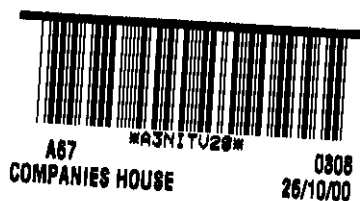


# Matra Marconi Space UK Limited

Annual report  
for the year ended 31st December 1999

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# **Matra Marconi Space UK Limited**

## **Report of the Directors**

The Directors present their report and the audited accounts of the Company for the year ended the 31st December 1999.

## **Results**

The loss for the year after taxation amounted to £28,079,000. The Directors do not recommend the payment of a final dividend.

## **Principal Activity**

The principal activity of the Company has been the design, manufacture and supply of satellite equipment and satellite ground stations.

## **Directors**

The present members of the Board are Messrs L.A.Carlier, N.E.Franks and P.J. Lynas.

Mr. P.J. Lynas was appointed to the Board of Directors on the 16th July 1999.

Mr. I.G. King resigned from the Board on the 16th July 1999.

According to the Register kept by the Company in accordance with Section 325 of the Companies Act 1985 the Directors had no interests in the shares of the Company.

## **Review of the Group and Future Developments**

Sales in the year were principally in satellite communications and the loss on ordinary activities before tax was £24,919,000. The Company transferred its entire business and assets to its parent Company, Astrium Limited following a Business Sale Agreement of 27<sup>th</sup> April 2000 and subject to property transfers of 23<sup>rd</sup> May 2000.

## **Share Capital**

By a Special Resolution passed on the 25<sup>th</sup> April 2000 it was resolved that the Company be generally and unconditionally authorised to purchase from BAE SYSTEMS Electronics Limited 900 Deferred Shares of £1 each and to subsequently cancel the Deferred Shares thereby reducing the authorised share capital of the Company from £25,001,000 to £25,000,100.

## **Year 2000**

The Company initiated a number of programmes to mitigate the risks associated with the Year 2000 date computation. The programmes addressed the Company and the Group's internal systems and operations, its products and the Year 2000 readiness of key customers and suppliers to ensure that business continuity was maintained. The Company experienced no material Year 2000 related problems.

# **Matra Marconi Space UK Limited**

## **Research and Development**

The Company continues to be committed to research and development activities and total expenditure for the year under review amounted to £12,992,000.

## **Employment of Disabled People and Employee Involvement**

The Company's policy and practice is to encourage and assist the employment of disabled people, their recruitment, training, career development and promotion; and the retention of employees who become disabled.

Senior management consults regularly with employees through their staff and trades union representatives and information is disseminated to staff following management communication meetings. The Company also produces a quarterly magazine for distribution to all its employees.

## **Donations**

During 1999 the Company made charitable donations amounting to £5,670. The annual donations policy is predominantly directed towards charities associated with engineering, scientific and educational objectives, as well as objectives connected with the Company's business place in the community.

## **Payment of Creditors**

The Companies Act 1985, as amended, requires the Company to make a statement of its policy and practice on the payment of creditors.

It is and will continue to be the policy of the Company to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period of settlement and, having agreed those terms, to abide by them.

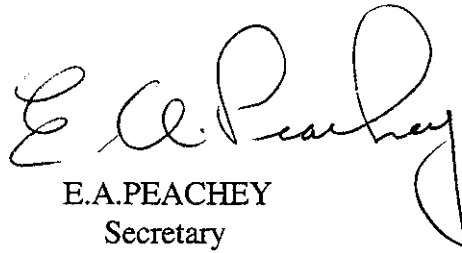
The total amount of trade creditors falling due within one year at 31 December 1999, excluding amounts owed to companies in the Matra Marconi Space Group, represents 42 days worth as a proportion of the total amount invoiced by suppliers during the year ended on that date. The corresponding figure for 31 December 1998 was 37 days.

## **The Euro**

The implications of the European Monetary Union (EMU) for the Company and the Group were considered and the necessary changes made to systems and procedures in order to accommodate the new currency. The cost of these changes was not significant.

