

Company Registration No. SC162626

**Contents****Financial statements for  
the year ended 31 December 2002****Missiles & Space  
Batteries Limited**

<b>Company information</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Cash flow statement</b>	<b>7</b>
<b>Notes to the financial statements</b>	<b>8</b>



# **Missiles & Space Batteries Limited**

## **Company information**

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<b>Directors</b>	J E Searle (Chairman) J Barbeau J E E Desprez M Hainaut S Williams
<b>Secretary</b>	A Greig
<b>Company number</b>	SC162626
<b>Registered office</b>	Hagmill Road East Shawhead Coatbridge Scotland ML5 4UZ
<b>Auditors</b>	Mazars 90 St Vincent Street Glasgow G2 5UB
<b>Bankers</b>	Bank of Scotland 207 Main Street Bellshill ML4 1AL

# **Missiles & Space Batteries Limited**

## **Directors' report For the year ended 31 December 2002**

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The directors present their report and financial statements for the year ended 31 December 2002.

### **Principal activities and review of the business**

The principal activity of the company is the research, design and manufacture of thermal batteries for defence and aerospace applications.

Both the level of the business and the year end position remain satisfactory. The directors expect that the level of activity will be sustained for the foreseeable future.

The company continues to be committed to research and development activities so as to secure its position within the market.

The results for the year are set out on page 5. An interim dividend of £100,000 has been paid during the year and a final dividend of £100,000 is proposed at the year end.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 proper accounting records which 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 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.

### **Directors**

The directors of the company at the date of this report are shown on page 1. S Williams was appointed as a director on the 21 January 2003. M Hainaut was appointed as a director on 30 April 2003. F Dorveaux resigned as a director on 15 November 2002. T Jones resigned as a director on 30 April 2003. J M Laurent resigned as a director on 30 April 2003. According to the register of directors' interests, none of the directors had any beneficial interest in the share capital of the company or of its parent company at any time during the year.

# **Missiles & Space Batteries Limited**

## **Directors' report For the year ended 31 December 2002**

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### **Auditors**

On 1 September 2002 Mazars Neville Russell changed their name to Mazars. The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Mazars, will be deemed to be reappointed for each succeeding financial year.

Approved by the Board on 8 October 2003 and signed on its behalf by



A Greig  
**Secretary**

# Missiles & Space Batteries Limited

## Independent Auditors' report To the shareholders of Missiles & Space Batteries Limited

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We have audited the financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.


### Basis of opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

MAZARS   
Chartered Accountants  
and Registered Auditors  
Glasgow  
8 October 2003

# Missiles & Space Batteries Limited

## Profit and loss account For the year ended 31 December 2002

	Notes	2002 £	2001 £
<b>Turnover</b>	<b>2</b>	4,231,003	4,817,355
Cost of sales		(3,331,442)	(3,747,550)
<b>Gross profit</b>		899,561	1,069,805
Distribution costs		(29,480)	(63,514)
Administrative expenses		(520,769)	(576,278)
<b>Operating profit</b>	<b>3</b>	349,312	430,013
Other interest receivable and similar income	<b>4</b>	40,592	11,619
Interest payable and similar charges	<b>5</b>	(8,879)	(68,438)
<b>Profit on ordinary activities before taxation</b>		381,025	373,194
Tax on profit on ordinary activities	<b>8</b>	(110,011)	(95,496)
<b>Profit on ordinary activities after taxation</b>		271,014	277,698
Dividends - equity shares	<b>9</b>	(200,000)	-
<b>Retained profit for the year</b>	<b>17</b>	71,014	277,698

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

# Missiles & Space Batteries Limited

## Balance sheet

As at 31 December 2002

	Notes	2002 £	£	2001 £	£
<b>Fixed assets</b>					
Tangible assets	10		533,909		493,717
<b>Current assets</b>					
Stocks and work in progress	11	684,619		648,042	
Debtors	12	1,155,680		1,303,596	
Cash at bank and in hand		145,927		137,528	
		<u>1,986,226</u>		<u>2,089,166</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(1,209,216)</u>		<u>(1,349,915)</u>	
<b>Net current assets</b>			<u>777,010</u>		<u>739,251</u>
<b>Total assets less current liabilities</b>			1,310,919		1,232,968
<b>Creditors: amounts falling due after more than one year</b>	14		-		(903)
<b>Provisions for liabilities and charges</b>	15		(179,048)		(171,208)
			<u>1,131,871</u>		<u>1,060,857</u>
<b>Capital and reserves</b>					
Share capital	16		350,000		350,000
Profit and loss account	17		<u>781,871</u>		<u>710,857</u>
<b>Shareholders' funds - equity interests</b>	18		<u>1,131,871</u>		<u>1,060,857</u>

