# ABSL Power Solutions Ltd

# Annual report and financial statements

# For the year ended 31 March 2018

**Registered Number 02840892**

# ABSL Power Solutions Ltd

## Contents

# ABSL Power Solutions Ltd

## Directors and advisers for the year ended 31 March 2018

**Directors**
T M Sechrist
D Smart
H Stratton-Brown

**Company secretary**
Eversecretary Limited

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

**Independent Auditors**
Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

**Bankers**
HSBC Bank Plc
26 Broad Street
Reading
RG1 2BU

# Strategic Report for the year ended 31 March 2018

**Introduction**
The directors present their strategic report of ABSL Power Solutions Ltd for the year ended 31 March 2018.

**Principal activities**
The principal activity of the Company is the supply of batteries. The business researches, designs and manufactures battery packs for highly demanding markets specifically space.

**Operating and financial review**
In the year ended 31 March 2018 ABSL Power Solutions Limited built on the performance of the year ended 31 March 2017 to maintain and improve the profitable operation of the company. The business progresses in securing opportunities for the company moving forward in the global space battery market.

**Principal risks and uncertainties**
The Company's customers are principally governments, their agencies and inter-governmental agencies in Europe and the United States. A severe curtailment of government spending could impact orders for the Company's products and consequently its turnover and profitability. The Directors consider that, whilst the Company cannot be immune from such pressures, the specialist markets it serves are less likely to be severely impacted by budget cuts.

The Company develops and sells products which the Directors consider are technically very advanced. Inherent in any company that relies on developing new products exploiting advanced technologies, is the risk that a new product does not achieve its anticipated performance and consequently does not justify the investment that has been made to bring it to market.

**Future developments**
The business is continuing to explore new cell technologies for its products as customer demands for greater flexibility and enhanced power capabilities. This business will also explore the potential to collaborate on product development utilising the capabilities of the broader EnerSys organisation and look for opportunities beyond the aerospace and defence markets, which have been the traditional mainstay of the business.

**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.

This report was approved by the board on 20 December 2018 and issued on its behalf

HJtn

**H Stratton-Brown**
**Director**

# ABSL Power Solutions Ltd

# Directors' report for the year ended 31 March 2018

### Introduction
The directors present their annual report and the audited financial statements of ABSL Power Solutions Ltd ("the Company") for the year ended 31 March 2018. The Company's registered number is 02840892.

### Results and dividends
The profit for the financial year amounted to £1.7m (2017: £1.1m).

No interim dividend was paid during the year (2017: £nil). The directors do not recommend payment of a final dividend (2017: £nil).

### 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 Restriction of Hazardous Substances (RoHS), Waste Electrical and Electronic Equipment (WEEE) and Control of Substances Hazardous to Health (COSHH) directives are all complied with. Where qualified exemptions exist, in respect of batteries, the Company is working with its suppliers to meet the requirements ahead of time.

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

### Directors
The directors who held office during the year and up to the date of signing the financial statements are listed on page 2.

### Creditor payment policy
The company'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 2018 was 46 days (2017: 27 days).

### Political donations and political expenditure
The Company made no political donations and incurred no political expenditure during 2018 (2017: £nil).

### Charitable donations
The Company made no charitable donations during 2018 (2017: £nil).

# ABSL Power Solutions Ltd

# Directors' report for the year ended 31 March 2018 (continued)

**Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, the Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditors and disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and each of the directors believes that they have taken all the steps that ought to have been taken as a director in order to make them aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Auditors**

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

HB

**H Stratton-Brown**
**Director**

20 December 2018

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABSL POWER SOLUTIONS LTD.

**Opinion**

We have audited the financial statements of ABSL Power Solutions Ltd for the year ended 31 March 2018 which comprise Statement of comprehensive income, Statement of changes in shareholders' equity, Statement of financial position and the related notes1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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

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

**Other information**

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:

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

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Eleri James (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol, UK
Date: 28th December 2018

# ABSL Power Solutions Ltd

## Statement of comprehensive income for the year ended 31 March 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Revenue | 4 | **7,257** | 5,966 |
| Cost of sales | | **(4,717)** | (3,968) |
| **Gross profit** | | **2,540** | 1,998 |
| Selling and distribution costs | | **(627)** | (568) |
| Administrative expenses | | **(376)** | (595) |
| **Operating profit** | | **1,537** | 835 |
| Interest receivable | 6 | **166** | 162 |
| Finance costs | 6 | **(36)** | (76) |
| **Profit before income tax** | 5 | **1,667** | 921 |
| Income tax benefit | 7 | **30** | 168 |
| **Profit for the financial year** | | **1,697** | 1,089 |

The accounting policies and notes on pages 12 to 26 are an integral part of these financial statements.

