

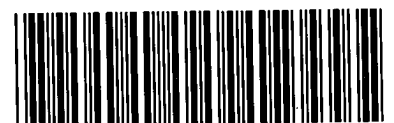
Missiles & Space Batteries Limited

Registered number: SC162626

Directors' report and financial statements

For the year ended 31 December 2016

SATURDAY



S66D2JC8

SCT

13/05/2017

#54

COMPANIES HOUSE

MISSILES & SPACE BATTERIES LIMITED

COMPANY INFORMATION

Directors

J E E Desprez
A Greig
M Hainaut
S Williams
E Tersen (appointed 8 November 2016)

Company secretary

A Greig

Registered number

SC162626

Registered office

Hagmill Road
East Shawhead
Coatbridge
Scotland
ML5 4UZ

INDEPENDENT AUDITOR

Mazars LLP
Chartered Accountants & Statutory Auditor
90 St Vincent Street
Glasgow
G2 5UB

Bankers

Barclays Bank plc
30 St Werburgh Street
Chester
CH1 2DY

MISSILES & SPACE BATTERIES LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditor's Report	5 - 6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 25

MISSILES & SPACE BATTERIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The principal activity of the Company is the research, design and manufacture of thermal batteries for defence and aerospace applications. There have been no changes in the Company's principal activities in the year under review and no changes in the Company's activities are expected in the next year.

Business review

The business had its best ever year for sales and profit in 2016, continuing on from the good results in 2015. We anticipate another good year in 2017, with sales again more than £10 million and a good level of profitability. To achieve this, the company will continue to build on the improvements in quality, efficiency and planning that have brought great success in the last three years.

Principal risks and uncertainties

Competitive pressure in all of the markets in which the company does business is a continuing risk for the company, which could result in it losing contracts to its key competitors. The Company manages this risk by providing good quality products, designed to customer specifications at competitive prices.

The majority of the Company's sales are invoiced in Pounds Sterling, thereby reducing exposure to movements in exchange rates. Where important contracts are expressed in other currencies, appropriate currency risk monitoring procedures are in place.

The Explosives Licence for the factory is regularly revised to take account of changes in the factory and site layout.

Some important component materials in thermal batteries are sourced in the USA. These are subject to strict export controls and regulations by the US authorities (US ITAR regulations). Delays in obtaining these, and any other key components, could have an adverse impact on production planning. The ASB Group continues to develop alternative sources for all ITAR materials.

The directors are not aware of any significant events since the balance sheet date which would have a material impact on these financial statements.

MISSILES & SPACE BATTERIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Financial key performance indicators

The Company's key performance indicators of sales, operating profit and cash flow are considered below.

As shown in the company's Statement of Comprehensive Income on page 7, sales increased by 35% compared with the previous year, reaching a record level of £11,403,626. This was due to some production activity deferred from 2015 and increased demand for certain product lines in 2016. We have a strong order book at the end of 2016 and expect sales to again be more than £10 million in 2017.

Operating profit increased from £2,406,201 in 2015 to £3,925,377 this year. This improvement in profit is due to higher sales, good margins and continuing improvements in quality and efficiency. The operating profit in 2016 included £259,000 of restructuring costs.

The Statement of Financial Position on page 8 shows that the Company's financial position at the year end, in net assets terms, increased during the year. Cash flows from operating activities were significant and enabled the company to fund a dividend of £2,700,000 (2015 - £1,200,000) and capital expenditure of £219,912 (2015 - £297,410). The net balance with Airbus Group Treasury improved from £1,007,722 at 31 December 2015 to £2,996,949 at 31 December 2016.

Details of all amounts due to and from the Company's parent company and other related parties are shown in note 27 on page 24.

The Company manages its sole operation in a single geographical region. For this reason, the Company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

This report was approved by the board on 03 May 2017 and signed on its behalf.



.....
A Greig
Director

MISSILES & SPACE BATTERIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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.

Results and dividends

The profit for the year, after taxation, amounted to £3,146,612 (2015 - £1,926,013).

Particulars of dividends paid are detailed in note 12 to the financial statements.

Directors

The directors who served during the year were:

B J Dathis (resigned 14 April 2016)

J E E Desprez

A Greig

M Hainaut

S Williams

E Tersen (appointed 8 November 2016)

Future developments

There are no plans for any significant changes to the nature of the business in the near future.

