

Missiles & Space Batteries Limited

Registered number: SC162626

Annual Report

For the year ended 31 December 2021



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 Lanarkshire 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

MISSILES & SPACE BATTERIES LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 5
Independent Auditor's Report	6 - 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Analysis of Net Debt	14
Notes to the Financial Statements	15 - 31

MISSILES & SPACE BATTERIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

2021 was another challenging year for the Company following the COVID-19 difficulties of 2020. The main issue facing the Company in 2021 was the timing of the receipt of orders from our customers. Several significant orders were delayed leading to a reduction in activity in the second half of the year and ultimately to a redundancy plan in October which reduced the headcount by 15%. In addition, the activities of the Company continued to be affected by the COVID-19 pandemic and the associated lockdowns and restrictions in Scotland.

Due to these factors, Sales in 2021 decreased by 5% to £11.9m and the Net Profit also decreased, from 18% in 2020 to 15% in 2021.

We have budgeted for an increase in sales to £12.7m in 2022, and a return to the profitability level achieved in 2020.

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 10, sales were £11.9m, around £0.6m less than in 2020. We have a strong order book at the end of 2021 and expect sales to be around £12.7 million in 2022.

Gross Profit was lower than last year, mainly due to the mix of sales and more competitive pricing on some development contracts. There was no significant change in fixed costs compared with the previous year but, due to the lower sales and margins, Operating Profit decreased from £2.8m (22%) in 2020 to £2.3m (19%) this year.

The Statement of Financial Position on page 11 shows that the Company's financial position at the year end, in net assets terms, has increased from £6.1m to £6.4m. The Statement of Cash Flows on page 13 indicates that cash flow from operating activities increased from £2.1m last year to £2.4m in 2021. This cash generation allowed the Company to pay a dividend of £1.5m to our parent company (2020 - £1.5m) and funded capital expenditure of £0.7m (2020 - £2.0m, which included 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 29 on page 31.

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 2021**

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 losing contracts to 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 2022 once the planned 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.

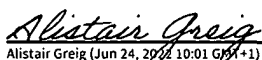
The Company imports from and exports to various countries in the European Union (EU), and is therefore affected by the United Kingdom's exit from the EU. There remains a risk that exit from the EU could adversely affect the cost and delivery of critical materials and components in 2022 and beyond.

MSB will continue to be affected by the on-going national and international restrictions on business activities arising from the COVID-19 pandemic. This impact is reducing but still has the potential to adversely affect the Company's operating results in 2022.

Subsequent to the 2021 year end the conflict between Russia and Ukraine has impacted international supply chains and energy costs. This is likely to increase the Company's operating costs and affect our profitability in 2022.

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 Jun 24, 2022 and signed on its behalf.


Alistair Greig (Jun 24, 2022 10:01 GMT+1)

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A Greig
Director

MISSILES & SPACE BATTERIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

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 judgements 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 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 £1,786,744 (2020 - £2,198,762).

Particulars of dividends paid are detailed in note 12 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 2021

Future developments

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

Following the purchase of the site in 2020, we are undertaking significant improvements to the factory to improve the layout, efficiency and appearance of the site. These improvements commenced in 2021 and will continue in 2022 with a significant project to expand and upgrade the operational areas of the site.

The Directors expect an improvement in profitability in 2022, following the cost reductions implemented in 2021. Sales are expected to increase to £12.7m and a net profit of 19% is budgeted. However, as noted in the Strategic Report, the Company's results in 2022 may still be impacted by COVID-19 restrictions and higher inflation in the UK.

The Company has a strong order book and order pipeline and we expect a further significant increase in sales in 2023. 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

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

On 24 February 2022 Russian Forces entered Ukraine, resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The Directors have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and have concluded that this is a non-adjusting post balance sheet event with the greatest impact on the business expected to be from the economic ripple effect on the global economy. The Directors have taken account of these potential impacts in their going concern assessment.

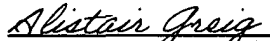
Auditor

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

MISSILES & SPACE BATTERIES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

This report was approved by the board on Jun 24, 2022 and signed on its behalf.


Alistair Greig (Jun 24, 2022 10:01 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 2021 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 2021 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.

Other information

Opinions on other matters prescribed by the Companies Act 2006.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

MISSILES & SPACE BATTERIES LIMITED

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

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.

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 either 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

MISSILES & SPACE BATTERIES LIMITED

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

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the 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.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, 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 revenue recognition.

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/auditorsresponsibilities. This description forms part of our auditor's report.

