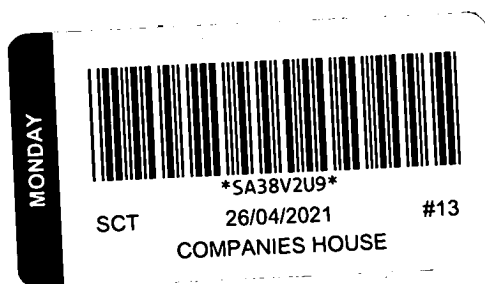


Missiles & Space Batteries Limited

Registered number: SC162626

Annual Report

For the year ended 31 December 2020



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MISSILES & SPACE BATTERIES LIMITED

COMPANY INFORMATION

Directors	A Greig M Hainaut S Williams B De La Noue
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 100 Queen Street Glasgow G1 3DN
Bankers	Barclays Bank plc 30 St Werburgh Street Chester CH1 2DY

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MISSILES & SPACE BATTERIES LIMITED

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MISSILES & SPACE BATTERIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 impact of the COVID-19 pandemic made 2020 one of the most difficult, challenging and complicated years the Company, and its employees, have ever faced. The Company had to make some difficult decisions and introduce onerous measures to cope with the crisis, and we had to adapt to a continually changing situation. The results for the year show that we have dealt with Covid very well – and that is thanks to the tremendous response from everyone in the Company to the unprecedented challenges we faced.

Sales in 2020 were stable at £12.5m and the Net Profit of 18% was at the same level as 2019.

We have budgeted for an increase in sales to £13.4m in 2021, and a small increase in Net Profit to around 19%. However, we expect that our business in 2021 may again be affected by the continuing COVID-19 virus restrictions.

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 9, sales were £12.5m, consistent with the previous year. We have a strong order book at the end of 2020 and expect sales to be around £13.4 million in 2021.

Gross Profit was lower than last year, mainly due to the mix of sales in favour of lower margin business. There was no significant change in fixed costs compared with last year and Operating Profit remained consistent from £2.7m (22%) in 2019 to £2.8m (22%) this year.

The Statement of Financial Position on page 10 shows that the Company's financial position at the year end, in net assets terms, has increased from £5.4m to £6.1m. The statement of Cash Flows on page 12 indicates that cash flow from operating activities remains stable from 2019 to 2020. The net cash used in financing activities has decreased from £1.5m in 2019 to £88k in 2020. This cash position allowed the Company to pay a dividend of £1.5m to our Parent company (2019 - £1.5m) and funded capital expenditure of £2.0m (2019 - £0.6m). This includes the purchase of the MSB site in April 2020 for £1.4m.

Details of all amounts due to and from the Company's parent company and other related parties are shown in note 30 on page 29.

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.

MISSILES & SPACE BATTERIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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. A further extensive update of the explosives licence will be required in 2021 once improvements to the site are completed.

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 Company imports from and exports to various countries in the European Union (EU), and is therefore affected by the United Kingdom's exit from the EU. There is a risk that exit from the EU could adversely affect the cost and delivery of critical materials and components in 2021 and beyond. It is not possible to fully assess the risks until we have had more time to evaluate the impact of the new trade deal with the EU which came into place on 1 January 2021.

In 2019 we started negotiations with the landlord to purchase the land and buildings occupied by MSB at Centrum Park, Coatbridge. These negotiations have finally been concluded on 1 May 2020. Consequently we now own our premises and we plan significant improvements to the site over the next few years.

MSB will continue to be affected by the on-going national and international restrictions on business activities arising from the COVID-19 pandemic. We have kept the factory open and operational, but with reduced staff and hours. The extent of the impact of COVID-19 on the Company's revenues and financial performance will depend on future developments, including the outbreak of new variants and the roll out of the vaccines. The impact of COVID-19 could therefore materially adversely affect the Company's results of operations in 2021 and beyond.

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

This report was approved by the board on Apr 12, 2021 and signed on its behalf on.

Alistair Greig
Alistair Greig (Apr 12, 2021 09:40 GMT+1)

.....
A Greig
Director

MISSILES & SPACE BATTERIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

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; and
- 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 to 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 £2,198,762 (2019 - £2,184,313).