# Matra Marconi Space UK Limited

By Order of the Board



E.A. PEACHEY  
Secretary

Registered office:  
The Grove, Warren Lane,  
Stanmore, Middlesex  
HA7 4LY

15 JUN 2000

# **Matra Marconi Space UK Limited**

## **Auditors' report to the members of Matra Marconi Space UK Limited**

We have audited the financial statements on pages 6 to 25 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 11.

### **Respective responsibilities of Directors and Auditors**

The Directors are required by the United Kingdom Companies Act 1985 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 for the financial year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the United Kingdom 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.

Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

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

# Matra Marconi Space UK Limited

## Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 affairs of the Company and the Group at 31st December 1999 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors

London

Date 20 June 2000.

# Matra Marconi Space UK Limited

## Consolidated profit and loss account for the year ended 31st December 1999

	Notes	1999 £'000	1998 £'000
Turnover	2	221,652	298,324
Cost of sales		<u>(202,126)</u>	<u>(239,180)</u>
Gross profit		19,526	59,144
Other operating expenses:			
-Administration		(38,837)	(45,255)
-Distribution		<u>(1,657)</u>	<u>(1,711)</u>
Operating profit		(20,968)	12,178
Net financial expense	5	<u>(3,951)</u>	<u>(2,237)</u>
(Loss) / profit on ordinary activities before taxation	6	(24,919)	9,941
Taxation	7	<u>(3,160)</u>	<u>(4,120)</u>
(Loss) / profit on ordinary activities after taxation		<u>(28,079)</u>	<u>5,821</u>
Dividend paid	8	-	(7,196)
Retained (loss) for the financial year	21	<u><u>(28,079)</u></u>	<u><u>(1,375)</u></u>

All of the above are derived from the continuing activities of the Group.

The Group has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities and the retained loss for the year stated above, and their historical cost equivalents.

# Matra Marconi Space UK Limited

## Balance sheets at 31st December 1999

	Notes	<i>The Group</i>		<i>The Company</i>	
		1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>Fixed assets</b>					
Intangible assets	9	42,066	45,203	42,066	45,203
Tangible assets	10	34,864	42,097	34,864	42,097
Investments -shares in Group undertakings	11	-	-	20,001	20,001
-other	12	3,744	4,055	3,744	4,055
		<u>80,674</u>	<u>91,355</u>	<u>100,675</u>	<u>111,356</u>
<b>Current assets</b>					
Stocks	13	49,436	47,489	49,436	47,489
Debtors	14	45,063	54,358	45,063	54,358
Cash at bank and in hand		510	306	510	306
		<u>95,009</u>	<u>102,153</u>	<u>95,009</u>	<u>102,153</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(130,676)</u>	<u>(158,670)</u>	<u>(150,677)</u>	<u>(178,671)</u>
<b>Net current (liabilities)</b>		<u>(35,667)</u>	<u>(56,517)</u>	<u>(55,668)</u>	<u>(76,518)</u>
<b>Total assets less current liabilities</b>		<b>45,007</b>	<b>34,838</b>	<b>45,007</b>	<b>34,838</b>
<b>Creditors: amounts falling due after more than one year</b>	16	(18,442)	-	(18,442)	-
<b>Provisions for liabilities and charges</b>	17	<u>(6,120)</u>	<u>(11,314)</u>	<u>(6,120)</u>	<u>(11,314)</u>
<b>Net assets</b>		<u>20,445</u>	<u>23,524</u>	<u>20,445</u>	<u>23,524</u>
<b>Capital and reserves</b>					
Called up share capital	20	25,001	1	25,001	1
Share premium account	21	15,134	15,134	15,134	15,134
Profit and loss account	21	(19,690)	8,389	(19,690)	8,389
Shareholders' funds	22	<u>20,445</u>	<u>23,524</u>	<u>20,445</u>	<u>23,524</u>

The financial statements on pages 6 to 25 were approved by the Board of Directors  
on **15 JUN 2000** and were signed on its behalf by:



Director

# Matra Marconi Space UK Limited

## Consolidated cash flow statement for the year ended 31st December 1999

	1999 £'000	1999 £'000	1998 £'000	1998 £'000
Net cash (outflow) from operating activities (see note 18)		(19,020)		(25,459)
Returns on investments and servicing of finance				
Interest received and investment income	96		177	
Interest paid	<u>(3,792)</u>		<u>(764)</u>	
		(3,696)		(587)
Taxation				
UK Corporation Tax paid	(2,813)		(3,710)	
UK Corporation Tax refund	<u>599</u>		<u>1,269</u>	
		(2,214)		(2,441)
Capital expenditure and financial investment				
Purchase of investments	-		(2,161)	
Purchase of tangible fixed assets	<u>(7,491)</u>		<u>(7,847)</u>	
Sale of tangible fixed assets	<u>70</u>		<u>32</u>	
		(7,421)		(9,976)
Equity dividends (paid)		-		(7,196)
Cash (outflow) before management of liquid resources and financing		<u>(32,351)</u>		<u>(45,659)</u>
Management of liquid resources				
Decrease in cash on deposit	<u>-</u>		<u>23,140</u>	
		-		23,140
Financing				
Equity shares received	25,000			
Part repayment of loan from fellow subsidiary undertaking	(11,200)		-	
Return of loan (May 99) from fellow subsidiary undertaking	11,200		-	
Repayment of principal under finance leases	<u>-</u>		<u>(35)</u>	
		25,000		(35)
(Decrease) in cash in the year		<u>(7,351)</u>		<u>(22,554)</u>
		(see note 18)		(see note 18)

# **Matra Marconi Space UK Limited**

## **Notes to the financial statements for the year ended 31st December 1999**

### **1 Accounting Policies**

The more important accounting policies are summarised below to facilitate the interpretation of the financial statements.

#### **Accounting Convention**

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with applicable accounting standards in the United Kingdom.

#### **Turnover**

Turnover, excluding VAT, comprises sales to outside customers. The Company records transactions as sales when the delivery of products or performance of services takes place in accordance with the terms of contracts.

#### **Currency Translation**

Assets and liabilities denominated in foreign currency not covered by forward exchange contracts are translated into sterling at the rate of exchange ruling at the end of the financial year. Assets and liabilities denominated in foreign currency covered by currency forward contract are translated into sterling at the applicable contract forward rate. All exchange gains/losses are taken to the profit and loss account in the year in which they arise.

#### **Tangible Fixed Assets**

Plant, machinery, fixtures, fittings, tools and equipment are recorded at historic cost and depreciated on a straight line basis over their estimated useful lives. The estimated useful life of these major assets is between 3 and 10 years. Freehold land is not depreciated and buildings are depreciated over 25 years.

#### **Research and Development**

Expenditure incurred in the year is charged against profit unless specifically chargeable to and recoverable from customers under agreed contract terms.

# **Matra Marconi Space UK Limited**

## **Basis of Consolidation**

The Group financial statements comprise the accounts of the Company and all its subsidiary undertakings, except for those subsidiary undertakings where the amounts involved are insignificant. In addition the financial statements include the Group's share of the profits and losses of associated undertakings. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

## **Stocks and Contracts in Progress**

Stocks and contracts in progress are valued at the lower of cost, inclusive of appropriate overheads, and estimated net realisable value. Provisions are made for any losses incurred or expected to be incurred on uncompleted contracts. Profit on long-term contracts in progress is taken when a sale is recorded on part delivery of products or part performance of services, provided that the outcome on the contract can be assessed with reasonable certainty. Advance payments from customers are shown as creditors until there is a right of set-off against the value of work undertaken. Progress payments received are deducted from the value of work carried out, any excess being included within payments received in advance.

## **Taxation**

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

## **Provisions for Liabilities and Charges**

Provisions for liabilities are charged against profits. These mainly comprise the expected cost of maintenance under guarantees and other work in respect of products delivered and invoiced, and losses on contract work in progress. FRS 12, "Provisions, contingent liabilities and contingent assets", has been adopted in this year's financial statements.

