,745
Less: provision for impairment of trade receivables	-	(14)	-	(14)
Trade receivables - net	**3,096**	2,622	**2,520**	2,731
Other receivables	**563**	659	**2,750**	659
Prepayments	**249**	228	**126**	139
Total	**3,908**	3,509	**5,396**	3,529

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being largely 'Blue Chip' organisations. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

Non-current receivables are due to the Company from ABSL Power Solutions Inc. £0.1M at March 31, 2009 (2008: £0.5M).

11. Trade and other payables - current

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Trade payables	**1,323**	2,897	**1,106**	2,238
Social security and other taxes	**220**	226	**220**	222
Accruals	**2,646**	134	**2,082**	135
Deferred income	**782**	1,207	**303**	1,170
Other creditors	**24**	172	**5**	71
Total	**4,995**	4,636	**3,716**	3,836

12. Non-current liabilities

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Capital grant	**3**	222	**3**	5

Amounts credited to the income statement are disclosed in note 4.

13. Provision for liabilities and charges

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
At 1 April 2008	**206**	327	**206**	327
Provision charged in the year	**1,618**	-	**1,618**	-
Utilised in the year	**(206)**	(121)	**(206)**	(121)
At 31 March 2009	**1,618**	206	**1,618**	206

The balance of the provision for reworking product made in 2008 was utilised in the year. The provision charged in the year is for an onerous building lease and will be utilised over the next 9 years.

14. Financial liabilities – borrowings

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Bank overdraft due within one year or on demand				
Secured	9,979	10,794	10,264	11,165
Total	9,979	10,794	10,264	11,165

As discussed on page 4 in the Directors' report the bank overdraft is part of the portfolio funding arrangement with HSBC.

15. Financial Instruments

Fair value of non-current borrowings
Fair value is the amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

There are no differences between the book and fair value of financial assets and liabilities.

16. Called up share capital

Group and company	2009 £'000	2008 £'000
Authorised		
10,000,000 ordinary shares of £1 each	**10,000**	10,000

Group and company	2009 Number	2008 Number	2009 £'000	2008 £'000
Issued and fully paid				
2,796,280 ordinary shares of £1 each	**2,796,280**	2,796,280	**2,796**	2,796

Each holder of an ordinary share is entitled to one vote for each share held at all meetings of shareholders and will be entitled to any dividends declared by the Board of Directors.

On 28th September 2009 9,500,000 £1 ordinary shares were issued.

17. Share premium account

	Share premium £'000
At 1 April 2008 and 31 March 2009	54

18. Accumulated loss

Group	Accumulated loss £'000
At 1 April 2008	(11,575)
Loss for the year to 31 March 2009	(986)
As at 31 March 2009	(12,561)

19. Capital contribution

Group	Capital contribution £'000
At 1 April 2008 and 31 March 2009	1,156

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20. Cash flow generated from operations

Reconciliation of operating profit to net cash inflow from operating activities:

		Group		Company	
		2009	2008	2009	2008
	Notes	£'000	£'000	£'000	£'000
Continuing operations					
(Loss) /profit before interest and income tax		**(528)**	1,207	**1,200**	1,973
Adjustments for:					
Depreciation	8	**494**	508	**334**	361
Amortisation	7	**1,059**	231	**1,059**	231
Loss on disposal of property, plant and equipment		**29**	-	**29**	-
Impairment of subsidiary undertaking's fixed assets		**810**	-	**-**	-
Revaluation of subsidiaries assets		**(317)**	-	**-**	-
Inter-company loan repayment		**-**	-	**443**	-
Changes in working capital					
Inventories		**(470)**	415	**(277)**	157
Trade and other receivables		**(943)**	1,381	**(2,411)**	1,248
Trade and other payables		**(424)**	(1,488)	**(424)**	(2,035)
Deferred income		**563**	(36)	**301**	(1)
Provision		**1,412**	(121)	**1,412**	(121)
Cash generated from continuing operations		**1,685**	2,097	**1,666**	1,813

21. Employees and directors

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Staff costs for the Group during the year				
Wages and salaries	**4,800**	4,890	**3,749**	4,281
Social security costs	**639**	492	**420**	451
Other pension costs (note 22)	**193**	198	**175**	183
Total salary costs	**5,632**	5,580	**4,344**	4,915

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Average monthly number of people (including executive directors) employed				
By business group				
Production	**108**	116	**84**	100
Sales and distribution	**13**	13	**11**	13
General and administration	**29**	25	**22**	17
Total	**150**	154	**117**	130

During the year there was no key management compensation.

The aggregate remuneration paid to Directors was as follows:

	2009	2008
	£'000	£'000
Executive Directors		
Service fee	**-**	64
Base salary	**421**	282
Pensions	**29**	19
Total	**450**	365
Number of Directors	**3**	3

The 2008 service fee represents the amounts paid to Nova Capital Management Services Limited in respect of the provision of Mr John Cowley, as Interim Managing Director.

The three executives who were directors during the year (2008: 3) were members of ABSL's group personal pension scheme. The scheme is a funded scheme of the defined contribution type.

	2009	2008
	£'000	£'000
Highest paid director		
Base salary	213	106
Pension	12	11

22. Pension costs

The Group has established a pension scheme covering many of its employees. The scheme is a funded scheme of the defined contribution type.

Pension costs for the defined contributions scheme are as follows:

	Group		**Company**	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Defined contribution schemes	**193**	198	**175**	183

23. Operating lease commitments - minimum lease payments

At 31 March 2009 the Group has lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years.

	2009	2008
	£'000	£'000
Commitments under non-cancellable operating leases expiring:		
Within one year	**25**	32
Later than one year and less than five years	**238**	233
After five years	**80**	255
Total	**343**	520

24. Capital commitments and contingent liabilities

The Group had no capital commitments at 31 March 2009. The Group had no contingent liabilities at 31 March 2009.

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25. Consolidated Group companies

	Country of Incorporation	Share holding		Nature of business
AGM Batteries Limited	UK	100%	4,064,000 ordinary share of £1 each	Designs and manufactures lithium ion cells
ABSL Power Solutions Inc	US	100%	100 share of Common stock of $0.01 each	Designs and manufactures batteries for space applications

26. Controlling party and ultimate parent company

CIP Industries L.P. Incorporated is considered to be the ultimate parent company.

27. Post balance sheet event

On 28th September 2009 £9.5m of overdraft financing provided to the Group by the UK Facility Group was converted to share capital in ABSL Power Solutions Limited. This resulted in 9,500,000 £1 ordinary shares being issued. If the transaction had happened on or before 31 March 2009 it would have resulted in the net liabilities of the Company and Group being eliminated and a net asset position of £628,000.

Statement of changes in shareholders' equity

Group	Share capital £'000	Share premium £'000	Capital contribution £'000	Accumulated losses £'000	Exchange difference £'000	Total £'000
(Loss) for the year	-	-	-	(986)	(317)	(1,303)
Balance as at 1 April 2008	2,796	54	1,156	(11,575)	-	(7,569)
Debt to equity conversion	**9,500**	**-**	**-**	**-**	**-**	**9,500**
Balance as at 31 March 2009	**12,296**	**54**	**1,156**	**(12,561)**	**(317)**	**628**