AGM Batteries Limited

Annual Report and Financial Statements

for the year ended 31 March 2002

Registered number: 3479383

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AGM Batteries Limited

Annual Report and Financial Statements

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Officers and Professional Advisers

Directors

Mr A M Jeffery (Managing Director)	
Mr R Proctor	
Mr A McCree	
Mr M Ono	Resigned 10 July 01
Mr M Yamachi	
Dr P Watson	
Mr M Mizutani	
Mr N Komada	Appointed 10 July 01
Mr A Mochizuki	
Mr D Loughborough	

Company Secretary

Miss C G Murray

Registered Office

329 Harwell
Harwell
Didcot
Oxfordshire
OX11 0QJ

Bankers

Lloyds TSB Bank Plc
City Office
11-15 Monument Street
London
EC3V 9JA

Auditors

PricewaterhouseCoopers
9 Greyfriars Road
Reading
RG1 1JG

Directors' Report
for the year ended 31 March 2002

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

Principal Activity

The principal activity of the Company is the design, manufacture and sale of lithium-ion cells to meet the diverse requirements of industrial, military and consumer markets.

Review of the Business

Following the consolidation of production at the Thurso factory, Lithium-ion cells were produced in volume for a variety of specialist applications. An improved cell design specifically aimed at high-level military applications was developed and put into production. This improved cell has superior characteristics in respect of energy density, cycle life and low temperature performance, and its use was instrumental in winning a significant military communications contract for AGM's sister company, AEA Battery Systems.

However, delays in the expected award of some key military and distribution contracts have resulted in greater losses than anticipated.

Future Developments

The major focus of activity continues to be the promotion of business growth and specifically in extending still further the sales and customer base. This process is now being facilitated by the completed co-location of the AEA Battery Systems assembly operation at Thurso.

Results & Dividends

The loss on ordinary activities before tax for the year amounted to £1,794,264 (2001: £1,905,034).

The directors do not recommend the payment of a dividend (2001: nil).

Research & Development

The major R&D effort over the last year has been the design, testing and implementation of the improved performance Lithium-ion cell. The performance of this product has placed it in the forefront of available Lithium-ion technology. Implementation into manufacture has included the introduction of new, leading edge equipment for the production of electrode materials and cell components.

Research & Development expenditure during the year amounted to £228,108 (2001: £157,774).

Directors and their Interests

The directors who held office during the year are shown on page 1.

The directors are elected representatives and as such have no individual shareholdings in AGM Batteries Limited. The directors' interests in the ordinary shares of the Company throughout the year ended 31 March 2002 were nil (2001: nil).

Directors' report
for the year ended 31 March 2002 (continued)

Directors and their Interests (continued)

The interests of A McCree and P Watson in the ordinary shares of AEA Technology plc, the parent company, are disclosed in the AEA Technology plc Annual Report.

The interests of other directors of AGM Batteries Limited in the 10p ordinary shares of AEA Technology plc were:

	31 March 2002 No. of shares	31 March 2001 No. of shares
Mr D Loughborough	**127**	127
Mr R Proctor	**4,010**	4,010

Conditional awards of shares have been made under the AEA Technology plc Long-Term Incentive Plan (LTIP). These awards are subject to Group performance criteria being met over a three year period from the date of the award (see note 22).

	Scheme	Conditional award of shares at 1 April 2001	Lapsed in year	**Conditional award of shares at 31 March 2002**
Mr D Loughborough	1999	3,838	(3,838)	-
Mr R Proctor	1999	27,200	(27,200)	-

The interests of the other directors of AGM Batteries Limited in options to subscribe for the 10p ordinary shares of AEA Technology plc are set out below. All options granted are under the SAYE share option scheme (note 22) except as noted below.