## **Pensions**

The expected cost of providing pensions, as calculated periodically by independent actuaries, is charged to the profit and loss account so as to spread the cost over the expected average remaining service lives of current employees.

# **Matra Marconi Space UK Limited**

## **Goodwill**

Purchased goodwill represents the excess of the fair value of the consideration given over the aggregate of the fair values of the net assets acquired. The goodwill purchased by the Company and arising on consolidation is capitalised and amortised through the Profit and Loss account by equal annual installments over its estimated useful economic life not exceeding 20 years.

## **Finance and Operating Leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

# Matra Marconi Space UK Limited

## 2 Turnover

1999	1998
£'000	£'000

### Class of business

Satellite related systems and products

<u>221,652</u>	<u>298,324</u>
----------------	----------------

### Geographical market

UK	65,151	73,467
Europe	139,581	190,653
The Americas	14,360	32,829
Asia	2,200	1,375
Middle East	359	-
Africa	1	-

### Total

<u>221,652</u>	<u>298,324</u>
----------------	----------------

All turnover in the year has originated in the UK.

## 3 Directors' emoluments

1999	1998
£'000	£'000

Aggregate emoluments

<u>21</u>	<u>21</u>
-----------	-----------

# Matra Marconi Space UK Limited

## 4 Employee information

The average monthly number of persons employed by the Group during the year was:

	1999 Number	1998 Number
Engineering & Project staff	1,814	2,157
Administration, Contracts & Finance staff	299	355
	<u>2,113</u>	<u>2,512</u>

	1999 £'000	1998 £'000
Staff costs (for the above persons):		
Wages and salaries	61,572	70,895
Social security costs	6,429	7,113
Other pension costs (see note 19)	3,220	3,130
	<u>71,221</u>	<u>81,138</u>

## 5 Interest, investment income and expense

	1999 £'000	1998 £'000
Bank interest receivable	96	140
Investment income	-	23
Write down of investment	<u>(311)</u>	<u>(225)</u>
	<u>(215)</u>	<u>(62)</u>
Interest payable on bank loans, overdrafts and other loans		
repayable within 5 years	(757)	(1,406)
-fellow subsidiary	(2,979)	(769)
-other	<u>(3,736)</u>	<u>(2,175)</u>
Net financial expense	<u>(3,951)</u>	<u>(2,237)</u>

# Matra Marconi Space UK Limited

## 6 (Loss) / profit on ordinary activities before taxation

	1999 £'000	1998 £'000
(Loss) / profit on ordinary activities before taxation is stated after charging / (crediting):		
Goodwill amortised	3,137	3,148
Depreciation of tangible fixed assets	14,724	15,004
Auditors' remuneration for the audit of the financial statements	80	78
Auditors' remuneration for other services	-	20
Research and development	12,992	11,180
Operating lease charges - plant & machinery	678	695
- other	667	930
Profit on disposal of fixed assets	(70)	(32)

## 7 Taxation

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% ( 1998: 31% )		
Current year	-	3,038
Underprovision / (overprovision) in respect of prior year	(458)	-
Deferred tax charge	3,618	1,082
	<u>3,160</u>	<u>4,120</u>

## 8 Dividend Paid

	1999 £'000	1998 £'000
Dividend paid on equity shares	<u>-</u>	<u>7,196</u>

The Company paid no dividend (1998:£71,956.68) per Ordinary Share and no dividend (1998:£0.01) per Deferred Share.

# Matra Marconi Space UK Limited

## 9 Intangible assets

	<i>The Group</i>	<i>The Company</i>
	£'000	£'000
<b>Goodwill</b>		
At 1st January 1999	57,926	57,926
Additions in year	-	-
<b>At 31st December 1999</b>	<u>57,926</u>	<u>57,926</u>
<b>Amortisation</b>		
At 1st January 1999	12,723	12,723
Charge for the year	3,137	3,137
<b>At 31st December 1999</b>	<u>15,860</u>	<u>15,860</u>
<b>Net book value at 31st December 1999</b>	<u>42,066</u>	<u>42,066</u>
<b>Net book value at 31st December 1998</b>	<u>45,203</u>	<u>45,203</u>