Approved by the Board on 8 October 2003 and signed on its behalf

M Hainaut  
Director

# Missiles & Space Batteries Limited

## Cash flow statement

For the year ended 31 December 2002

	Notes	2002 £	2001 £
<b>Net cash inflow from operating activities</b>	<b>19</b>	437,293	85,640
<b>Returns on investments and servicing of finance</b>			
Interest received	40,592	11,619	
Interest paid	(3,749)	(43,336)	
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>		36,843	(31,717)
<b>Taxation</b>		(136,607)	(110,038)
<b>Capital expenditure</b>			
Payments to acquire tangible assets	(229,322)	(194,994)	
Receipts from sales of tangible assets	2,000	-	
<b>Net cash outflow for capital expenditure</b>		(227,322)	(194,994)
<b>Equity dividends paid</b>		(100,000)	-
<b>Net cash inflow/(outflow) before financing</b>		10,207	(251,109)
<b>Financing</b>			
Capital element of hire purchase contracts	(1,808)	(1,809)	
<b>Net cash outflow from financing</b>		(1,808)	(1,809)
<b>Increase/(decrease) in cash in the year</b>	<b>20</b>	<u>8,399</u>	<u>(252,918)</u>



# Missiles & Space Batteries Limited

## Notes to the Accounts

For The Year Ended 31 December 2002

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

#### 1.3 Turnover

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers, from its principal activity wholly undertaken in the United Kingdom.

#### 1.4 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as 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.

#### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold land and buildings	Over the life of the lease
Plant and machinery	Over 3 to 6 and 2/3 years

#### 1.6 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.7 Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

#### 1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

# Missiles & Space Batteries Limited

## Notes to the Accounts

For The Year Ended 31 December 2002

### 1.9 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. The adoption of the standard has not required a prior period adjustment.

### 1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### 1.11 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

## 2 Turnover

### Geographical market

	2002 £	2001 £
United Kingdom	2,107,174	2,693,967
Overseas	2,123,829	2,123,388
	<u>4,231,003</u>	<u>4,817,355</u>

## 3 Operating profit

	2002 £	2001 £
Operating profit is stated after charging/(crediting):		
Amortisation of intangible assets	-	20,176
Depreciation of tangible assets	186,807	140,413
Research and development	111,238	179,966
Operating lease rentals		
- Land and buildings	98,774	144,691
- Other operating leases	4,984	4,752
Auditors' remuneration	9,250	9,000
Government grants	<u>(47,680)</u>	<u>(18,080)</u>

# Missiles & Space Batteries Limited

## Notes to the Accounts

### For The Year Ended 31 December 2002

<b>4 Other interest receivable and similar income</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Bank interest	276	11,619
Interest receivable from group undertakings	40,316	-
	<u>40,592</u>	<u>11,619</u>
<b>5 Interest payable</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Interest payable to group undertakings	3,749	68,438
Other	5,130	-
	<u>8,879</u>	<u>68,438</u>
<b>6 Employees</b>		
<b>Number of employees</b>		
The average monthly number of employees (including directors) during the year was:		
	<b>2002</b>	<b>2001</b>
	<b>Number</b>	<b>Number</b>
Manufacturing, research and development	66	71
Administration	10	10
	<u>76</u>	<u>81</u>
<b>Employment costs</b>		
	<b>£</b>	<b>£</b>
Wages and salaries	1,593,490	1,635,200
Social security costs	141,515	149,082
Other pension costs	91,667	90,900
	<u>1,826,672</u>	<u>1,875,182</u>
<b>7 Directors' emoluments</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Fees	10,000	10,404