# ABSL Power Solutions Ltd

## Statement of changes in shareholders' equity
## As at 31 March 2017

| | Share capital | Share premium | Capital contribution | Accumulated losses | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 31 March 2016 | 12,296 | 54 | 1,156 | (9,250) | 4,256 |
| Profit for the year | - | - | - | 1,089 | 1,089 |
| **Balance as at 31 March 2017** | **12,296** | **54** | **1,156** | **(8,161)** | **5,345** |

## Statement of changes in shareholders' equity
## As at 31 March 2018

| | Share capital | Share premium | Capital contribution | Accumulated losses | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 31 March 2017 | 12,296 | 54 | 1,156 | (8,161) | 5,345 |
| Profit for the year | - | - | - | 1,697 | 1,697 |
| **Balance as at 31 March 2018** | **12,296** | **54** | **1,156** | **(6,464)** | **7,042** |

The accounting policies and notes on pages 12 to 26 are an integral part of these financial statements.

# ABSL Power Solutions Ltd

## Statement of financial position as at 31 March 2018

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | £'000 | £'000 |
| | | | (Restated) |
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 8 | - | 3 |
| Property plant and equipment | 9 | 366 | 290 |
| Trade and other receivables | 11 | 4,750 | 4,750 |
| **Total non-current assets** | | 5,116 | 5,043 |
| **Current assets** | | | |
| Inventories | 10 | 1,829 | 1,587 |
| Trade and other receivables | 11 | 4,706 | 4,553 |
| Cash | | 159 | 266 |
| Deferred tax asset | 13 | 196 | 202 |
| **Total current assets** | | 6,890 | 6,608 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | (4,964) | (6,306) |
| **Total current liabilities** | | (4,964) | (6,306) |
| **Net current assets/(liabilities)** | | 1,926 | 302 |
| **Net assets** | | 7,042 | 5,345 |
| **Shareholders' equity** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Ordinary shares | 14 | 12,296 | 12,296 |
| Share premium | | 54 | 54 |
| Capital contribution | | 1,156 | 1,156 |
| Accumulated losses | | (6,464) | (8,161) |
| **Total shareholders' funds** | | 7,042 | 5,345 |

The notes on pages 12 to 26 are an integral part of the financial statements. These financial statements on pages 9 to 26 were approved by the board of directors on 20 December 2018 and were signed on its behalf by:

HJS

H Stratton-Brown
**Director**

20 December 2018

# ABSL Power Solutions Ltd

# Accounting policies

## 1 General information

**AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101**

ABSL Power Solutions Limited ("the Company") is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is

Building F4 Culham Science Centre
Abingdon
Oxfordshire
United Kingdom
OX14 3ED

The financial statements of the Company for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on __ December 2018.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The Company's financial statements are individual entity financial statements.

The principal accounting policies adopted by the Company are set out in note 2 below.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied.

### 2.1 Financial reporting standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 *Financial Instruments: Disclosures*;

b) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* ('IAS 1') to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1 *Presentation of financial statements*;

(ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;

(iii) paragraph 118(e) of IAS 38 *Intangible Assets*; and

(iv) paragraphs 76 and 79(d) of IAS 40 *Investment Property*;

(g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial statements*;

(h) the requirements of IAS 7 *Statement of Cash Flows*;

(i) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

(j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures ('IAS 24');

# 2 Summary of significant accounting policies (continued)

(k) the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ;

### 2.2 Going concern basis of accounting

In the year to 31 March 2018 the company made a profit of £1.7m.

The company has met its day to day working capital requirements and has the provision of working capital facilities supported by its parent company, EnerSys Holdings UK Ltd. The directors of that company have confirmed to the directors of ABSL Power Solutions Limited that they will continue to provide financial support to the company for the foreseeable future.