# Matra Marconi Space UK Limited

## 10 Tangible fixed assets

### The Group

	Freehold Land and Buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Assets under course of construction	Total
Cost	£'000	£'000	£'000	£'000	£'000
As at 1st January 1999	11,907	74,616	55,534	1,655	143,712
Additions	173	1,163	4,691	1,464	7,491
Disposals	-	(17,916)	(23,569)	-	(41,485)
At 31st December 1999	12,080	57,863	36,656	3,119	109,718
Depreciation					
As at 1st January 1999	1,709	60,859	39,047	-	101,615
Charge for the year	436	7,249	7,039	-	14,724
Eliminated in respect of disposals		(17,916)	(23,569)	-	(41,485)
At 31st December 1999	2,145	50,192	22,517	-	74,854
Net book value					
At 31st December 1999	9,935	7,671	14,139	3,119	34,864
Net book value					
At 31st December 1998	10,198	13,757	16,487	1,655	42,097

### The Company

	Freehold Land and Buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Assets under course of construction	Total
Cost	£'000	£'000	£'000	£'000	£'000
As at 1st January 1999	11,907	74,616	55,534	1,655	143,712
Additions	173	1,163	4,691	1,464	7,491
Disposals	-	(17,916)	(23,569)	-	(41,485)
At 31st December 1999	12,080	57,863	36,656	3,119	109,718
Depreciation					
As at 1st January 1999	1,709	60,859	39,047	-	101,615
Charge for the year	436	7,249	7,039	-	14,724
Eliminated in respect of disposals	-	(17,916)	(23,569)	-	(41,485)
At 31st December 1999	2,145	50,192	22,517	-	74,854
Net book value					
At 31st December 1999	9,935	7,671	14,139	3,119	34,864
Net book value					
At 31st December 1998	10,198	13,757	16,487	1,655	42,097

The net book value of plant and machinery includes an amount of £9,000 (1998:£32,000) in respect of assets subject to finance leases.

# Matra Marconi Space UK Limited

## 11 Investments - shares in Group undertakings

### The Group

	Subsidiary excluded from consolidation		
	Cost £'000	Provisions £'000	Total £'000
At 1st January 1999 and at 31st December 1999	<u>308</u>	<u>(308)</u>	<u>-</u>

### The Company

	Investment in Group undertakings		
	Cost £'000	Provisions £'000	Total £'000
At 1st January 1999 and at 31st December 1999	<u>20,309</u>	<u>(308)</u>	<u>20,001</u>

### Shares in subsidiary undertakings:

Name	Principal business activity	Proportion of nominal value of issued shares held	Country of incorporation
MMS Space Systems Limited	Dormant	100 per cent	England
Auspace Limited	Design, manufacture and supply of satellite equipment	65 per cent	Australia

As at 31st December 1999, Auspace Limited had aggregate capital and reserves of £90,000  
Auspace Limited made a profit after tax for the year ended 31st December 1999 of £13,000

# Matra Marconi Space UK Limited

## 12 Investments - Other

### The Group

	Interests in associated undertakings		Other interests		Total £'000
	Cost £'000	Provisions £'000	Cost £'000	Provisions £'000	
At 1st January 1999	1,398	(307)	2,987	(23)	4,055
Write down of investment	-	(311)	-	-	(311)
At 31st December 1999	<u>1,398</u>	<u>(618)</u>	<u>2,987</u>	<u>(23)</u>	<u>3,744</u>

### The Company

	Associated undertakings		Other interests		Total £'000
	Cost £'000	Provisions £'000	Cost £'000	Provisions £'000	
At 1st January 1999	1,398	(307)	2,987	(23)	4,055
Write down of investment	-	(311)	-	-	(311)
At 31st December 1999	<u>1,398</u>	<u>(618)</u>	<u>2,987</u>	<u>(23)</u>	<u>3,744</u>