# Missiles & Space Batteries Limited

## Notes to the Accounts

For The Year Ended 31 December 2002

8	Taxation	2002	2001
		£	£
	<b>Domestic current year tax</b>		
	U.K. corporation tax	68,900	94,676
	Adjustment for prior years	41,931	-
		<u>110,831</u>	<u>94,676</u>
	<b>Current tax charge</b>		
	<b>Deferred tax</b>		
	Deferred tax (credit)/charge current year	-	820
	Adjustment for prior years	(820)	-
		<u>(820)</u>	<u>820</u>
	<b>Deferred tax (credit)/charge</b>		
		<u>110,011</u>	<u>95,496</u>
	<b>Tax on profits on ordinary activities</b>		
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	381,025	373,194
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2001 : 30.00%)	<u>114,308</u>	<u>111,958</u>
	Effects of:		
	Non deductible expenses	2,454	3,689
	Depreciation	56,139	48,177
	Capital allowances	(66,878)	(53,097)
	Adjustments to previous periods	41,931	-
	Other tax adjustments	(37,123)	(16,051)
		<u>(3,477)</u>	<u>(17,282)</u>
	<b>Current tax charge</b>	<u>110,831</u>	<u>94,676</u>
9	Dividends	2002	2001
		£	£
	Ordinary interim paid	100,000	-
	Ordinary final proposed	100,000	-
		<u>200,000</u>	<u>-</u>

# Missiles & Space Batteries Limited

## Notes to the Accounts

### For The Year Ended 31 December 2002

#### 10 Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 January 2002	34,013	1,017,623	1,051,636
Additions	1,948	227,374	229,322
Disposals	-	(47,342)	(47,342)
At 31 December 2002	35,961	1,197,655	1,233,616
<b>Depreciation</b>			
At 1 January 2002	30,247	527,672	557,919
On disposals	-	(45,019)	(45,019)
Charge for the year	1,242	185,565	186,807
At 31 December 2002	31,489	668,218	699,707
<b>Net book value</b>			
At 31 December 2002	4,472	529,437	533,909
At 31 December 2001	3,766	489,951	493,717

Included within plant and machinery are assets under finance leases and hire purchase agreements with a net book value of £Nil (2001 - £Nil) and the depreciation charge on those assets in the year amounted to £Nil (2001 - £1,789).

#### 11 Stocks and work in progress

	2002 £	2001 £
Raw materials	507,600	506,295
Work in progress	113,287	40,747
Finished goods	63,732	101,000
	684,619	648,042

# Missiles & Space Batteries Limited

## Notes to the Accounts

### For The Year Ended 31 December 2002

<b>12 Debtors</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Trade debtors	581,757	1,139,469
Amounts owed by parent and related undertakings:		
Trading	342,754	144,432
Treasury	152,209	-
Other debtors	25,547	5,303
Prepayments and accrued income	53,413	14,392
	<u>1,155,680</u>	<u>1,303,596</u>

At the year end the company was owed £152,209 (2001 - Nil) in respect of a Treasury account held with EADS NV which is repayable on demand. Interest is paid to the company at Libor less 0.05%.

<b>13 Creditors: amounts falling due within one year</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Net obligations under finance leases and hire purchase contracts	904	1,809
Trade creditors	249,016	170,483
Payments in advance	180,552	181,267
Amounts owed to parent and related undertakings:		
Trading	166,211	193,915
Treasury	-	353,258
Corporation tax	68,900	94,676
Other taxes and social security costs	73,569	112,423
Other creditors	59,091	46,416
Accruals and deferred income	310,973	195,668
Proposed dividend	100,000	-
	<u>1,209,216</u>	<u>1,349,915</u>

At the year end the company was owed £Nil (2001 - £353,258) in respect of a Treasury account held with EADS NV which was repayable on demand. Interest was charged at Libor plus 0.25%.

<b>14 Creditors: amounts falling due after more than one year</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Net obligations under finance leases and hire purchase contracts	-	903

The net obligations falling due under finance leases and hire purchase contracts are fully repayable within five years.