Particulars of dividends paid are detailed in note 13 to the financial statements.

Directors

The Directors who served during the year were:

A Greig
M Hainaut
S Williams
B De La Noue

MISSILES & SPACE BATTERIES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Future developments

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

The site which MSB has rented for over 20 years has been purchased in 2020. We now plan to make significant improvements to the factory, improving the layout, efficiency and appearance of the site. These improvements will commence in 2021.

The Directors expect another good year in 2021, with sales of £13.4 million and a net profit of around 18%. However, as noted in the Strategic Report, the Company's results in 2021 may still be impacted by the COVID-19 restrictions.

The Company has a strong order book and we expect to continue to effectively manage the impact of the pandemic and maintain this level of sales 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 achieve our sales targets and to maintain the high level of quality expected by our customers.

We have prepared well for the impact of the UK leaving the European Union but we do still expect that Brexit is likely to increase our costs and affect our supply chain in 2021.

Matters covered in the Strategic Report

As permitted by Paragraph 1A of schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on page 1 and 2. These matters include a fair review of the Company's business and a description of the Company's principal risks and uncertainties.

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 auditors are 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 auditors are 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 Apr 12, 2021 and signed on its behalf.

Alistair Greig
Alistair Greig (Apr 12, 2021 09:40 GMT+1)

A Greig
Director

MISSILES & SPACE BATTERIES LIMITED

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

Opinion

We have audited the financial statements of Missiles & Space Batteries Limited (the 'Company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, Analysis of Net Debt and notes to the financial statements, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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. 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

MISSILES & SPACE BATTERIES LIMITED

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

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 course of 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 this 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

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 or the 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 3, 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.

MISSILES & SPACE BATTERIES LIMITED

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

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 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

MISSILES & SPACE BATTERIES LIMITED

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

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Fiona Martin

Fiona Martin (Apr 26, 2021 10:15 GMT+1)

Fiona Martin (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
100 Queen Street
Glasgow
G1 3DN

Date: Apr 26, 2021

MISSILES & SPACE BATTERIES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	12,461,271	12,437,035
Cost of sales		(8,749,785)	(8,644,448)
Gross profit		3,711,486	3,792,587
Distribution costs		(58,269)	(43,691)
Administrative expenses		(978,867)	(1,055,294)
Other operating income	5	96,860	(307)
Operating profit	6	2,771,210	2,693,295
Interest receivable and similar income	10	-	8,416
Interest payable and similar expenses		(29,096)	-
Profit before tax		2,742,114	2,701,711
Tax on profit	12	(543,352)	(517,398)
Profit for the financial year		2,198,762	2,184,313

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 14 to 29 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED
REGISTERED NUMBER: SC162626

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible fixed assets	14	19,100	95,960
Tangible fixed assets	15	2,774,605	1,252,647
		<u>2,793,705</u>	<u>1,348,607</u>
Current assets			
Stocks	16	2,585,135	2,218,073
Debtors: amounts falling due within one year	17	4,044,772	3,656,904
Cash and cash equivalents	18	784	1,032
		<u>6,630,691</u>	<u>5,876,009</u>
Creditors: amounts falling due within one year	19	(1,950,670)	(1,678,463)
Net current assets		<u>4,680,021</u>	<u>4,197,546</u>
Total assets less current liabilities		<u>7,473,726</u>	<u>5,546,153</u>
Creditors: amounts falling due after more than one year	20	(1,233,620)	-
Provisions for liabilities			
Deferred tax	22	(103,335)	(74,640)
Other provisions	23	(73,000)	(106,504)
		<u>(176,335)</u>	<u>(181,144)</u>
Net assets		<u><u>6,063,771</u></u>	<u><u>5,365,009</u></u>
Capital and reserves			
Called up share capital	24	350,000	350,000
Profit and loss account	25	5,713,771	5,015,009
		<u><u>6,063,771</u></u>	<u><u>5,365,009</u></u>

