

Thales Holdings UK Plc

**Annual report and financial statements
for the year ended 31 December 2015**

Registered number: 3945443



Thales Holdings UK Plc

Directors' Report

The Directors present their annual report and financial statements, together with the auditor's report, for the year ended 31 December 2015.

Dividends

The Directors do not recommend the payment of a dividend (2014: £nil).

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Environmental information

The Thales Group in the UK operates an environmental policy to conduct its current and future business in a way that protects the environment. This is achieved through development and implementation of environmental management systems against which the Company reports environmental performance regularly to the Thales Holding UK Plc board. It is a Thales Group requirement that operating companies are certified to the International Standard for Environmental Management Systems ISO 14001, to which the Company has been certified. Current environmental programmes include reducing our carbon footprint and implementing a green purchasing programme.

Directors

The Directors who served during the year are as listed below

Victor Chavez	CEO
Kathryn Jenkins	
Ewen McCrorie	
Guy Baruchel	Resigned on 29 January 2016
Denis Plantier	Appointed on 1 January 2016
Suzanne Stratton	Appointed on 1 September 2015
Alexander Dorrian	Resigned on 1 April 2016
Peter Rowley	Resigned on 31 August 2015

Secretary

Michael Seabrook

Directors' liabilities

The Company has not granted any indemnity against liability to its Directors during the year or at the date of approving the Directors' Report.

Donations

No political donations were made during the year (2014: £nil).

Thales Holdings UK Plc

Directors' Report (continued)

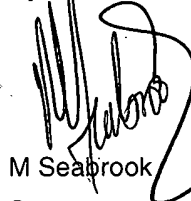
Disclosure of information to auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the auditor, the Directors have taken all the steps they are obliged to take as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By order of the Board



M Seabrook

Secretary

2 Dashwood Lang Road
The Bourne Business Park
Addlestone
Surrey KT15 2NX

29 June 2016

Thales Holdings UK Plc

Strategic Report

Principal activity

The principal activity of the Company is to act as a non-trading, parent company for the Thales group of UK companies. It holds investments in two Thales companies, being Thales Electronics Limited and Thales UK Limited which are themselves intermediate parent companies for the Thales companies in the UK. In addition, it provides a treasury service to the UK group of companies with the ultimate parent company in the group, being Thales SA.

Business review

Thales Holdings UK Plc manages the bank pooling arrangement for Thales UK's group companies. On a daily basis, cash funds across the UK group are pooled and any excess funds are swept over to the treasury function in Thales SA. Conversely any shortfall of funds results in Thales SA providing additional borrowing to Thales Holdings UK Plc which then has an inter-company liability with Thales SA. These arrangements are in essence representative of a cash balance.

In addition to the current account with Thales SA, the Company also provides longer term, interest bearing loans to group companies, as well as holding loans from other group companies.

Interest is charged on the loans to group companies at a premium to that which is paid by the Company on its loans from other group companies.

The Company reported a profit before tax in the year of £14,118,000 (2014: profit £11,426,000).

Operating cash flows of the Company were positive in the year of £13,385,000 (2014: £6,079,000) resulting mainly from interest received on its loans.

The subsidiary undertakings held by the Company are listed in note 9 to the financial statements. Consolidated financial statements are not presented as the Company takes the exemption afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Thales SA which prepares consolidated financial statements which are publicly available.

Events since the balance sheet date

On 1 April 2016, Thales Holdings UK Plc novated a loan receivable of \$391 million to Thales UK Limited. This loan is in exchange for new shares issued by Thales UK Limited to Thales Holdings Plc, for a sterling value of £232 million. In addition to the loan transfer, a hedge currency swap contract relating to the loan, and a forward currency hedge contract to cover future interest receipts, have also been transferred.

Thales Holdings UK Plc

Strategic Report (continued)

Financial risk management objectives and policies

The Company's principal financial instruments comprise bank overdrafts, cash and short-term deposits and loans receivable and payable. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is credit risk. The board reviews and agrees policies for managing this risk and they are summarised below.

Foreign currency risk

The Company has transactional currency exposures in respect of its cash and bank overdrafts. The Company manages its foreign currency risk by hedging transactions that are expected to occur.

Credit risk

The Company's principal financial assets are deposit accounts with Thales SA, current accounts with Thales SA and loans receivable from Thales UK group companies, and therefore the credit risk is minimal.


Interest rate risk

The Company's exposure to the risk for changes in market interest rates is minimal, as it charges a premium to group companies on any interest rate it bears on its financial statements with Thales SA.