MISSILES & SPACE BATTERIES LIMITED

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

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 (Jun 24, 2022 10:37 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: Jun 24, 2022

MISSILES & SPACE BATTERIES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	11,870,504	12,461,271
Cost of sales		(8,658,011)	(8,749,785)
Gross profit		<u>3,212,493</u>	<u>3,711,486</u>
Distribution costs		(24,811)	(58,269)
Administrative expenses		(953,378)	(978,867)
Other operating income	5	35,585	96,860
Operating profit	6	<u>2,269,889</u>	<u>2,771,210</u>
Interest payable and expenses	10	(22,960)	(29,096)
Profit before tax		<u>2,246,929</u>	<u>2,742,114</u>
Tax on profit	11	(460,185)	(543,352)
Profit for the financial year		<u><u>1,786,744</u></u>	<u><u>2,198,762</u></u>

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 15 to 31 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED
REGISTERED NUMBER: SC162626

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible fixed assets	13	10,419	19,100
Tangible fixed assets	14	2,877,468	2,774,605
		<u>2,887,887</u>	<u>2,793,705</u>
Current assets			
Stocks	15	2,406,634	2,585,135
Debtors: amounts falling due within one year	16	3,636,707	4,044,772
Cash and cash equivalents	17	429	784
		<u>6,043,770</u>	<u>6,630,691</u>
Creditors: amounts falling due within one year	18	<u>(1,400,992)</u>	<u>(1,950,670)</u>
Net current assets		<u>4,642,778</u>	<u>4,680,021</u>
Total assets less current liabilities		<u>7,530,665</u>	<u>7,473,726</u>
Creditors: amounts falling due after more than one year	19	(949,438)	(1,233,620)
Provisions for liabilities			
Deferred tax	21	(154,712)	(103,335)
Other provisions	22	(76,000)	(73,000)
		<u>(230,712)</u>	<u>(176,335)</u>
Net assets		<u><u>6,350,515</u></u>	<u><u>6,063,771</u></u>
Capital and reserves			
Called up share capital	23	350,000	350,000
Profit and loss account	24	6,000,515	5,713,771
		<u>6,350,515</u>	<u>6,063,771</u>

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

Michel Hainaut
 Michel Hainaut (Jun 24, 2022 10:28 GMT+2)

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M Hainaut
 Director

The notes on pages 15 to 31 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
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
Dividends paid	-	(1,500,000)	(1,500,000)
Total transactions with owners	-	(1,500,000)	(1,500,000)
At 1 January 2021	350,000	5,713,771	6,063,771
Comprehensive income for the year			
Profit for the year	-	1,786,744	1,786,744
Transactions with owners			
Dividends paid	-	(1,500,000)	(1,500,000)
Total transactions with owners	-	(1,500,000)	(1,500,000)
At 31 December 2021	350,000	6,000,515	6,350,515

The notes on pages 15 to 31 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	1,786,744	2,198,762
Adjustments for:		
Amortisation of intangible assets	8,681	7,392
Depreciation of tangible assets	543,477	448,087
Interest paid	22,960	29,096
Taxation charge	460,185	543,352
Decrease/(increase) in stocks	178,501	(367,062)
Decrease/(increase) in debtors	659,950	(403,127)
(Increase)/decrease in amounts owed by groups	(251,885)	15,259
(Decrease)/increase in creditors	(433,531)	20,439
(Decrease)/increase in amounts owed to groups	(5,966)	50,586
Increase/(decrease) in provisions	3,000	(33,504)
Corporation tax (paid)	(524,874)	(450,530)
Net cash generated from operating activities	<u>2,447,242</u>	<u>2,058,750</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(654,963)	(1,970,045)
Sale of tangible fixed assets	8,623	-
Net cash from investing activities	<u>(646,340)</u>	<u>(1,970,045)</u>
Cash flows from financing activities		
(Decrease)/increase in loans from group companies	(278,297)	1,440,143
Dividends paid	(1,500,000)	(1,500,000)
Interest paid	(22,960)	(29,096)
Net cash used in financing activities	<u>(1,801,257)</u>	<u>(88,953)</u>
Net (decrease) in cash and cash equivalents	(355)	(248)
Cash and cash equivalents at beginning of year	784	1,032
Cash and cash equivalents at the end of year	<u>429</u>	<u>784</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>429</u>	<u>784</u>

MISSILES & SPACE BATTERIES LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	At 1 January 2021 £	Cash flows £	Reclassification of loan £	At 31 December 2021 £
Cash and cash equivalents	784	(355)	-	429
Debt due after 1 year	(1,233,620)	-	284,182	(949,438)
Debt due within 1 year	(206,523)	278,297	(284,182)	(212,408)
	<u>(1,439,359)</u>	<u>277,942</u>	<u>-</u>	<u>(1,161,417)</u>

The notes on pages 15 to 31 form part of these financial statements.

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 East Shawhead, Coatbridge, Scotland, ML5 4UZ.