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



M Hainaut
 Director

The notes on pages 14 to 29 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	350,000	4,330,696	4,680,696
Comprehensive income for the year			
Profit for the year	-	2,184,313	2,184,313
Dividends paid	-	(1,500,000)	(1,500,000)
Total transactions with owners	-	(1,500,000)	(1,500,000)
At 1 January 2020	350,000	5,015,009	5,365,009
Comprehensive income for the year			
Profit for the year	-	2,198,762	2,198,762
Transactions with owners			
Dividends paid	-	(1,500,000)	(1,500,000)
Total transactions with owners	-	(1,500,000)	(1,500,000)
At 31 December 2020	350,000	5,713,771	6,063,771

The notes on pages 14 to 29 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	2,198,762	2,184,313
Adjustments for:		
Amortisation of intangible assets	7,392	46,100
Depreciation of tangible assets	448,087	401,558
Interest paid	29,096	-
Interest received	-	(8,416)
Taxation charge	543,352	517,705
(Increase)/decrease in stocks	(367,062)	1,640
(Increase) in debtors	(403,127)	(467,809)
Decrease in amounts owed by groups	15,259	184,796
Increase in creditors	20,439	349,821
Increase/(decrease) in amounts owed to groups	50,586	(57,942)
Decrease in accrued dividend	-	(500,000)
(Decrease) in provisions	(33,504)	(45,998)
Corporation tax (paid)	(450,530)	(507,098)
Net cash generated from operating activities	<u>2,058,750</u>	<u>2,098,670</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(38,711)
Purchase of tangible fixed assets	(1,970,045)	(567,852)
Net cash from investing activities	<u>(1,970,045)</u>	<u>(606,563)</u>
Cash flows from financing activities		
New loans from group companies	1,440,143	-
Dividends paid	(1,500,000)	(1,500,000)
Interest paid	(29,096)	-
Interest received	-	8,416
Net cash used in financing activities	<u>(88,953)</u>	<u>(1,491,584)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(248)</u>	<u>523</u>
Cash and cash equivalents at beginning of year	1,032	509
Cash and cash equivalents at the end of year	<u><u>784</u></u>	<u><u>1,032</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>784</u></u>	<u><u>1,032</u></u>

MISSILES & SPACE BATTERIES LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £	Cash flows £	At 31 December 2020 £
Cash and cash equivalents	784	248	1,032
Debt due after 1 year	-	1,233,620	1,233,620
Debt due within 1 year	-	206,523	206,523
	<u>784</u>	<u>1,440,391</u>	<u>1,441,175</u>

The notes on pages 14 to 29 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Missiles and Space Batteries Limited is a private company limited by shares, and domiciled and registered in Scotland. The registered address is Hagmill Road, East Shawhead, Coatbridge, Scotland, ML5 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 Going concern

The Company has reported a profit of £2,198,762 (2019: £2,184,313) and net current assets of £4,680,021 (2019: £4,197,546) at the reporting date. The Board consider that the Company continues to be a going concern and accordingly these financial statements are prepared on the going concern basis.

The Directors have robust processes in place to monitor and assess financial performance of the Company. The Directors have prepared financial projections for a period of 12 months from the date of signing the financial statements. The financial projections indicate that the Company will be able to discharge its liabilities as they fall due for a period of no less than 12 months from approval of these financial statements.

The Directors' have considered the impact on the current operations in light of the COVID-19 pandemic as outlined in the Director's Report.

2.3 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.4 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.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.6 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.

2.7 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.

Grants of a revenue nature are recognised in the Income Statement in the same period as the related expenditure.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.10 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 profit or loss 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.

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

2.12 Intangible fixed assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following basis:

Technology improvements - over 5 years

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.13 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 improvements	- over the life of the lease
Heritable property	- over 25 years
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 profit or loss.

2.14 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

2.15 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.

2.16 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.

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.17 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.

2.18 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.

2.19 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 profit or loss 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.

2.20 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.

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

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following areas of judgement and estimation had the most significant effect on amounts recognised in the financial statements: fair value of investment property and stock provision.