	31 March 2001	Granted/ exercised in the year	Expired/ lapsed in the year	**31 March 2002**	Exercise price	Date from which exercisable	Expiry date
Mr AM Jeffery	956	-	-	**956**	£3.200	01/03/03	31/08/03
	8,163*	-	-	**8,163**	£3.675	22/07/02	22/07/09
	820	-	-	**820**	£2.360	01/03/04	31/08/04
	7,547*	-	-	**7,547**	£3.975	30/06/03	30/06/10
	-	1,551	-	**1,551**	£1.960	01/03/05	31/08/05
	-	10,118*	-	**10,118**	£2.965	26/06/04	26/06/11
Mr D Loughborough	2,678	-	-	**2,678**	£2.240	01/11/01	30/04/02
	1,611	-	(1,611)	-	£3.630	01/03/01	31/08/01
	11,320*	-	-	**11,320**	£3.975	30/06/03	30/06/10
	-	18,212*	-	**18,212**	£2.965	26/06/04	26/06/11
Mr R Proctor	6,696	(6,584)	(112)	-	£2.240	01/11/01	30/04/02
	60,335*	-	(60,335)	-	£4.475	8/08/03	08/08/10
	6,779*	-	(6,779)	-	£4.425	20/09/03	20/09/10

* These options have been granted under the Company Share Option Plan and are subject to certain performance criteria being met (note 22).

Directors' report
for the year ended 31 March 2002 (continued)

The market price on the date of exercise of options was £2.385.

Otherwise, no directors had an interest at any time in the year in the share capital of the Company or other company within the AEA Technology plc Group.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year, that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the year. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 9 under note 1 'Accounting Policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Elective resolutions to dispense with holding Annual General Meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force.

By order of the Board

Miss C G Murray
Company Secretary
06th August 2002

Independent Auditors' Report to the Members of AGM Batteries Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet , the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom auditing standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

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

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

Opinion

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading
20 August 2002

Profit and Loss Account for the year ended 31 March 2002

	Note	2002 £	2001 (restated) £
Turnover	2	**284,124**	67,291
Cost of sales	3	**(1,031,693)**	(599,621)
Gross loss		**(747,569)**	(532,330)
Distribution costs		-	(42,162)
Administrative expenses		**(1,028,865)**	(1,411,005)
Other operating income	6	**112,149**	114,305
Operating loss	7	**(1,664,285)**	(1,871,192)
Interest payable and similar charges	8	**(129,979)**	(33,842)
Loss on ordinary activities before taxation		**(1,794,264)**	(1,905,034)
Tax credit on loss on ordinary activities	9	**547,102**	523,093
Loss for the year	17	**(1,247,162)**	(1,381,941)

All activities of the Company are continuing.

The Company has no recognised gains and losses other than the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

Reconciliation of Movements in Shareholders' Funds for the year ended 31 March 2002

	Note	2002 £	2001 (restated) £
Shareholders' funds at 1 April (Previously £1,752,417 before adding prior year adjustment of £27,803 (note 15))		**1,780,220**	3,162,161
Loss for the year		**(1,247,162)**	(1,381,941)
Issue of new shares	16	**500,000**	-
Shareholders' funds 31 March		**1,033,058**	1,780,220

Balance Sheet as at 31 March 2002

	Note	2002 £	2001 (restated) £
Fixed assets			
Tangible assets	10	**6,188,127**	4,583,480
Current assets			
Stock	11	**633,690**	542,310
Debtors: amounts falling due in less than one year	12	**1,713,267**	938,130
Debtors: amounts falling due in more than one year	12	**100,643**	27,803
		2,447,600	1,508,243
Creditors: amounts falling due within one year	13	**(5,916,585)**	(3,032,233)
Net current liabilities		**(3,468,985)**	(1,523,990)
Total assets less current liabilities		**2,719,142**	3,059,490
Creditors: amounts falling due after more than one year	14	**(1,686,084)**	(1,279,270)
Total net assets		**1,033,058**	1,780,220
Capital and reserves			
Called up share capital	16	**4,064,000**	3,564,000
Profit and loss account deficit	17	**(3,030,942)**	(1,783,780)
Equity shareholders' funds		**1,033,058**	1,780,220

The financial statements on pages 6 to 18 were approved by the Board of Directors on 30th June 2002 and were signed on its behalf by:

A M Jeffery
Director

Cash Flow Statement
For the year ended 31 March 2002

	Note	2002 £	2001 £
Net cash inflow/(outflow) from operating activities	20	**959,442**	(694,341)
Returns on investments and servicing of finance			
Interest paid		**(129,979)**	(33,842)
Net cash outflow from returns on investments and servicing of finance		**(129,979)**	(33,842)
Taxation		**317,458**	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(1,456,840)**	(112,815)
Net cash outflow from capital expenditure and financial interest		**(1,456,840)**	(112,815)
Net cash outflow before use of liquid resources and financing		**(309,919)**	(840,998)
Management of liquid resources		-	-
Financing			
Issue of ordinary share capital	16	**500,000**	-
Increase/(decrease) in net cash in the year	21	**190,081**	(840,998)

Notes to the Financial Statements for the year ended 31 March 2002

1 Accounting policies

The financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Changes in Accounting Standards

FRS 18 (Accounting policies) has been adopted in this accounting period, but not resulted in any change being made to the company's accounting policies and estimates.

FRS 19 (Deferred tax) has also been adopted in this accounting period and has resulted in a prior year adjustment (note 15).

Tangible fixed assets

Tangible fixed assets are recorded at cost less accumulated depreciation.

Depreciation is provided to write off the cost, less their estimated residual values, on a straight-line basis, over the estimated useful economic lives of the assets. Assets in the course of construction are not depreciated. The periods of depreciation are as follows:

Plant and equipment	10 – 20 years

Stock

Stock is valued at the lower of cost and net realisable value. For finished goods, cost comprises purchase cost plus production and related overheads.

Deferred taxation

Deferred taxation is provided on a full provision basis, without discounting, on all timing differences which have arisen but not reversed at the balance sheet date.

The deferred tax balance has been measured at the tax rate expected to apply when timing difference reverse. Deferred tax assets are recognised to the extent that it is regarded as more likely that not that they will be recovered.

Government grants

i) Capital based government grants are included within deferred grant income in respect of capital expenditure in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

i) Working capital and revenue based government grants are credited to operating profit to match the expenditure to which they relate. Any amounts received that are unrecognised in the period are included within creditors in the balance sheet.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account as incurred.

1 Accounting policies (continued)

Foreign currencies

All transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction, or at the contracted rate if the transaction is covered by forward exchange agreements.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at the balance sheet date or, if appropriate, at the forward contracted rate. All foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Leases

Operating rentals are charged to profit and loss account on a straight-line basis over the lease term.

Pension costs

The company operates a defined contribution scheme for all employees with the exception of two employees who are members of the defined benefit scheme operated by the parent company, AEA Technology plc, known as the AEA Technology Pension Scheme. Contributions in relation to the defined contribution scheme are charged to the profit and loss account as incurred and are disclosed in note 5.

Costs in relation to the AEA Technology defined benefit pension scheme are charged to the profit and loss account so as to spread the cost over the expected average remaining services lives of employees. Variations from regular cost are spread over the average remaining services lives of the members of the schemes. Actuarial valuations of the schemes are carried out periodically and the rates of contribution payable and the pension costs are determined having regard to the results of these valuations. The funding policy may differ from the accounting policy in the recognition of any surplus/deficit or cost of benefit improvements, which may be over a shorter period than the average remaining service lives of employees.

The transitional arrangements of Financial Reporting Standard 17: Retirement Benefits have been applied in the preparation of these financial statements with the relevant disclosures being made in note 5.

Turnover

Turnover represents amounts (excluding value added tax) earned in respect of products delivered and services rendered to customers net of trade discounts.

2 Turnover

Turnover arises from the principal activity, and can be analysed by geographical destination as follows:

	2002	2001
	£	£
United Kingdom	**100,341**	23,250
Europe	**64,402**	4,250
United States of America	**50,014**	31,641
Rest of the World	**69,367**	8,150
	284,124	67,291

3 Cost of sales

Included in cost of sales is the cost of materials and labour incurred in the commissioning of equipment and the testing of products amounting to £442,291 (2001: £556,975).