Liquidity risk

The Company prepares regular cash flow forecasts to ensure that there are always necessary funds in place to enable financial liabilities to be met as they fall due.

By order of the Board



M Seabrook

Secretary

2 Dashwood Lang Road
The Bourne Business Park
Addlestone
Surrey KT15 2NX

29 June 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, Strategic 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 financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. 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 and then apply them consistently;
- make judgements and accounting 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;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the shareholders

We have audited the financial statements of Thales Holdings UK Plc for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Statements of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the shareholders (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

J I Gordon (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, *STATUTORY AUDITOR*
London

29 June 2016

Thales Holdings UK Plc

Statement of comprehensive income For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Continuing operations			
Gain from operations			
Other operating income	4	1,145	-
Other operating costs	4	-	(335)
		<hr/>	<hr/>
Operating gain/(loss)	4	1,145	(335)
Finance income	5	14,491	10,851
Finance costs	6	(2,209)	(3,867)
Fair value gain on derivatives	14	691	4,777
		<hr/>	<hr/>
Profit before tax from continuing operations		14,118	11,426
Income tax charge	8	-	-
		<hr/>	<hr/>
Profit for the year		<u>14,118</u>	<u>11,426</u>

The accompanying notes are an integral part of this statement of comprehensive income.

Thales Holdings UK Plc

Statement of financial position

as at 31 December 2015

Company Registered number 3945443

	Note	2015 £000	2014 £000
ASSETS			
Non-current assets			
Investment in subsidiaries	9	1,892,811	1,892,811
Non-current loans receivable from group companies	10	263,877	251,136
Total non-current assets		2,156,688	2,143,947
Current assets			
Loans receivable from group companies	11	751,329	575,924
Total current assets		751,329	575,924
Total assets		2,908,017	2,719,871
LIABILITIES			
Current liabilities			
Loans payable to group companies	13	(1,732,576)	(1,263,733)
Derivative financial instruments	14	(29,419)	(13,447)
Bank overdrafts	15	(9,962)	(316,616)
Total current liabilities		(1,771,957)	(1,593,796)
Net current liabilities		(1,020,628)	(1,017,872)
Net assets		1,136,060	1,126,075
EQUITY			
Share capital	16	726,848	726,848
Share premium		873,559	873,559
Retained earnings		(460,214)	(474,332)
Cashflow hedge reserve		(4,133)	-
Total equity		1,136,060	1,126,075

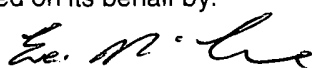
The accompanying notes are an integral part of this statement of financial position.

The accounts on pages 8 to 25 were approved by the Board of Directors and authorised for issue on 29 June 2016.

They were signed on its behalf by:

E McCrorie

Director



Thales Holdings UK Plc

Statement of changes in equity for the year ended 31 December 2015

	Share capital £000	Share premium £000	Retained earnings £000	Cashflow Hedge Reserve £000	Total £000
At 1 January 2014	726,848	873,559	(485,758)	-	1,114,649
Profit for the year	-	-	11,426	-	11,426
At 31 December 2014	<u>726,848</u>	<u>873,559</u>	<u>(474,332)</u>	<u>-</u>	<u>1,126,075</u>
Profit for the year	-	-	14,118	(4,133)	9,985
At 31 December 2015	<u>726,848</u>	<u>873,559</u>	<u>(460,214)</u>	<u>(4,133)</u>	<u>1,136,060</u>

Thales Holdings UK Plc

Statement of cash flows

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
OPERATING ACTIVITIES			
Profit before tax		14,118	11,426
Adjustments to reconcile profit before tax to net cash flows;			
Finance income	5	(14,491)	(10,851)
Finance costs	6	2,209	3,867
Fair value gain on derivatives	14	(691)	(4,777)
		<u>1,145</u>	<u>(335)</u>
Working capital adjustments:			
Interest received		14,449	10,419
Interest paid		<u>(2,209)</u>	<u>(4,005)</u>
Net cash from operating activities		<u>13,385</u>	<u>6,079</u>
FINANCING ACTIVITIES			
(Increase)/decrease in loans to group companies		(175,311)	107,311
Loan to group company to acquire subsidiary		-	(232,342)
Increase in loans from group companies		468,580	307
Net cash inflow/(outflow) from financing activities		<u>293,269</u>	<u>(124,724)</u>
Net increase/(decrease) in cash & cash equivalents		<u>306,654</u>	<u>(118,645)</u>
Cash & cash equivalents at beginning of year	12	(316,616)	(197,971)
Cash & cash equivalents at end of year	12	<u>(9,962)</u>	<u>(316,616)</u>

Cash and cash equivalents include cash at bank and bank overdrafts. The accompanying notes are an integral part of this statement of cash flows.