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Turnover

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

	2020 £	2019 £
Production	11,078,208	11,326,856
Development	1,383,063	1,110,179
	<u>12,461,271</u>	<u>12,437,035</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	6,027,563	6,510,181
Rest of the world	6,433,708	5,926,854
	<u>12,461,271</u>	<u>12,437,035</u>

5. Other operating income

	2020 £	2019 £
R&D tax credit	3,209	(307)
Rental income	16,354	-
Furlough grant income	77,297	-
	<u>96,860</u>	<u>(307)</u>

6. Operating profit

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

	2020 £	2019 £
Depreciation of tangible fixed assets	448,087	401,558
Amortisation of intangible fixed assets	7,392	46,100
Exchange differences	44,785	(8,774)
	<u></u>	<u></u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Auditor remuneration

	£	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	21,250	20,250
Preparation of statutory financial statements	2,020	1,700
Taxation services	3,300	2,850
Other services	500	500
	5,820	5,050

8. Employees

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

	2020 £	2019 £
Wages and salaries	3,546,573	3,137,705
Social security costs	316,175	257,081
Defined contribution pension costs	382,007	315,119
	4,244,755	3,709,905

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

	2020 No.	2019 No.
Manufacturing, research and development	97	83
Administration	15	10
	112	93

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	119,628	109,017
Company contributions to defined contribution pension schemes	20,221	19,458
	<u>139,849</u>	<u>128,475</u>

During the year retirement benefits were accruing to 1 Director (2019 - 1) in respect of defined contribution pension schemes.

10. Interest receivable

	2020 £	2019 £
Other interest receivable	-	8,416
	<u>-</u>	<u>8,416</u>

11. Interest payable and similar expenses

	2020 £	2019 £
Other interest payable	29,096	-
	<u>29,096</u>	<u>-</u>

12. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	514,657	482,507
Adjustments in respect of previous periods	-	(1,763)
Total current tax	<u>514,657</u>	<u>480,744</u>
Deferred tax		
Origination and reversal of timing differences	28,695	36,654
Total deferred tax	<u>28,695</u>	<u>36,654</u>
Taxation on profit on ordinary activities	<u>543,352</u>	<u>517,398</u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	2,742,114	2,701,711
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	521,002	513,383
Effects of:		
Expenses not deductible for tax purposes	1,313	4,925
Adjustments to tax charge in respect of prior periods	(116)	(1,762)
R&D expenditure credits	610	453
Adjustments to deferred tax in respect of average rate	8,781	(4,312)
Other differences leading to an increase in the tax charge	11,762	4,711
Total tax charge for the year	543,352	517,398

13. Dividends

	2020 £	2019 £
Dividends paid and payable on equity capital	1,500,000	1,500,000

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Intangible fixed assets

	Technology improvements £
Cost	
At 1 January 2020	145,140
Disposals	(69,468)
At 31 December 2020	<u>75,672</u>
Amortisation	
At 1 January 2020	49,180
Charge for the year on owned assets	7,392
At 31 December 2020	<u>56,572</u>
Net book value	
At 31 December 2020	<u>19,100</u>
At 31 December 2019	<u>95,960</u>

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. Tangible fixed assets

	Heritable property £	Leasehold improvements £	Plant, machinery and equipment £	Investment property £	Assets under construction £	Total £
Cost						
At 1 January 2020	-	482,386	6,450,455	-	-	6,932,841
Additions	1,423,525	3,458	416,959	97,035	29,068	1,970,045
Transfers between classes	485,844	(485,844)	-	-	-	-
At 31 December 2020	1,909,369	-	6,867,414	97,035	29,068	8,902,886
Depreciation						
At 1 January 2020	-	329,948	5,350,246	-	-	5,680,194
Charge for the year on owned assets	29,829	42,077	373,605	2,576	-	448,087
Transfers between classes	372,025	(372,025)	-	-	-	-
At 31 December 2020	401,854	-	5,723,851	2,576	-	6,128,281
Net book value						
At 31 December 2020	1,507,515	-	1,143,563	94,459	29,068	2,774,605
At 31 December 2019	-	152,438	1,100,209	-	-	1,252,647

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Stocks

	2020 £	2019 £
Raw materials and consumables	2,053,030	1,768,882
Work in progress	390,696	126,463
Finished goods and goods for resale	141,409	322,728
	<u>2,585,135</u>	<u>2,218,073</u>