The directors anticipate another good year in 2017, with sales of over £10 million and a net profit of more than 20%. The company has a strong order book at the end of 2016 and we expect this level of sales to continue for the next few years. We will continue to improve production planning, efficiency and quality and will invest in the people and equipment necessary to maintain the expected high level of activity.

MISSILES & SPACE BATTERIES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

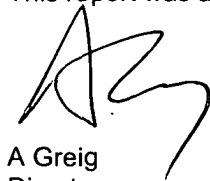
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 03 May 2017 and signed on its behalf.



A Greig
Director

MISSILES & SPACE BATTERIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MISSILES & SPACE BATTERIES LIMITED

We have audited the financial statements of Missiles & Space Batteries Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Accounting Standards), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MISSILES & SPACE BATTERIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MISSILES & SPACE BATTERIES LIMITED

Matters on which we are required to report by exception

In 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 and Directors' Report.

We have nothing to report in respect of the following matters where 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.



Fiona Martin (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

90 St Vincent Street
Glasgow
G2 5UB

Date: 9/5/17

MISSILES & SPACE BATTERIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	4	11,403,626	8,443,990
Cost of sales		(5,941,840)	(5,146,499)
Gross profit		5,461,786	3,297,491
Distribution costs		(83,634)	(54,143)
Administrative expenses		(1,468,098)	(853,052)
Other operating income	5	15,323	15,905
Operating profit	6	3,925,377	2,406,201
Interest receivable and similar income	10	8,118	2,735
Profit before tax		3,933,495	2,408,936
Tax on profit	11	(786,883)	(482,923)
Profit for the year		3,146,612	1,926,013
 Total comprehensive income for the year		 3,146,612	 1,926,013

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

The notes on pages 11 to 25 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED
REGISTERED NUMBER: SC162626

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	13	1,087,551	1,270,147
Current assets			
Stocks	14	1,366,227	1,853,790
Debtors: amounts falling due within one year	15	4,187,314	2,615,284
Cash at bank and in hand	16	55,237	14,735
		<u>5,608,778</u>	<u>4,483,809</u>
Creditors: amounts falling due within one year	17	(1,788,111)	(1,283,714)
Net current assets		<u>3,820,667</u>	<u>3,200,095</u>
Total assets less current liabilities		<u>4,908,218</u>	<u>4,470,242</u>
Provisions for liabilities			
Deferred tax	19	(65,275)	(89,511)
Other provisions	20	(50,000)	(34,400)
		<u>(115,275)</u>	<u>(123,911)</u>
Net assets		<u><u>4,792,943</u></u>	<u><u>4,346,331</u></u>
Capital and reserves			
Called up share capital	21	350,000	350,000
Profit and loss account	22	4,442,943	3,996,331
		<u><u>4,792,943</u></u>	<u><u>4,346,331</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

3 May 2017

.....
M Hainaut
 Director

The notes on pages 11 to 25 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	350,000	3,996,331	4,346,331
Comprehensive income for the year			
Profit for the year	-	3,146,612	3,146,612
Dividends: equity capital	-	(2,700,000)	(2,700,000)
At 31 December 2016	<u>350,000</u>	<u>4,442,943</u>	<u>4,792,943</u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	350,000	3,270,318	3,620,318
Comprehensive income for the year			
Profit for the year	-	1,926,013	1,926,013
Dividends: equity capital	-	(1,200,000)	(1,200,000)
At 31 December 2015	<u>350,000</u>	<u>3,996,331</u>	<u>4,346,331</u>

MISSILES & SPACE BATTERIES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	3,146,612	1,926,013
Adjustments for:		
Depreciation of tangible assets	402,508	368,384
Interest received	(8,118)	(2,735)
Taxation charge per Statement of Comprehensive Income	786,883	482,923
Decrease/(increase) in stocks	487,563	(216,818)
Increase in debtors	(1,572,030)	(279,580)
Increase/(decrease) in creditors	343,601	(313,796)
Increase in provisions	15,600	4,900
Corporation tax (paid)	(650,323)	(481,907)
Net cash generated from operating activities	<u>2,952,296</u>	<u>1,487,384</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(219,912)	(297,410)
Interest received	8,118	2,735
Net cash from investing activities	<u>(211,794)</u>	<u>(294,675)</u>
Cash flows from financing activities		
Dividends paid	(2,700,000)	(1,200,000)
Net cash used in financing activities	<u>(2,700,000)</u>	<u>(1,200,000)</u>
Net increase/(decrease) in cash and cash equivalents	40,502	(7,291)
Cash and cash equivalents at beginning of year	14,735	22,026
Cash and cash equivalents at the end of year	<u>55,237</u>	<u>14,735</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>55,237</u>	<u>14,735</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. General information