Thales Holdings UK Plc

Notes to the financial statements

for the year ended 31 December 2015

1. General Information

The Company is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and principal activities are set out in the Directors' Report.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulations. The financial statements have been prepared on a historical cost basis. The financial statements are presented in pounds sterling, the currency in which the majority of the Company's transactions are denominated, and all values are rounded to the nearest thousand, (£000), except when otherwise indicated.

The principal accounting policies adopted are set out below:

These financial statements contain information about Thales Holdings UK Plc as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Thales SA, which prepares consolidated financial statements which are publicly available.

Impairment of investments

At each reporting date the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Thales Holdings UK Plc

Notes to the financial statements (continued)

for the year ended 31 December 2015

2. Accounting policies (continued)

Derivative financial instruments and hedge accounting

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company uses foreign exchange forward contracts to hedge against risks associated with foreign currency fluctuations relating to loans granted to fellow subsidiaries.

The use of financial derivatives is governed by the Company's policies approved by the board of Directors, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy.

The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. The Company's policy with respect to hedging the foreign currency risk of a loan is to designate it as a cash flow hedge. If the cash flow hedge of the loan results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs.

Thales Holdings UK Plc

Notes to the financial statements (continued)

for the year ended 31 December 2015

2. Accounting policies (continued)

Trade receivables

Trade receivables are carried at fair value (in the majority of cases this will equate to original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end). Bad debts are written off when identified. Long term receivables are discounted where necessary.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings, other liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities and equity instruments issued by the Company are classified accordance to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Thales Holdings UK Plc

Notes to the financial statements (continued)

for the year ended 31 December 2015

2. Accounting policies (continued)

Taxation

The tax charge/(credit) comprises current and deferred tax. Income tax expense/(credit) is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity. Current tax is the expected tax payable/(receivable) on the profit /(loss) for the year and any adjustments in respect of previous years using tax rates enacted or substantively enacted at the reporting date.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets recognised in the financial statements are listed below:

Impairment of investments

The impairment reviews of certain investments in the trading subsidiaries are based on estimates of future cash flows.

Notes to the financial statements (continued)

for the year ended 31 December 2015

3. Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. There have been no new or amended International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2015.

New standards issued but not yet effective

The Company has not applied the following IFRS and IFRIC that are applicable to the Company and that have been issued but are not yet effective.

New/revised international financial reporting standards

Effective date

IFRS 9 Financial Instruments

Annual periods beginning on or after 1 January 2018

The Directors do not expect that the adoption of the above pronouncements will have a material impact to the financial statements in the period of initial application other than disclosure.

Thales Holdings UK Plc

Notes to the financial statements (continued)

for the year ended 31 December 2015

4. Operating income / (costs)

	2015	2014
	£000	£000
Included in operating income after charging / (crediting)		
Net foreign exchange loss/(gain)	1,189	(324)
Bank charges	(44)	(11)
	<u>1,145</u>	<u>(335)</u>

5. Finance income

An analysis of the Company's revenue is as follows:

	2015	2014
	£000	£000
Interest received from parent company	1,629	1,852
Interest received from fellow subsidiaries	12,862	8,999
	<u>14,491</u>	<u>10,851</u>

6. Finance costs

	2015	2014
	£000	£000
Interest on loans from fellow subsidiaries	(2,209)	(3,867)
	<u>(2,209)</u>	<u>(3,867)</u>

7. Directors remuneration and transactions

The Directors received no remuneration for their services in respect of the Company in either the current or preceding year. The Company has no other employees.

Thales Holdings UK Plc

Notes to the financial statements (continued)

for the year ended 31 December 2015

8. Income tax

	2015 £000	2014 £000
<i>Current tax:</i>		
UK corporation tax	-	-
Adjustments in respect of prior years	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Corporation tax is calculated at 20.25% (2014 – 21.5%) of the estimated assessable profit for the year.

