

AGM Batteries Limited

**Annual Report and Financial Statements
for the year ended 31 March 2001**

Registered number: 3479383



AGM Batteries Limited

Annual Report and Financial Statements

Contents	Pages
Officers and Professional Advisers	1
Directors' Report	2
Auditors' Report	5
Profit and Loss Account	6
Reconciliation of Movements in Shareholders' Funds	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	9

Officers and Professional Advisers

Directors

Mr A M Jeffery (Managing Director)

Mr R Proctor (Finance Director)

Mr A McCree

Dr R J Neat

resigned 2 January 2001

Mr M Ono

Dr C Wright

resigned 3 May 2000

Mr M Yamachi

Mr M Yoshizumi

resigned 29 June 2000

Dr P Watson

appointed 4 May 2000

Mr M Mizutani

appointed 29 June 2000

Mr A Mochizuki

appointed 29 June 2000

Mr D Loughborough

appointed 3 January 2001

Mr K Hayashi

resigned 29 June 2000

Company Secretary

Miss C G Murray

Registered Office

Culham Science Centre

E1 Culham

Abingdon

OX14 3DB

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 2001**

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2001.

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

The manufacturing process at the Thurso factory was consolidated during the first full year of production, and limited quantities of lithium-ion cells were sold for a variety of specialist applications as well as for test and evaluation. A new cell specifically aimed at US military and associated applications has been developed and introduced into the market.

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 will continue to be to promote the growth of the business, and specifically to build sales and the customer base. This activity will be facilitated by the co-location of AEA Technology's battery assembly operation at the Thurso factory, and by the product and process improvements described below.

Results & Dividends

The loss before tax for the year amounted to £1,905,034.

The directors do not recommend the payment of a dividend.

Research & Development

Improved performance versions of both standard cells have been under development during 2000 and the first half of 2001. These products will be introduced into the market in September 2001 and their performance characteristics will place them at the forefront of available lithium-ion technology.

The manufacturing process will also be upgraded to improve production yields by a phased introduction of new and modified equipment between June 2001 and March 2002.

Research and development expenditure during the year amounted to £157,774 (2000: £ 177,919).

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 2001 were nil (2000: nil).

Directors' report for the year ended 31 March 2001 (continued)

Directors and their Interests (continued)

The interests of A McCree, R Proctor and P Watson in the ordinary shares of AEA Technology plc, the parent company, are disclosed in the AEA Technology plc Annual Report. There was no movement in the interests held at 31 March 2000 and the date of appointment for either A McCree (appointed to the Board of AEA Technology plc) or P Watson (appointed to the Board of AGM Batteries Limited).

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

	31 March 2001	31 March 2000 (or date of appointment)
	No. of shares	No. of shares
Mr D Loughborough	127	127

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 31 March 2001	Conditional award of shares at 1 April 2000 (or date of appointment)
Mr D Loughborough	1999	3,838	3,838

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 2000 (or date of appointment)	Granted in the year	31 March 2001	Exercise price	Date from which exercisable	Expiry date
Mr AM Jeffery	956	-	956	£3.20	1/3/03	31/8/03
	8,163*	-	8,163	£3.675	22/7/02	22/7/09
	-	820	820	£2.36	1/3/04	31/8/04
	-	7,547*	7,547	£3.975	30/6/03	30/6/10
Mr D Loughborough	2,678	-	2,678	£2.24	1/11/01	30/4/02
	1,611	-	1,611	£3.63	1/3/01	31/8/01
	11,320*	-	11,320	£3.975	30/6/03	30/6/10

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

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.

**Directors' report
for the year ended 31 March 2001 (continued)**

Post balance sheet event

On 11 June 2001, the Company issued a further 500,000 Class "A" £1 ordinary shares at par to the parent company, AEA Technology plc.

Statement of Directors' Responsibilities

The Directors are required by UK company law 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 that period. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

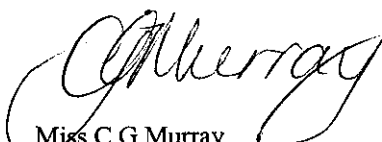
The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2001. The Directors also confirm that applicable accounting standards have 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.