17. Debtors

	2020 £	2019 £
Trade debtors	2,417,510	2,047,675
Amounts owed by group undertakings (note 30)	1,437,668	1,452,927
Other debtors	71,805	64,822
Prepayments and accrued income	117,789	91,480
	<u>4,044,772</u>	<u>3,656,904</u>

18. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>784</u>	<u>1,032</u>

19. Creditors: Amounts falling due within one year

	2020 £	2019 £
Payments received on account	40,305	24,657
Trade creditors	491,410	476,016
Amounts owed to group undertakings (note 30)	356,835	99,726
Corporation tax	261,569	197,442
Other taxation and social security	283,743	252,127
Other creditors	88,940	56,825
Accruals and deferred income	427,868	571,670
	<u>1,950,670</u>	<u>1,678,463</u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Amounts owed to group undertakings	1,233,620	-

During the year, the Company received a loan from Aerospatiale Batteries SA, the parent company. The loan was for the purpose of purchasing the site and building in Coatbridge and had a value of £1,542,546. The loan is repayable in quarterly installments of £206,523 over a period of 7 years.

Interest is charged at a rate of 2.8% on the outstanding balance over the term of the loan.

21. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	784	1,032
Financial assets that are debt instruments measured at amortised cost	4,044,772	2,981,020
Financial liabilities		
Financial liabilities measured at amortised cost	(3,184,290)	(1,708,700)

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.

22. Deferred taxation provision

	2020 £	2019 £
At beginning of year	(74,640)	(37,986)
Charged to the Statement of Comprehensive Income	(28,695)	(36,654)
At end of year	(103,335)	(74,640)

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

22. Deferred taxation provision (continued)

The provision for deferred taxation, which is based on a tax rate of 19% (2019: 19%) is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	(103,335)	(74,640)

23. Other provisions

	£
At 1 January 2020	106,504
Utilised in year	(33,504)
At 31 December 2020	73,000

Other provisions primarily comprise a warranty reserve.

24. Share capital

	2020 £	2019 £
Authorised		
450,000 (2019 - 450,000) Ordinary shares of £1.00 each	450,000	450,000
Allotted, called up and fully paid		
350,000 (2019 - 350,000) Ordinary shares of £1.00 each	350,000	350,000

25. Reserves**Profit & loss account**

The profit & loss account includes all current and prior periods retained profits and losses. Profit for the financial year was £2,198,762 (2019: £2,184,313). All reserves are considered distributable.

26. ESOP shares

In 2020, 23 MSB employees (2019: 10) 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 2020**

27. Capital commitments

At 31 December 2020 the Company had capital commitments as follows:

	2020 £	2019 £
Contracted for but not provided in these financial statements	358,614	323,890

28. 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 £382,007 (2019 - £315,119). Contributions totalling £32,998 (2019 - £31,825) were payable to the fund at the Statement of Financial Position date.

29. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Other operating leases		
Not later than 1 year	7,466	7,750
Later than 1 year and not later than 5 years	17,302	25,610
Later than 5 years	402	804
	25,170	34,164

	2020 £	2019 £
Land and buildings		
Not later than 1 year	-	200,000
Later than 1 year and not later than 5 years	-	800,000
Later than 5 years	-	1,800,000
	-	2,800,000

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. Related party transactions

The Company had transactions with four related parties during the year, being the parent company Aerospatiale Batteries SA.; Advanced Thermal Batteries Incorporated, a 100% owned subsidiary of Aerospatiale Batteries SA.; SAFT SA., the parent company of Airbus Group; and APS-ASB India PVT, a 100% owned subsidiary 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 £942,202 (2019: £2,553,121), purchases of £1,555,710 (2019: £1,198,551), balance due from £130,321 (2019: £403,063), balance due to £121,104 (2019: £99,725).

Advanced Thermal Batteries Incorporated

Sales of £1,127,331 (2019: £1,305,564), purchases of £40,229 (2019: £342,834), balance due from £38,535 (2019: £456,307), balance due to £1,270 (2019: £Nil).

SAFT SA.

Purchases of £130,938 (2019: £nil), balance due to £27,938 (2019: £nil).

APS-ASB India PVT

Sales of £Nil (2019: £17,550), balance due from £17,550 (2019: £17,550).

31. 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 Allée Sainte Hélène, Bourges, CEDEX 18021, France.