The tax credit for the year can be reconciled to the statement of comprehensive income as follows:

	2015 £000	2014 £000
Profit before tax from continuing operations	14,118	11,426
	<hr/>	<hr/>
Profit multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	2,859	2,456
Tax effect of:		
Imputed Interest under UK to UK transfer pricing regulations	(2,366)	(2,512)
Group relief surrendered for nil payment	(493)	56
	<hr/>	<hr/>
Total tax charge for the year	-	-
	<hr/>	<hr/>

The rate of corporation tax reduced from 21% to 20% effective from 1 April 2015. Further reductions to 19% and 18%, effective from 1 April 2017 and 1 April 2020 respectively, were included in the Finance Act (No.2) 2015 which was enacted on 18 November 2015.

The Chancellor announced in the Budget on 16 March 2016 that the full rate of UK corporation tax would reduce by a further 1% to 17% from 1 April 2020.

Thales Holdings UK Plc

Notes to the financial statements (continued) for the year ended 31 December 2015

9. Investment in subsidiaries

The Company has investments in the following subsidiary undertakings both of which are wholly owned and incorporated in England & Wales.

	Holding	%	Principal activity
Thales Electronics Limited	Ordinary Shares	100	Holding Company
Thales UK Limited	Ordinary Shares	100	Defence manufacturer

£000

Cost

At 1 January 2015 2,466,811

At 31 December 2015 2,466,811

Amounts written off:

At 1 January 2015 574,000

Impairment

At 31 December 2015 574,000

Net book value:

At 31 December 2015 1,892,811

At 31 December 2014 1,892,811

The Company performed its annual impairment review in 31 December 2015 and considers that no impairment was required.

Thales Holdings UK Plc

Notes to the financial statements (continued)

for the year ended 31 December 2015

10. Non-current loans receivable from group companies

On 9 June 2014, the Company granted a loan to Thales Holdings Corporation, a company incorporated in the United States of America, a fellow subsidiary of the parent company, Thales SA, for the purpose of financing the acquisition of a company. The loan amounted to \$390,567,184, bears interest of 4.4% p.a. and has a maturity of five years commencing on the date of drawing of the loan. Interest shall be repaid to the Company for each six months from the date of drawing of the loan.

The full amount of the loan was drawn by Thales Holdings Corporation on 10 June 2014.

In parallel, in order to manage the exchange rate exposure on the loan, the Company entered into a fair value hedge contract and foreign exchange forward contract in place with Thales Group treasury department in Paris. Further information on the financial derivatives is explained in note 14.

On 1 April 2016, this loan, the fair value hedge and the foreign exchange forward contract were novated to Thales UK limited.

11. Loans receivable from group companies

The Company holds loan notes receivable from group companies, including the parent company, Thales SA.

These loans are subject to being charged a market rate of interest.

The Directors consider that the carrying amount of loans payable and receivable approximates their fair value.

	2015 £000	2014 £000
Loans receivable from parent company	338,285	353,507
Loans receivable from subsidiary companies	413,044	222,417
	<hr/>	<hr/>
The loans are receivable as follows:		
On demand or within one year	751,329	575,924
	<hr/>	<hr/>

Analysis of loans receivable by currency:

	Sterling £000	Euros £000	US Dollars £000	Total £000
2015	751,329	-	-	751,329
2014	560,623	2,968	12,333	575,924

Thales Holdings UK Plc

Notes to the financial statements (continued) for the year ended 31 December 2015

11. Loans receivable from group companies (continued)

The average interest rates for these loans were as follows:

	2015	2014
	%	%
Loans receivable from parent company	0.5	0.5
Loans receivable from subsidiary companies	1.4	1.4

12. Cash and cash equivalents

Bank balances and cash comprise current accounts and overdrafts held by the Company and short-term bank deposits with an original maturity of three months or less. They exist in order to offset the overall net current account position of the UK group to nil, with the movement in funds either going to or from a deposit account with Thales SA on a daily basis.

The carrying amount of these assets approximates their fair value.

13. Loans payable to group companies

The Company holds loan notes payable to group companies.

The Directors consider that the carrying amount of loans payable and receivable approximates their fair value.

Analysis of loans payable by currency:

	Sterling	Total
	£000	£000
31 December 2015	1,732,576	1,732,576
31 December 2014	1,263,733	1,263,733

The average interest rates for these loans were as follows:

	2015	2014
	%	%
Loans payable to subsidiary companies	0.5	0.5

Thales Holdings UK Plc

Notes to the financial statements (continued) for the year ended 31 December 2015

14. Financial instruments

Categories of financial instruments

	2015		2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets:				
Non-current loans receivable from group companies	263,877	263,877	251,136	251,136
Loans receivable from group companies	751,329	751,329	575,924	575,924
Financial liabilities:				
Loans payable to group companies	1,732,576	1,732,576	1,263,733	1,263,733
Derivative financial instruments	29,419	29,419	13,447	13,447
Bank overdrafts	9,962	9,962	316,616	316,616

The carrying amount of the assets above represents the Company's maximum exposure to credit risk.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly.