Appointment of 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
17th August 2001

Auditors' Report to the Members of AGM Batteries Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 2001 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
Chartered Accountants and Registered Auditors
Reading
17th August 2001

**Profit and Loss Account
for the year ended 31 March 2001**

	Note	2001 £	2000 £
Turnover	2	67,291	29,027
Cost of sales	3	(599,621)	(205,587)
Gross loss		(532,330)	(176,560)
Distribution costs		(42,162)	-
Administrative expenses		(1,411,005)	(1,180,968)
Other operating income	6	114,305	575,924
Operating loss	7	(1,871,192)	(781,604)
Interest receivable and similar income		-	57,686
Interest payable and similar charges	8	(33,842)	-
Loss on ordinary activities before taxation		(1,905,034)	(723,918)
Tax credit on loss on ordinary activities	9	491,993	218,337
Loss for the year	17	(1,413,041)	(505,581)

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 2001**

	Note	2001 £	2000 £
Shareholders' funds at 1 April		3,165,458	2,067,039
Loss for the year		(1,413,041)	(505,581)
Issue of new shares	16	-	1,604,000
Shareholders' funds 31 March		1,752,417	3,165,458

Balance Sheet

as at 31 March 2001

	Note	2001 £	2000 £
Fixed assets			
Tangible assets	10	4,583,480	4,787,677
Current assets			
Stocks	11	542,310	527,199
Debtors	12	938,130	532,998
Cash at bank and in hand		-	34
		<u>1,480,440</u>	<u>1,060,231</u>
Creditors: amounts falling due within one year	13	(3,032,233)	(1,345,464)
Net current liabilities		<u>(1,551,793)</u>	<u>(285,233)</u>
Total assets less current liabilities		<u>3,031,687</u>	<u>4,502,444</u>
Creditors: amounts falling due after more than one year	14	(1,279,270)	(1,336,986)
Total net assets		<u>1,752,417</u>	<u>3,165,458</u>
Capital and reserves			
Called up share capital	16	3,564,000	3,564,000
Profit and loss account	17	(1,811,583)	(398,542)
Equity shareholders' funds		<u>1,752,417</u>	<u>3,165,458</u>

The financial statements on pages 6 to 17 were approved by the Board of Directors on 15th August 2001 and were signed on its behalf by:



A M Jeffery
Director

**Cash Flow Statement
for the year ended 31 March 2001**

	Note	2001 £	2000 £
Net cash outflow from operating activities	20	(694,341)	(2,283,909)
Returns on investments and servicing of finance			
Interest received		-	57,686
Interest paid		(33,842)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(33,842)	57,686
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(112,815)	(1,859,283)
Net cash outflow before use of liquid resources and financing		(840,998)	(4,085,506)
Management of liquid resources		-	-
Financing			
Issue of ordinary share capital	16	-	1,604,000
Decrease in cash	21	(840,998)	(2,481,506)

Notes to the Financial Statements for the year ended 31 March 2001

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

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
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Stocks

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

Deferred taxation

Provision is made for deferred taxation, using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

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.

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.

1 Accounting policies (continued)

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 two exceptions. Contributions to pension schemes in respect of current and past services, ex gratia pensions, and cost of living adjustments to existing pensions are based on the advice of actuaries. Contributions are charged to the profit and loss account on the basis that spreads the expected cost of providing pensions over the employees' working lives with the Company.

Two employees are members of the defined benefit pension scheme operated by the parent company, AEA Technology plc, known as the AEA Technology Pension Scheme, details of which can be obtained from the AEA Technology plc Annual Report, available from AEA Technology plc, 329 Harwell, Didcot, Oxfordshire OX11 0QJ. Contributions and pension costs are based on pension costs across the group as a whole. Pension costs are accounted for on a basis of charging the expected cost of providing pensions over the whole period during which the Company benefits from the employees' services. The effects of variations from regular costs are spread over the expected remaining working lifetime of members of the scheme after making suitable allowances for future withdrawals.

Turnover

Turnover represents amounts (excluding value added tax) derived from the provision of goods and services to customers net of trade discount.

2 Turnover

Turnover can be analysed by geographical destination as follows:

	2001 £	2000 £
United Kingdom	23,250	10,310
Europe	4,250	-
United States of America	31,641	11,598
Rest of the World	8,150	7,119
	<u>67,291</u>	<u>29,027</u>

3 Cost of sales

Included in cost of sales is the cost of materials and labour (2000: materials only) incurred in the commissioning of equipment and the testing of products amounting to £556,975 (2000: £191,027).