Missiles and Space Batteries is a limited company domiciled and registered in Scotland. The registered address is Hagmill Rd, East Shawhead, Coatbridge, Scotland, M15 4UZ.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical costs convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)**2.3 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	- over the life of the lease
Plant, machinery and equipment	- over 24 to 80 months

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.4 Stocks

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)**2.7 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates.

2.9 Foreign currency translation**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.11 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)**2.12 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.13 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)**2.15 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.16 Research and development

Research expenditure is written off to the statement of comprehensive income in the year which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied to the technical, commercial and financial viability of individual projects. In this situation the expenditure is deferred and amortised over the period during which the company is expected to benefit.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

No significant judgements have had to be made by management in preparing these financial statements.

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Production	10,134,667	6,434,773
Development	1,268,959	2,009,217
	<u>11,403,626</u>	<u>8,443,990</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	6,672,385	4,047,166
Rest of the world	4,731,241	4,396,824
	<u>11,403,626</u>	<u>8,443,990</u>

5. Other operating income

	2016 £	2015 £
R&D tax credit	15,323	15,905

6. Operating profit

The operating profit is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of tangible fixed assets	402,508	368,384
Exchange differences	(211,700)	(6,777)
Defined contribution pension cost	125,095	113,422

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Company's auditor for the audit of the Company's financial statements	18,300	17,500
Fees payable to the Company's auditor in respect of:		
Preparation of statutory financial statements	1,500	2,000
Taxation services	2,700	2,950
Other services	700	700
	4,900	5,650

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	2,797,041	2,070,219
Social security costs	203,583	172,249
Cost of defined contribution scheme	125,095	113,422
	3,125,719	2,355,890

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Manufacturing, research and development	64	58
Administration	11	8
	75	66

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	109,971	109,298
Company contributions to defined contribution pension schemes	9,821	9,535
	<u>119,792</u>	<u>118,833</u>

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

There are no other key management personnel other than Directors.

10. Interest receivable

	2016 £	2015 £
Interest receivable	<u>8,118</u>	<u>2,735</u>

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	813,182	480,000
Adjustments in respect of previous periods	(2,063)	13,507
Total current tax	<u>811,119</u>	<u>493,507</u>
Deferred tax		
Origination and reversal of timing differences	(24,481)	(803)
Adjustment in respect of prior periods	245	(9,781)
Total deferred tax	<u>(24,236)</u>	<u>(10,584)</u>
Taxation on profit on ordinary activities	<u>786,883</u>	<u>482,923</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****11. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	3,933,495	2,408,936
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	786,699	487,810
Effects of:		
Expenses not deductible for tax purposes	3,505	1,867
Adjustments to tax charge in respect of prior periods	(1,818)	3,726
R&D expenditure credits	3,065	(1,114)
Adjustments to deferred tax in respect of average rate	(1,546)	(10,059)
Other differences leading to a (decrease) / increase in the tax charge	(3,022)	693
Total tax charge for the year	786,883	482,923

12. Dividends

	2016 £	2015 £
Dividends paid on equity capital	2,700,000	1,200,000

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Tangible fixed assets

	Leasehold property £	Plant, machinery and equipment £	Total £
Cost			
At 1 January 2016	270,043	5,110,636	5,380,679
Additions	57,701	162,211	219,912
At 31 December 2016	327,744	5,272,847	5,600,591
Depreciation			
At 1 January 2016	237,666	3,872,866	4,110,532
Charge for the year	18,005	384,503	402,508
At 31 December 2016	255,671	4,257,369	4,513,040
Net book value			
At 31 December 2016	72,073	1,015,478	1,087,551
At 31 December 2015	32,377	1,237,770	1,270,147