4 Information regarding directors and employees

	2002	2001
	£	£
Directors' emoluments		
Aggregate directors' emoluments	**61,013**	60,272

Retirement benefits are accruing to one director (2001: one) under a defined benefit pension scheme.

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	Number	Number
By activity		
Production	**10**	20
Administration	**27**	5
	37	25

Within administration staff, there are 10 people who work full time for another group company. Costs in relation to these staff are borne in full by this other group company.

	£	£
Staff costs (including directors)		
Wages and salaries	**620,926**	462,813
Social security costs	**46,308**	33,730
Other pension costs	**23,351**	19,444
	690,585	515,987

There are no material prepayments or accruals at either balance sheet date relating to pensions (2001: £nil).

5 Pension costs

The Company operates two pension schemes, one defined contribution and the other defined benefit type.

a. The pension cost for the defined contribution scheme is £13,910 (2001: £10,546).

b. The Company participates in a funded group pension scheme operated by AEA Technology plc. The pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the scheme was at 31 March 2000. Particulars of the valuation are contained in the accounts of AEA Technology plc.

   The 31 March 2000 valuation has been updated to 31 March 2002 by a qualified independent actuary for FRS 17 purposes. The principal assumptions are disclosed in the accounts of AEA Technology plc. The aggregate pension scheme deficit over the whole scheme at 31 March 2002 was £54.4m. Since more than one employer participates in the AEA Technology plc scheme arrangements, the company is unable to identify its share of this deficit. The pension cost for the defined benefit scheme was £9,441 (2001: £8,898).

6 Other operating income

		2002	2001
		£	£
Other operating income comprises:			
Grants receivable from Government Enterprise Boards:	Development Grant	**95,398**	114,305
	Building Grant	**4,945**	-
	Training Grant	**11,806**	-
		112,149	114,305

7 Operating loss

	2002	2001
	£	£
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	**318,213**	317,012
Operating lease charges		
Other	**91,200**	91,200
Auditors' remuneration:		
Audit services	**6,000**	6,000
Non-audit services	**2,250**	-
Research and development expenditure	**228,108**	157,774

8 Interest payable and similar charges

	2002	2001
	£	£
Interest payable on bank overdraft	**63,099**	31,678
Interest payable on loans from parent company	**66,880**	2,164
	129,979	33,842

9 Tax credit on loss on ordinary activities

	2002	2001 (restated)
	£	£
United Kingdom corporation tax at 30% (2001:30%)		
Amount receivable in respect of consortium relief		
Current year	**473,763**	405,874
Under-provision in prior year	**499**	86,119
Deferred taxation (note 15)	**72,840**	31,100
	547,102	523,093

The tax credit assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £	2001 (restated) £
Loss on ordinary activities before tax	**(1,794,264)**	(1,905,034)
Loss on ordinary activities multiplied by standard rate in the UK 30% (2001: 30%)	**538,279**	571,510
Effects of:		
Capital allowances in excess of depreciation	**251,326**	(165,636)
Consortium losses not available	**(315,842)**	-
	473,763	405,874

10 Tangible fixed assets

	Plant and equipment £	Assets in course of construction £	Total £
Cost			
At 1 April 2001	4,383,094	569,067	4,952,161
Additions	-	1,922,860	1,922,860
Transferred to plant & equipment	107,714	(107,714)	-
At 31 March 2002	**4,490,808**	**2,384,213**	**6,875,021**
Accumulated depreciation			
At 1 April 2001	368,681	-	368,681
Charge for the year	318,213	-	318,213
At 31 March 2002	**686,894**	**-**	**686,894**
Net book amount			
At 31 March 2002	**3,803,914**	**2,384,213**	**6,188,127**
At 31 March 2001	4,014,413	569,067	4,583,480

11 Stock

	2002 £	2001 £
Raw materials and consumables	**479,729**	351,504
Finished goods and goods for resale	**153,961**	190,806
	633,690	542,310