# Missiles & Space Batteries Limited

## Notes to the Accounts

### For The Year Ended 31 December 2002

#### 15 Provisions for liabilities and charges

	Deferred Taxation £	Warranty Claims £	Total £
Balance at 1 January 2002	820	170,388	171,208
Utilised in year	-	(14,961)	(14,961)
Profit and loss account	(820)	23,621	22,801
	<u>-</u>	<u>179,048</u>	<u>179,048</u>
Balance at 31 December 2002	-	179,048	179,048

A provision of £179,048 has been recognised for expected warranty claims on products sold during the current and prior financial years. The payment dates for warranty claims are uncertain but it is expected that most expenditure will take place in the next 2-3 years.

#### 16 Share capital

	2002 £	2001 £
<b>Authorised</b>		
450,000 Ordinary shares of £ 1 each	<u>450,000</u>	<u>450,000</u>
<b>Allotted, called up and fully paid</b>		
350,000 Ordinary shares of £ 1 each	<u>350,000</u>	<u>350,000</u>

#### 17 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2002	710,857
Retained profit for the year	<u>71,014</u>
Balance at 31 December 2002	<u>781,871</u>

# Missiles & Space Batteries Limited

## Notes to the Accounts

### For The Year Ended 31 December 2002

18 Reconciliation of movements in shareholders' funds	2002	2001
	£	£
Profit for the financial year	271,014	277,698
Dividends	(200,000)	-
Net addition to shareholders' funds	71,014	277,698
Opening shareholders' funds	1,060,857	783,159
Closing shareholders' funds	1,131,871	1,060,857

19 Reconciliation of operating profit net cash inflow from operating activities	2002	2001
	£	£
Operating profit	349,312	430,013
Depreciation of tangible assets	186,807	140,413
Amortisation of intangible assets	-	20,176
Loss on disposal of tangible assets	323	-
(Increase)/decrease in stocks	(36,577)	151,461
Decrease/(increase) in debtors	147,916	(85)
Decrease in creditors within one year	(219,148)	(726,726)
Movement in provision for liabilities and charges	8,660	70,388
Net cash inflow from operating activities	437,293	85,640

20 Analysis of net funds	1 January 2002	Cash flow	31 December 2002
	£	£	£
Cash at bank and in hand	137,528	8,399	145,927
Finance leases	(2,712)	1,808	(904)
Total	134,816	10,207	145,023



# Missiles & Space Batteries Limited

## Notes to the Accounts

### For The Year Ended 31 December 2002

<b>21 Reconciliation of net cash flow to movement in net funds</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Increase/(decrease) in cash in the year	8,399	(252,918)
Cash outflow from decrease in debt and lease financing	1,808	1,809
<b>Movement in net funds in the year</b>	<b>10,207</b>	<b>(251,109)</b>
Opening net funds	134,816	385,925
<b>Closing net funds</b>	<b>145,023</b>	<b>134,816</b>

## 22 Pension costs

### Defined contribution

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Contributions payable by the company for the year	91,667	90,900

Included within other creditors are contributions payable to the pension scheme totalling £1,597 (2001 - £1,597).

<b>23 Capital commitments</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
At 31 December 2002 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	16,303	81,340

## 24 Financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expiry date:				
Between two and five years	91,100	152,514	3,184	4,984

At the 31 December 2002 the company had entered into foreign exchange contracts to sell currency totalling £608,592 (2001 - £946,693).

# **Missiles & Space Batteries Limited**

## **Notes to the Accounts**

### **For The Year Ended 31 December 2002**

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#### **25 Related party transactions**

During the year the company sold goods and services totalling £198,655 (2001 - £184,285) and purchased goods and services totalling £342,754 (2001 - £279,599) to its parent company, Aerospatiale Batteries SA. The balance due from Aerospatiale Batteries SA at the year end was £342,754 (2001 - £144,432), the balance due by the company to Aerospatiale Batteries SA was £166,211 (2001 - £193,915). During the year the company paid and received interest as disclosed in notes 4 and 5 to EADS NV who are a 50% shareholder in the parent company. The balance due from EADS NV at the year end was £152,209 (2001 - £Nil), the balance due by the company to EADS NV was £Nil (2001 - £353,258). During the year the company purchased services totalling £94,314 (2001 - £Nil) from SAFT who are a 50% shareholder in the parent company. The balance due by the company to SAFT at the year end was £31,585 (2001 - £Nil).

#### **26 Ultimate parent undertaking**

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.