In the light of the information currently available to them, the directors believe that the company's parent company will support it in providing adequate funds to meet its day to day obligations. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

### 2.3 Key judgements and sources of estimation uncertainty

The preparation of financial statements requires management to make assumptions, estimates and judgements that affect the amounts reported as assets and liabilities as at the balance sheet date and the amounts reported as revenues and expenses during the year. Use of available information and application of judgement are inherent in the formation of estimates. Described below are the key judgements and assumptions in the preparation of the financial statements.

**Deferred taxation asset**

The deferred taxation asset has been recognised based upon the availability of losses brought forward and the forecasted profits of the company over the next twelve months. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

**Long term contracts**

Profit on long term contracts is recorded as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover applicable to long term contracts represents the value of work completed during the year, calculated with reference to the total expected hours to complete the contracts. Revenues derived from change orders on contracts are recognised at estimated amounts when they become probable.

### 2.4 Accounting Policies

**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.

**Leases**

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.

## 2 Summary of significant accounting policies (continued)

**Foreign currency translation - 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 Company 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.

**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. 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.

# ABSL Power Solutions Ltd

# Accounting policies

## 2 Summary of significant accounting policies (continued)

**Impairment of fixed tangible assets and intangible assets**
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 Company 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.

**Employee benefits**
The Company operates a defined contribution plan for which the Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company 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.

**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.

# ABSL Power Solutions Ltd

# Accounting policies

## 2 Summary of significant accounting policies (continued)

**Current and deferred income tax**
The tax expense represents the sum of current tax and deferred tax.

*Current tax*
The tax payable is based on the taxable profit for the year. Taxable profit differs from pre-tax profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

*Deferred 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 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.

**Borrowings**
Borrowings are recognised upon origination at fair value of the sums paid or received in exchange for the liability, and subsequently measured at amortised cost using the effective interest method. Interest free payables are booked at their nominal value.

## 3 Financial risk management

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

**(a) Market risk**
**(i) Foreign exchange risk**
The Company is exposed to foreign exchange risk arising from various currency exposures, predominantly with the Eurozone as a proportion of the company's sales are to customers in those countries. During the year, net transactions in currencies other than GBP amounted to approximately £4.8m. (2017: £3.6m), If the currencies above had weakened/strengthened by 10% against the GBP with all other variables held constant, the post-tax profit for the year would have been approximately £0.5m higher/lower.

# ABSL Power Solutions Ltd

# Accounting policies

## 3 Financial risk management (Continued)

**(ii) Cash flow and fair value interest rate risk**

The Company has interest bearing liabilities. Short and medium term financing requirements are provided by a current account arrangement with EnerSys Luxembourg Finance Sarl. The balance owed to which was £1.9m as at 31 March 2018 (2017: £3.8m). These borrowings currently bear interest at a rate of 3.0% per annum (2017: 3.0%).

The Company has made a long term loan to EnerSys Luxembourg Finance Sarl with a balance of £4,750,000 at 31st March 2018 (2017 £4,750,000). The accrued interest on the borrowing at 31st March 2018 owed by EnerSys Luxembourg Finance Sarl was £1,167,394 (2017, owed by EnerSys Luxembourg Finance Sarl, £1,001,144)

As such, management consider that the Company 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.

Concentrations of credit risk with respect to trade receivables are limited due to the Company'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.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company 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 Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flow.

**Capital risk management**

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

# ABSL Power Solutions Ltd

# Notes to the financial statements for the year ended 31 March 2018

## 4 Analysis of Turnover

At 31 March 2018, the Company is organised on a worldwide basis into four main geographical segments. A geographical analysis of turnover is as follows:

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| United Kingdom | 566 | 212 |
| Europe | 4,815 | 5,127 |
| North America | 182 | 330 |
| Rest of the world | 1,694 | 297 |
| **Total** | **7,257** | 5,966 |

## 5 Profit before income tax

The following is the disclosure of expenses by nature:

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | £'000 | £'000 |
| Employee benefit expense | 15 | 2,274 | 2,403 |
| Depreciation of property, plant and equipment | 9 | 115 | 121 |
| Amortisation of intangibles | 8 | 3 | 8 |
| Costs of inventories included in cost of sales | | 1,025 | 606 |
| Advertising costs | | 13 | 28 |
| Occupancy costs | | 226 | 248 |
| Other expenses | | 2,064 | 1,717 |
| **Total cost of sales, selling and distribution costs, research and development expense and administrative expenses** | | **5,720** | 5,131 |

**Services provided by the Company's auditors and network of firms**

During the period the Company obtained the following services from the Company's auditors at costs as detailed below:

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| **Audit services** | | |
| - statutory audit of company | 27 | 30 |

# Notes to the financial statements for the year ended 31 March 2018 (continued)

## 6 Total net interest (receivable) / payable and similar charges

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| Interest receivable on loan to parent company | (166) | (162) |
| Interest payable on loan from previous parent company | 36 | 76 |
| Total net interest (receivable) and similar charges | (130) | (86) |

## 7 Income tax

Tax on profit on ordinary activities

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| Current tax: UK corporation tax on the profits for the year | (24) | 34 |
| Deferred tax | (6) | (202) |
| **Total Taxation** | (30) | (168) |

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

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| **Profit before taxation** | 1,667 | 921 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 317 | 184 |
| Non Deductible Expense | 13 | 3 |
| Adjustment in respect to prior years | (68) | (28) |
| Effects of: | | |
| Utilisation of unrecognised tax losses | (286) | (125) |
| Change in recognized deferred tax asset | (6) | (202) |
| **Total taxation** | (30) | (168) |

The weighted average applicable tax rate was 19% (2017: 20%).
There is a cumulative unrecognised tax asset of £507k (2017: £787k) in respect of losses carried forward against future profits arising from the same trade.

## 8 Intangible assets

| | Software | Development assets | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost** | | | |
| At 1 April 2017 | 66 | 168 | 234 |
| Additions | - | - | - |
| Disposals | - | - | - |
| **At 31 March 2018** | 66 | 168 | 234 |
| **Accumulated amortisation and impairment** | | | |
| At 1 April 2017 | 63 | 168 | 231 |
| Charge for the year | 3 | - | 3 |
| Eliminated on disposal | - | - | - |
| **At 31 March 2018** | 66 | 168 | 234 |
| **Net book amount at 31 March 2018** | - | - | - |
| Net book amount at 31 March 2017 | 3 | - | 3 |

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.

# Notes to the financial statements for the year ended 31 March 2018 (continued)

## 9 Property, plant and equipment

| | Plant machinery & equipment £'000 |
|---|---|
| **Aggregate cost** | |
| At 1 April 2017 | **1,928** |
| Additions at cost | 191 |
| Disposals at cost | - |
| **At 31 March 2018** | **2,119** |
| ***Accumulated depreciation*** | |
| At 1 April 2017 | **1,638** |
| Charge for the year | 115 |
| Eliminated on disposal | - |
| **At 31 March 2018** | **1,753** |
| **Net book amount at 31 March 2018** | **366** |
| Net book amount at 31 March 2017 | 290 |

Other classes of fixed assets which have been fully depreciated in previous periods are no longer presented in the table above

## 10 Inventories

| | **2018 £'000** | 2017 £'000 (Restated) |
|---|---|---|
| Raw materials and consumables | **693** | 652 |
| Work-in-progress | **1,136** | 935 |
| **Total** | **1,829** | 1,587 |

Work-in progress for 2017 has been restated through a reduction in value by £484k to reflect a change in presentation regarding the netting of certain values. There is an equal and opposite adjustment in Amounts payable on contracts (see Note 12). This restatement does not result in changes in equity for the Company in year ended 31st March 2017 or 31st March 2018.

# ABSL Power Solutions Ltd

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 11 Trade and other receivables

| Current Receivables | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Trade receivables | **888** | 1,040 |
| Amounts recoverable on contracts | **2,317** | 2,292 |
| VAT Receivable | **166** | 98 |
| Amounts due from group undertakings | **1,283** | 1,048 |
| Prepayments | **52** | 75 |
| **Total** | **4,706** | 4,553 |

| Non-Current Receivables | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Amounts due from group undertakings | **4,750** | 4,750 |
| **Total** | **4,750** | 4,750 |

There were £4,750k non-current receivables due to the Company from EnerSys Luxembourg Finance Sarl. at 31 March 2018 (2017: £4,750k). This relates to a loan bearing an interest rate of 3.5% per annum which is repayable by 24 March 2021.