### Shares in associated undertakings:

Name	Principal business activity	Proportion of nominal value of issued shares held	Country of Incorporation
National Remote Sensing Centre Limited	Provision of products and services based on information extracted from satellite data	45 per cent	England
Euro African Satellite Telecommunications (E.A.S.T.) Limited	Design, manufacture and supply of satellite equipment	50 per cent	England

As at 31st December 1999, East Limited had aggregate capital and reserves of £158,000  
East Limited made a loss after tax for the period ended 31st December 1999 of £4,000

# Matra Marconi Space UK Limited

## 13 Stocks

	<i>The Group</i>		<i>The Company</i>	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Raw materials and consumables	12,151	11,941	12,151	11,941
Work in progress	37,285	35,548	37,285	35,548
	<u>49,436</u>	<u>47,489</u>	<u>49,436</u>	<u>47,489</u>
<b>Work in progress comprises:</b>				
Net cost less foreseeable losses	41,627	42,478	41,627	42,478
Less: applicable payments on account	(4,342)	(6,930)	(4,342)	(6,930)
	<u>37,285</u>	<u>35,548</u>	<u>37,285</u>	<u>35,548</u>

## 14 Debtors

	<i>The Group</i>		<i>The Company</i>	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Trade debtors	29,634	38,661	29,634	38,661
Amounts recoverable on contracts	1,977	3,527	1,977	3,527
Amounts owed by fellow subsidiary undertaking	2,288	3,935	2,288	3,935
Amounts owed by associated undertakings	6,744	2,532	6,744	2,532
Amounts owed by associated company	250	-	250	-
Corporation Tax	-	142	-	142
Other debtors	3,670	1,392	3,670	1,392
Prepayments and accrued income	500	551	500	551
	<u>45,063</u>	<u>50,740</u>	<u>45,063</u>	<u>50,740</u>
<b>Amounts falling due after more than one year</b>				
Deferred tax (see note 17)	-	3,618	-	3,618
	<u>45,063</u>	<u>54,358</u>	<u>45,063</u>	<u>54,358</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

# Matra Marconi Space UK Limited

## 15 Creditors: amounts falling due within one year

	<i>The Group</i>		<i>The Company</i>	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank loans and overdrafts	29,855	22,295	29,855	22,295
Payments received on account	12,267	20,159	12,267	20,159
Trade creditors	78,058	80,006	78,058	80,006
Amounts owed to subsidiary undertaking	-	-	20,001	20,001
Amounts owed to fellow subsidiary undertaking	6,295	10,138	6,295	10,138
Current portion of loan (see note 16)	-	18,442	-	18,442
Amounts owed to associated undertakings	2,516	1,117	2,516	1,117
Amounts owed to parent company	252	2	252	2
Corporation Tax	144	1,236	144	1,236
ACT payable	-	1,799	-	1,799
Other taxation and social security	79	325	79	325
Other creditors	1,210	3,151	1,210	3,151
Obligations under finance leases	-	-	-	-
	<u>130,676</u>	<u>158,670</u>	<u>150,677</u>	<u>178,671</u>

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment

## 16 Creditors: amounts falling due after more than one year

	<i>The Group</i>		<i>The Company</i>	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Loan from fellow subsidiary undertaking	18,442	18,442	18,442	18,442
Less current portion of loan (see note 15)	-	(18,442)	-	(18,442)
	<u>18,442</u>	<u>0</u>	<u>18,442</u>	<u>0</u>

The loan from fellow subsidiary undertaking (Matra Marconi Space France SA) has an interest rate fixed on an annual basis at LIBOR (1999: 5.25% 1998: 7.10% ).

Final maturity of the loan is in December 2004.

The loan was re-negotiated during the year.

# Matra Marconi Space UK Limited

## 17 Provisions for liabilities and charges

### *The Group*

### *The Company*

	Deferred taxation (see below) £'000	Other provisions £'000	Total £'000	Deferred taxation (see below) £'000	Other provisions £'000	Total £'000
As at 1st January 1999	-	11,314	11,314	-	11,314	11,314
Profit and loss account	-	(5,194)	(5,194)	-	(5,194)	(5,194)
At 31st December 1999	-	6,120	6,120	-	6,120	6,120

There is a deferred tax asset of nil which is detailed below and included in Debtors ( see note 14).