12 Debtors

	2002	2001 (restated)
	£	£
Amounts falling due within one year		
Trade debtors	**98,113**	2,554
Amounts owed by fellow subsidiaries	**45,643**	-
Other debtors	**479,568**	135,452
Corporation tax: amount receivable for consortium relief	**880,136**	723,332
VAT recoverable	**196,447**	69,982
Prepayments and accrued income	**13,360**	6,810
	1,713,267	938,130
Amounts falling due in more than one year		
Deferred tax (note 15)	**100,643**	27,803
	1,813,910	965,933

13 Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank overdraft	**831,617**	1,021,698
Trade creditors	**272,674**	282,782
Amounts due to parent company	**3,748,959**	1,463,192
Amounts due to other group companies	**26,062**	-
Taxation and social security	**18,862**	19,429
Deferred grant income in respect of capital expenditure	**163,318**	96,604
Accruals and deferred income	**855,093**	148,528
	5,916,585	3,032,233

The amount due to parent company includes two loans totalling £3,728,641. Interest is payable on £2,195,261 of this loan at 1% above base rate. There is no fixed date for repayment. Interest does not accrue on other amounts due to the parent company.

14 Creditors: amounts falling due after more than one year

		2002	2001
		£	£
Deferred grant income in respect of capital expenditure:	due between 1 and 2 years	**163,318**	96,604
	due between 2 and 5 years	**489,954**	289,812
	due in greater than 5 years	**1,032,812**	892,854
		1,686,084	1,279,270

15 Deferred taxation

	2002 £	2001 (restated) £
Amounts (recognised)/provided in respect of deferred taxation		
Accelerated capital allowances	**816,300**	563,475
Tax effect of losses carried forward	**(916,943)**	(591,278)
Deferred tax asset	**(100,643)**	(27,803)
At 31 March as previously reported	-	-
Prior year adjustment	**(27,803)**	3,297
At 31 March restated	**(27,803)**	3,297
Deferred tax credit in profit and loss account (note 9)	**(72,840)**	(31,100)
At 31 March	**(100,643)**	(27,803)

The prior year adjustment relates to a change in accounting policy following the adoption of FRS 19, Deferred tax. As a result, a deferred tax asset of £100,643 (2001: £27,803) has been recognised.

16 Called up share capital

	2002 £	2001 £
Authorised		
Class A - 5,500,000 ordinary shares at £1 each	**5,500,000**	5,500,000
Class B - 2,500,000 ordinary shares at £1 each	**2,500,000**	2,500,000
Class C - 2,000,000 ordinary shares at £1 each	**2,000,000**	2,000,000
	10,000,000	10,000,000
Called up, allotted and fully paid		
Class A - 2,460,200 (2001: 1,960,200) ordinary shares at £1 each	**2,460,200**	1,960,200
Class B - 891,000 ordinary shares at £1 each	**891,000**	891,000
Class C - 712,800 ordinary shares at £1 each	**712,800**	712,800
	4,064,000	3,564,000

All shares have equal dividend and voting rights, and priority to amounts receivable on winding up. On 11 June 2001, 500,000 class A ordinary shares were issued to AEA Technology plc for cash consideration of £500,000. This increased AEA Technology plc's holding in AGM Batteries Limited to 60.5% (2001 : 55%).

17 Profit and loss account

	2002 £
At 1 April as previously stated	**(1,811,583)**
Prior year adjustment (note 15)	**27,803**
At 1 April as restated	**(1,783,780)**
Loss for the year	**(1,247,162)**
At 31 March	**(3,030,942)**

18 Financial commitments

At 31 March 2002 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings	
	2002	2001
	£	£
Within 2 to 5 years	**152,500**	-
After 5 years	**-**	152,500
	152,500	152,500

19 Contingent liabilities

The Company is a member of the AEA Technology plc VAT group along with the parent company and 24 other subsidiaries. The Company is jointly liable for the total VAT liability of the Group, which was £3.3m at 31 March 2002 (2001: £7.9m).