14. Stocks

	2016 £	2015 £
Raw materials and consumables	1,066,089	1,496,322
Work in progress	237,109	300,047
Finished goods and goods for resale	63,029	57,421
	1,366,227	1,853,790

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Debtors

	2016 £	2015 £
Trade debtors	943,635	929,232
Amounts owed by group undertakings (note 27)	3,160,228	1,578,127
Other debtors	24,512	43,003
Prepayments and accrued income	58,939	64,922
	<u>4,187,314</u>	<u>2,615,284</u>

16. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	<u>55,237</u>	<u>14,735</u>

17. Creditors: Amounts falling due within one year

	2016 £	2015 £
Payments received on account	174,794	318,248
Trade creditors	230,385	187,759
Amounts owed to group undertakings (note 27)	194,102	14,850
Corporation tax	410,396	249,600
Other taxation and social security	251,068	110,409
Other creditors	21,195	20,939
Accruals and deferred income	506,171	381,909
	<u>1,788,111</u>	<u>1,283,714</u>

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	4,221,211	2,565,099
Financial liabilities		
Financial liabilities measured at amortised cost	(951,853)	(605,456)

Financial assets measured at amortised cost comprise cash balances, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and other creditors.

19. Deferred taxation

	2016 £	2015 £
At beginning of year	(89,511)	(100,095)
Charged to the Statement of Comprehensive Income	24,236	10,584
At end of year	(65,275)	(89,511)

The provision for deferred taxation, which is based on a tax rate of 17% (2015: 18%) is made up as follows:

	2016 £	2015 £
Fixed asset timing differences	(84,428)	(109,232)
Other timing differences	19,153	19,721
	(65,275)	(89,511)

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20 Provisions

	Reserve warranty £
At 1 January 2016	34,400
Charged to Statement of Comprehensive Income	25,411
Utilised in year	(9,811)
At 31 December 2016	50,000

21. Share capital

	2016 £	2015 £
Shares classified as equity		
Authorised		
450,000 Ordinary shares of £1 each	450,000	450,000
Allotted, called up and fully paid		
350,000 Ordinary shares of £1 each	350,000	350,000

22. Reserves

Profit & loss account

The profit & loss account includes all current and prior periods retained profits and losses. Profit for the financial year was £3,146,612 (2015: £1,926,013). All reserves are considered distributable.

23. ESOP shares

In 2016 14 MSB employees (2015: 20) participated in an Employee Share Ownership Plan offered and administered by Airbus Group, a 50% shareholder of the MSB Parent Company, ASB Aerospatiale Batteries S.A.

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

24. Capital commitments

At 31 December 2016 the Company had capital commitments as follows:

	2016 £	2015 £
Contracted for but not provided in these financial statements	9,343	56,640

25. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £125,095 (2015 - £113,422). Contributions totalling £18,779 (2015 - £18,492) were payable to the fund at the Statement of Financial Position date.

26. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	10,216	9,650
Later than 1 year and not later than 5 years	15,988	20,295
Later than 5 years	5,810	-
	32,014	29,945

	2016 £	2015 £
Not later than 1 year	145,899	145,899
Later than 1 year and not later than 5 years	291,798	437,694
	437,697	583,593

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

27. Related party transactions

The company had transactions with three related parties during the year, being the parent company Aerospatiale Batteries SA., Advanced Thermal Batteries Incorporated, a 100% owned subsidiary of Aerospatiale Batteries SA. and Airbus Group, a 50% shareholder of Aerospatiale Batteries SA. Details of transactions and balances due from and to these companies at year end are as follows.

Aerospatiale Batteries SA.

Sales of £644,835 (2015; £447,266), purchases of £1,049,097 (2015; £850,589), balance due from £78,482 (2015; £10,554), balance due to £162,083 (2015; £14,850).

Advanced Thermal Batteries Incorporated

Sales of £1,672,617 (2015; £1,853,125), purchases of £136,749 (2015; £201,793), balance due from £122,398 (2015; £559,851), balance due to £32,018 (2015; £nil).

Airbus Group

Purchases of £23,964 (2015; £12,190), balance due from £2,996,949 (2015; £1,007,722).

28. Controlling party

In the opinion of the directors, the company's ultimate parent undertaking and controlling party is Aerospatiale Batteries SA, a company incorporated in France. Its financial statements are available to the public from Allee Sainte Helene, Cedex, Bourges, 18021, France.