Other provisions comprise £3,031,000 in respect of restructuring costs and £3,089,000 in respect of contract warranties.

### Deferred taxation

#### *The Group*

	1999 Amount provided £'000	1998 Amount unprovided £'000	1999 Amount provided £'000	1998 Amount unprovided £'000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	-	(1,519)	(454)	-
Other	-	(10,370)	(3,164)	(2,229)
	-	(11,889)	(3,618)	(2,229)

#### *The Company*

	1999 Amount provided £'000	1998 Amount unprovided £'000	1999 Amount provided £'000	1998 Amount unprovided £'000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	-	(1,519)	(454)	-
Other	-	(10,370)	(3,164)	(2,229)
	-	(11,889)	(3,618)	(2,229)

The other timing differences giving rise to the deferred tax asset relate mainly to differences between the tax and accounting treatment of long term contracts and rationalisation costs.

# Matra Marconi Space UK Limited

## 18 Notes to consolidated cash flow statement

### Reconciliation of operating profit to net cash inflow from continuing operating activities

	1999 £'000	1998 £'000
Operating (loss)/profit	(20,968)	12,178
Depreciation on tangible fixed assets	14,724	15,004
Amortisation of intangible fixed assets	3,137	3,148
(Gain) on sale of tangible fixed assets	(70)	(32)
(Increase) in stocks	(1,947)	(1,744)
Decrease / (Increase) in trade debtors	6,090	(1,697)
Decrease in prepayments and accrued income	51	165
(Decrease) in other taxation and social security	(246)	(3)
(Decrease) in payments on account	(7,892)	(28,573)
(Decrease) in accruals and deferred income	(8,899)	(1,541)
Increase / (Decrease) in trade creditors	4,638	(14,107)
Increase in amounts owed to associated undertakings	1,399	140
(Decrease) in amounts owed to fellow subsidiary undertaking	(3,843)	(418)
(Decrease) in provisions	(5,194)	(7,979)
<b>Net cash (outflow) / inflow from continuing operating activities</b>	<b>(19,020)</b>	<b>(25,459)</b>

### Reconciliation of net cash flow to movement in net debt

	1999 £'000	1999 £'000	1998 £'000	1998 £'000
(Decrease) in cash in the year	(7,351)		(22,554)	
Cash (outflow) from management of liquid resources	-		(23,140)	
Cash outflow from decrease in debt	-		35	
<b>Change in net debt resulting from cash flows</b>		<b>(7,351)</b>		<b>(45,659)</b>
Other non-cash items:				
Translation difference		(5)		11
<b>Movement in net debt in the period</b>		<b>(7,356)</b>		<b>(45,648)</b>
Net debt at 1 January		<b>(40,431)</b>		<b>5,217</b>
<b>Net debt at 31 December</b>		<b>(47,787)</b>		<b>(40,431)</b>

### Analysis of net debt

	At 1 Jan 1999 £'000	Cash flow £'000	Other non cash changes £'000	Exchange Movement £'000	At 31 Dec 1999 £'000
Cash in hand, at bank	(21,989)	(7,351)	-	(5)	(29,345)
Term deposits	-	-	-	-	-
Debt due after 1 year	-	(11,200)	(7,242)	-	(18,442)
Debt due within 1 year	(18,442)	11,200	7,242	-	-
Finance leases	-	-	-	-	-
<b>Total</b>	<b>(40,431)</b>	<b>(7,351)</b>	<b>-</b>	<b>(5)</b>	<b>(47,787)</b>

# Matra Marconi Space UK Limited

## 19 Pension and similar obligations

The Company was an associate of The General Electric Company, p.l.c. ("GEC") and all its employees who are members of a pension plan are members of the G.E.C. 1972 Plan ("the Plan"), the principal pension plan of the GEC Group. The Plan is funded and is of the "defined benefit" type. Particulars of the most recent actuarial valuation are disclosed in the report and accounts of GEC for the year ended 31 March 1999.