# Notes to the financial statements for the year ended 31 March 2018 (continued)

## 12 Trade and other payables - current

| | 2018 £'000 | 2017 £'000 (Restated) |
|---|---|---|
| Trade payables | **602** | 230 |
| Corporation Tax | **31** | 68 |
| Social security and other taxes | **55** | 68 |
| Accruals | **730** | 686 |
| Amounts payable on contracts | **729** | 1,001 |
| Deferred income | **813** | 415 |
| Amounts due to group undertakings | **2,004** | 3,838 |
| **Total** | **4,964** | 6,306 |

Accounts payable on contract for 2017 has been restated through a reduction in value by £484k to reflect a change in presentation regarding the netting of certain values. There is an equal and opposite adjustment in Work in Progress (see Note 10). This restatement does not result in changes in equity for the Company in year ended 31st March 2017 or 31st March 2018.

## 13 Deferred Tax Asset

| | 2018 Unrecognised £'000 | 2018 Recognised £'000 | 2017 Unrecognised £'000 | 2017 Recognised £'000 |
|---|---|---|---|---|
| Assets at the Start of the period | **787** | **202** | 1,114 | - |
| Recognition of deferred tax asset | **(280)** | **280** | (202) | 202 |
| Utilization of tax asset from cumulative tax losses | **-** | **(286)** | (125) | - |
| **At 31 March 2018** | **507** | **196** | 787 | 202 |

# Notes to the financial statements for the year ended 31 March 2018 (continued)

## 14 Called up Share Capital

| | 2018 Number | 2017 Number | 2018 £'000 | 2017 £'000 |
|---|---|---|---|---|
| **Authorised, Issued and fully paid** | | | | |
| 12,296,280 ordinary shares of £1 each | **12,296,280** | 12,296,280 | **12,296** | 12,296 |

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.

## 15 Employees and directors

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Staff costs for the Company during the year** | | |
| Wages and salaries | **1,981** | 2,086 |
| Social security costs | **205** | 236 |
| Other pension costs (note 16) | **88** | 81 |
| **Total salary costs** | **2,274** | 2,403 |

| | 2018 | 2017 |
|---|---|---|
| **Average monthly number of people (including executive directors) employed** | | |
| Production | **37** | 46 |
| Sales and distribution | **6** | 6 |
| General and administration | **10** | 10 |
| **Total** | **53** | 62 |

The aggregate remuneration paid to Directors was nil (2017: nil).

There were no executives who acted as a director during the year (2017: nil) and were a member of ABSL's Company personal pension scheme. The scheme is a funded scheme of the defined contribution type.

# Notes to the financial statements for the year ended 31 March 2018 (continued)

## 16 Pension costs

The Company 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:

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Defined contribution schemes | 88 | 81 |

## 17 Operating lease commitments - minimum lease payments

At 31 March 2018 the Company has lease agreements in respect of properties, plant and equipment, for which the payments extend over a number of years.

| | 2018<br>£'000 | | 2017<br>£'000 | |
|---|---|---|---|---|
| **Future minimum lease payments within the following periods** | **Properties** | **Plant & equipment** | Properties | Plant & equipment |
| Within one year | 160 | 9 | 160 | 6 |
| Later than one year and less than five years | 480 | 13 | 640 | 12 |
| **Total** | 640 | 22 | 800 | 18 |

## 18 Capital commitments and contingent liabilities

At 31 March 2018, the following guarantees were in place in relation to the Company's operations:

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Performance bonds | 371 | 350 |
| VAT / Duty deferment guarantee | 50 | 50 |
| Total | 421 | 400 |

No economic outflow is expected as a result of these contingencies.

## 19 Controlling party and ultimate parent company

EnerSys, a company incorporated in the United States of America, is considered to be the ultimate parent company. Copies of the accounts of EnerSys can be obtained from the head office at the following address; 2366 Bernville Rd, Reading, Pennsylvania, 19605, USA. This is the smallest and largest group which prepares consolidated accounts.

The immediate parent company of ABSL Power Solutions Ltd is EnerSys Holdings UK Ltd.