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

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 financial statements are prepared in Pounds Sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

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 £1,786,744 (2020: £2,198,762) and net current assets of £4,642,778 (2020: £4,680,021) 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 Strategic Report and Director's Report.

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

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 the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

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 thermal batteries for defence and aerospace applications 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 the Statement of Comprehensive Income 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

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 Statement of Comprehensive Income in the same period as the related expenditure.

2.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.9 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.

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 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 reporting 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.

2.11 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

2.12 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 The Statement of Comprehensive Income during the period in which they are incurred.

MISSILES & SPACE BATTERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

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:

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 the Statement of Comprehensive Income.

2.13 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 the Statement of Comprehensive Income.

2.14 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.

2.15 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.

2.16 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.

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.17 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.

2.18 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 reporting 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.

2.19 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 2021**

4. Turnover

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

	2021 £	2020 £
Production	10,554,556	11,078,208
Development	1,315,948	1,383,063
	<u>11,870,504</u>	<u>12,461,271</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	6,508,634	6,027,563
Rest of the world	5,361,870	6,433,708
	<u>11,870,504</u>	<u>12,461,271</u>

5. Other operating income

	2021 £	2020 £
R&D tax credit	8,161	3,209
Rental income	27,424	16,354
Furlough grant income	-	77,297
	<u>35,585</u>	<u>96,860</u>

6. Operating profit

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

	2021 £	2020 £
Depreciation of tangible fixed assets	543,477	448,087
Amortisation of intangible fixed assets	8,681	7,392
Exchange differences	(101,837)	44,785
	<u></u>	<u></u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Auditor remuneration

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	22,300	21,250
Preparation of statutory financial statements	2,150	2,020
Taxation services	3,500	3,300
Other services	500	500
	<u>6,150</u>	<u>5,820</u>

8. Employees

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

	2021 £	2020 £
Wages and salaries	3,273,123	3,545,329
Social security costs	313,512	316,175
Defined contribution pension costs	379,215	382,007
	<u>3,965,850</u>	<u>4,243,511</u>

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

	2021 No.	2020 No.
Manufacturing, research and development	94	97
Administration	15	15
	<u>109</u>	<u>112</u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	124,272	118,384
Company contributions to defined contribution pension schemes	21,191	20,221
	<u>145,463</u>	<u>138,605</u>

During the year retirement benefits were accrued to 1 Director (2020 - 1) in respect of defined contribution pension schemes.

10. Interest payable and similar expenses

	2021 £	2020 £
Loan interest payable	22,960	29,096
	<u>22,960</u>	<u>29,096</u>

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	411,262	514,773
Adjustments in respect of previous periods	(2,454)	(116)
Total current tax	<u>408,808</u>	<u>514,657</u>
Deferred tax		
Origination and reversal of timing differences	18,745	19,914
Effect of tax rate change on opening balance	32,632	8,781
Total deferred tax	<u>51,377</u>	<u>28,695</u>
Taxation on profit on ordinary activities	<u>460,185</u>	<u>543,352</u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	2,246,929	2,742,114
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	426,917	521,002
Effects of:		
Adjustments to tax charge in respect of prior periods	(2,454)	(116)
Expenses not deductible for tax purposes	80	1,313
R&D expenditure credits	(2,338)	610
Remeasurement of deferred tax for changes in tax rates	37,131	8,781
Other differences leading to an increase in the tax charge	849	11,762
Total tax charge for the year	460,185	543,352

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

12. Dividends

	2021 £	2020 £
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 2021**

13. Intangible fixed assets

	Technology improvements £
Cost	
At 1 January 2021	75,672
At 31 December 2021	<u>75,672</u>
Amortisation	
At 1 January 2021	56,572
Charge for the year	8,681
At 31 December 2021	<u>65,253</u>
Net book value	
At 31 December 2021	<u>10,419</u>
At 31 December 2020	<u>19,100</u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Tangible fixed assets

	Heritable property £	Plant, machinery and equipment £	Investment property £	Assets under construction £	Total £
Cost					
At 1 January 2021	1,909,369	6,867,414	97,035	29,068	8,902,886
Additions	275,882	348,679	-	30,402	654,963
Disposals	-	(134,256)	-	-	(134,256)
Transfers between classes	14,815	-	-	(14,815)	-
At 31 December 2021	<u>2,200,066</u>	<u>7,081,837</u>	<u>97,035</u>	<u>44,655</u>	<u>9,423,593</u>
Depreciation					
At 1 January 2021	404,430	5,723,851	-	-	6,128,281
Charge for the year	100,171	443,306	-	-	543,477
Disposals	-	(125,633)	-	-	(125,633)
At 31 December 2021	<u>504,601</u>	<u>6,041,524</u>	<u>-</u>	<u>-</u>	<u>6,546,125</u>
Net book value					
At 31 December 2021	<u>1,695,465</u>	<u>1,040,313</u>	<u>97,035</u>	<u>44,655</u>	<u>2,877,468</u>
At 31 December 2020	<u>1,504,939</u>	<u>1,143,563</u>	<u>97,035</u>	<u>29,068</u>	<u>2,774,605</u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. Stocks