The pensions cost charge of the Company in respect of employees who are members of The Plan consists of employers' contributions payable which are similar across the Group as a whole as a percentage of pensionable earnings. Based on the advice of the Scheme Actuary, the company contribution to the Plan in the year ended 31 December 1999 amounted to £3,220,000 (1998: £3,130,000). The current valuation exercise as at 5 April 1997 was completed in February 1998 and on the advice of the Scheme Actuary the Company's contributions increased with effect from 1 April 1998, from 6.0 per cent to 6.6 per cent of members' pensionable pay.

## 20 Called up share capital

	1999 £	1998 £
<b>Authorised</b>		
25,000,100 Ordinary Shares of £1 each	25,000,100	100
900 Deferred Shares of £1 each	900	900
	<u>25,001,000</u>	<u>1,000</u>

25,000,000 Ordinary shares were issued for cash during 1999, with a nominal value of £25,000,000.

	1999 £	1998 £
<b>Allotted, called up and fully paid</b>		
25,000,100 Ordinary Shares of £1 each	25,000,100	100
900 Deferred Shares of £1 each	900	900
	<u>25,001,000</u>	<u>1,000</u>

The Deferred Shares carry rights to receive dividends but have no rights to assets and liabilities.

# Matra Marconi Space UK Limited

## 21 Share premium account and reserves

	<i>The Group</i>		<i>The Company</i>	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Share premium account				
As at 1st January and 31st December	<u>15,134</u>	<u>15,134</u>	<u>15,134</u>	<u>15,134</u>
Profit and loss account				
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
At 1st January	8,389	9,764	8,389	9,764
Retained (loss) for the year	(28,079)	(1,375)	(28,079)	(1,375)
At 31st December	<u>(19,690)</u>	<u>8,389</u>	<u>(19,690)</u>	<u>8,389</u>

As permitted by Section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the financial year was £28,079,000.

## 22 Reconciliation of movements in shareholders' funds

	<i>The Group</i>		<i>The Company</i>	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
(Loss)/Profit for the financial year	(28,079)	5,821	(28,079)	(1,375)
Dividend paid	-	(7,196)	-	(7,196)
Net proceeds on issue of ordinary share capital	25,000	-	25,000	-
Net addition to shareholders' fund	<u>(3,079)</u>	<u>(1,375)</u>	<u>(3,079)</u>	<u>(1,375)</u>
Opening shareholders' funds at 1st January	<u>23,524</u>	<u>24,899</u>	<u>23,524</u>	<u>24,899</u>
Closing shareholders' funds at 31st December	<u>20,445</u>	<u>23,524</u>	<u>20,445</u>	<u>23,524</u>

# Matra Marconi Space UK Limited

## 23 Capital commitments

	<i>The Group</i>		<i>The Company</i>	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>1,776</u>	<u>2,127</u>	<u>1,776</u>	<u>2,127</u>

## 24 Contingent liabilities and financial commitments

The Group had contingent liabilities in respect of foreign currency Forward Exchange Contracts of £117,837,000 (1998:£97,169,000) and financial commitments in respect of contract related guarantees of £16,157,000 (1998:£4,009,000) at 31st December 1999.

At the end of the financial year the Company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and Buildings £'000</b>	<b>Plant and Machinery £'000</b>
Operating leases which expire:		
Within one year	567	-
In the second to fifth years inclusive	100	678
	<u>667</u>	<u>678</u>

## 25 Related Party Transactions

In accordance with Financial Reporting Standard Number 8, Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of the group, or investees of the group qualifying as related parties, as it is a qualifying subsidiary of a parent publishing consolidated financial statements.

## 26 Ultimate Parent Undertaking

The Company's ultimate parent company is Matra Marconi Space N.V. ("MMS") which is registered in The Netherlands. The MMS Group is the only group of which the Company is a member for which group accounts are prepared. Copies of the accounts of MMS are available from The Secretary, Matra Marconi Space N.V., 37 avenue Louis Breguet - B.P.1, 78146 Velizy, Villacoublay, Cedex, France.