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

	2002	2001
	£	£
Operating loss	**(1,664,285)**	(1,871,192)
Depreciation	**318,213**	317,012
Increase in stocks	**(91,380)**	(15,111)
(Increase)/decrease in debtors	**(618,333)**	86,861
Increase in creditors	**2,541,699**	849,048
Increase/(decrease) in deferred grant income	**473,528**	(60,959)
Net cash outflow from operating activities	**959,442**	(694,341)

21 Reconciliation to net debt and analysis of net debt

	2002	2001
	£	£
Net (debt) at 1 April	**(1,021,698)**	(180,700)
Increase/(decrease) in cash in the year	**190,081**	(840,998)
Net (debt) at 31 March	**(831,617)**	(1,021,698)

	At 1 April 2001	Cash flow	**At 31 March 2002**
	£	£	**£**
Cash at bank and in hand	-	-	**-**
Overdraft	(1,021,698)	190,081	**(831,617)**
	(1,021,698)	190,081	**(831,617)**

22 Share option schemes and LTIP

SAYE share option scheme

An Inland Revenue-approved scheme is operated by the Company's parent company, AEA Technology plc. The scheme provides for all eligible employees of the parent company and its subsidiaries who enter into a save-as-you-earn contract to be granted an option to acquire shares of AEA Technology plc at a price which is fixed at the time of the option was granted. Options may be exercised three or five years after the commencement of the savings contract.

Further details of the scheme are given in the Annual Accounts of AEA Technology plc.

Company Share Option Plan

In 1999, the Company's parent company, AEA Technology plc, established an Inland Revenue-approved CSOP and an unapproved CSOP for which all employees are eligible. At 31 March 2002, options were outstanding under the 1999, 2000 and 2001 CSOP schemes at option prices of £3.675, £3.975 and £2.965 respectively. They are subject to AEA Technology plc share price performance over a three-year performance period from 1 April.

Further details of the scheme are given in the Annual Accounts of AEA Technology plc.

Long-Term Incentive Plan (LTIP)

A LTIP was introduced in 1997 and was used annually to 1999. Conditional awards of shares are subject to AEA Technology Group performance criteria being met over a three-year period from the date of the award. The final measurement of the performance criteria for the 1999 LTIP award was made on 31 March 2002. Awards made under this plan will not vest.

23 Related party disclosures

The Directors regard AEA Technology plc as the ultimate controlling party.

During the year, AGM Batteries Limited has resourced its operations through the sub-contracting of personnel, goods and services from all three of its shareholders and their related parties.

Included within amounts due to related parties below are loans of £2,195,261 (2001 : £470,000) on which there is interest accruing at 1% above the base rate, and £1,533,380 (2001 : £nil) on which there is no interest accruing. There is no fixed date for repayment set on either loan.

	£	£
Sales to:		
AEA Technology Battery Systems Limited	**93,450**	19,810
Japan Storage Battery Company Limited	**4,475**	1,900
Mitsubishi Materials Corporation	**607**	-
AEA Technology plc	**4,619**	-
Accentus plc	**2,145**	-
Purchases from:		
AEA Technology plc	**198,012**	352,759
GS Battery Finance UK Limited	**1,713,970**	207,747
AEA Technology Battery Systems Limited	**41,208**	15,813
Accentus Plc	**121,110**	
Amounts due to related parties:		
AEA Technology plc	**3,748,959**	1,448,915
GS Battery Finance UK Limited	**126,956**	32,110
Accentus Plc	**26,062**	-
AEA Technology Battery Systems Limited	**-**	14,294
Amounts owed by related parties:		
AEA Technology Battery Systems Limited	**45,643**	-

AEA Technology Battery Systems Limited is a wholly owned subsidiary of AEA Technology plc.
Accentus Plc is a wholly owned subsidiary of AEA Technology plc.
Japan Storage Battery Company Limited is the parent company of GS Battery Finance UK Limited, one of the Company's shareholders.
Mitsubishi Materials Corporation is one of the company's shareholders.

24 Ultimate parent company

The Company is a 60.5% subsidiary of AEA Technology plc, the ultimate parent company and controlling party which is incorporated in Great Britain.

Copies of the ultimate parent company's consolidated accounts may be obtained from the Secretary of AEA Technology plc, 329 Harwell, Didcot, Oxfordshire. OX11 0QJ.