	2021 £	2020 £
Raw materials and consumables	1,629,361	2,053,030
Work in progress	536,776	390,696
Finished goods and goods for resale	240,497	141,409
	<u>2,406,634</u>	<u>2,585,135</u>

16. Debtors

	2021 £	2020 £
Trade debtors	1,535,632	2,417,510
Amounts owed by group undertakings (note 29)	1,689,553	1,437,668
Other debtors	255,923	71,805
Prepayments and accrued income	155,599	117,789
	<u>3,636,707</u>	<u>4,044,772</u>

17. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	429	784

18. Creditors: Amounts falling due within one year

	2021 £	2020 £
Payments received on account	111,527	40,305
Trade creditors	373,994	491,410
Amounts owed to group undertakings (note 29)	356,754	356,835
Corporation tax	145,503	261,569
Other taxation and social security	206,167	283,743
Other creditors	53,814	88,940
Accruals and deferred income	153,233	427,868
	<u>1,400,992</u>	<u>1,950,670</u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	2021 £	2020 £
Amounts owed to group undertakings	949,438	1,233,620

In 2020, 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 instalments 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.

20. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets measured at fair value through the Statement of Comprehensive Income	429	784
Financial assets that are debt instruments measured at amortised cost	3,636,707	4,044,772
Financial liabilities		
Financial liabilities measured at amortised cost	(2,350,430)	(3,184,290)

Financial assets measured at fair value through the Statement of Comprehensive Income comprise cash balances.

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

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

21. Deferred taxation provision

	2021 £	2020 £
At beginning of year	(103,335)	(74,640)
Charged to the Statement of Comprehensive Income	(51,377)	(28,695)
At end of year	(154,712)	(103,335)

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. Deferred taxation provision (continued)

The provision for deferred taxation, which is based on a tax rate of 25% (2020: 19%) is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	(154,712)	(103,335)

22. Provisions

	Provisions £
At 1 January 2021	73,000
Additions	3,000
At 31 December 2021	76,000

23. Share capital

	2021 £	2020 £
Authorised		
450,000 (2020 - 450,000) Ordinary shares of £1.00 each	450,000	450,000
Allotted, called up and fully paid		
350,000 (2020 - 350,000) Ordinary shares of £1.00 each	350,000	350,000

The Company has one class of ordinary shares which carry voting rights but no right to fixed income.

24. Reserves**Profit & loss account**

The profit & loss account includes all current and prior periods retained profits and losses. Profit for the financial year was £1,786,744 (2020: £2,198,762). All reserves are considered distributable.

25. ESOP shares

In 2021, 28 MSB employees (2020: 23) 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 2021**

26. Capital commitments

At 31 December 2021 the Company had capital commitments as follows:

	2021 £	2020 £
Contracted for but not provided in these financial statements	317,194	358,614

27. 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 £379,215 (2020 - £382,007). Contributions totalling £32,375 (2020 - £32,998) were payable to the fund at the Statement of Financial Position date.

28. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Other operating leases		
Not later than 1 year	6,048	7,466
Later than 1 year and not later than 5 years	11,656	17,302
Later than 5 years	-	402
	<u>17,704</u>	<u>25,170</u>

MISSILES & SPACE BATTERIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

29. Related party transactions

The Company had transactions with five 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 £1,633,673 (2020: £942,202), purchases of £1,373,864 (2020: £1,555,710), balance due from £174,397 (2020: £130,321), balance due to £137,770 (2020: £121,104).

Advanced Thermal Batteries Incorporated

Sales of £638,926 (2020: £1,127,331), purchases of £12,390 (2020: £40,229), balance due from £17,622 (2020: £38,535), balance due to £Nil (2020: £1,270).

SAFT SA.

Purchases of £6,570 (2020: £130,938), balance due to £6,575 (2020: £27,938).

APS-ASB India PVT

Sales of £Nil (2020: £Nil), balance due from £Nil (2020: £17,550).

Airbus

Balance due from £1,497,535 (2020: £1,268,812).

30. Post balance sheet events

On 24 February 2022 Russian Forces entered Ukraine, resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The Directors have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and have concluded that this is a non-adjusting post balance sheet event with the greatest impact on the business expected to be from the economic ripple effect on the global economy. The Directors have taken account of these potential impacts in their going concern assessment.

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.