Level 3: techniques, which use inputs, which have a significant effect on the recorded fair value that are not based on observable market data.

Thales Holdings UK Plc

Notes to the financial statements (continued)

for the year ended 31 December 2015

14. Financial instruments (continued)

In 2014, the Company entered into a foreign exchange forward contract with the Thales Group treasury department in Paris in order to manage the exchange rate exposure on the future interest payments receivable by Thales Holdings Corporation. At the date of the statement of financial position, the total notional amount of the outstanding foreign exchange forward contract to which the Company is committed is as follows:

	Total at 31 December 2015 £000	Level 1 £000	Level 2 £000	Level 3 £000
Liabilities measured at fair value				
Foreign exchange contracts – hedged	29,419	-	29,419	-

At 31 December 2015, the fair value of the Company's foreign exchange forward contract is estimated to be £29,419,000 (2014: £13,447,000). This amount is based on quoted market prices for equivalent instruments at the date of the statement of financial position.

At the same time, the Company entered into a fair value hedge contract with the Thales Group treasury department in Paris in order to manage the exchange rate exposure on the loan principle granted to Thales Holdings Corporation. At the date of the statement of financial position, the total notional amount of the outstanding fair value hedge contract to which the Company is committed is as follows:

	2015 £'000	2014 £'000
Foreign exchange contract:		
US Dollar	<u>390,567</u>	<u>390,567</u>

Thales Holdings UK Plc

Notes to the financial statements (continued)

for the year ended 31 December 2015

15. Bank overdrafts

The Thales UK group companies are part of a netting cash pooling agreement which is operated by Thales Holdings UK Plc as the treasurer company. When the Thales UK operating companies show an overall positive cash balance (which is held in Thales UK Limited), Thales Holdings UK Plc offsets this balance by sending funds to the Thales Group Treasury department in France, where it can be deposited on the markets at optimal financial conditions.

Should Thales UK as a whole require some of that money back it can be retrieved from the Thales Group Treasury department on a daily basis.

Excess cash sent to the Thales Group Treasury department will be shown as a bank overdraft in Thales Holdings UK Plc and a loan to the parent company.

	2015 £'000	2014 £'000
Bank overdrafts	<u>9,962</u>	<u>316,616</u>
The borrowings are repayable as follows:		
On demand or within one year	<u>9,962</u>	<u>316,616</u>

Analysis of bank overdrafts by currency:

	Sterling £000	Euros £000	US Dollars £000	Total £000
31 December 2015	<u>8,703</u>	<u>806</u>	<u>453</u>	<u>9,962</u>
31 December 2014	<u>313,433</u>	<u>211</u>	<u>2,972</u>	<u>316,616</u>

The weighted average interest rates paid were as follows:

	2015 %	2014 %
Bank overdraft	<u>0.60</u>	<u>0.77</u>

The Directors consider that the carrying amount of the bank overdrafts approximates their fair value. Bank overdrafts are repayable on demand.

Thales Holdings UK Plc

Notes to the financial statements (continued)

for the year ended 31 December 2015

16. Share capital

	2015 £'000	2014 £'000
<i>Authorised</i>		
1,000,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, called-up and fully paid</i>		
726,847,984 ordinary shares of £1 each	<u>726,848</u>	<u>726,848</u>

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

17. Related party transactions

The immediate parent company and the ultimate parent company is Thales SA a Company incorporated in France. This is also both the largest and smallest group which includes the Company and for which consolidated financial statements are prepared. Copies of the group financial statements of Thales SA are available from Tour Carpe Diem, 31 place des Corolles, 92098 Paris La Défense, France.

During the year, the Company entered into transactions with related parties and held balances with related parties as follows:

	Intercompany sales transactions		Intercompany purchase transactions		Amount owed by related parties		Amount owed to related parties	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Parent company	<u>1,629</u>	<u>1,852</u>	<u>-</u>	<u>-</u>	<u>413,044</u>	<u>353,507</u>	<u>-</u>	<u>-</u>
Fellow subsidiaries	<u>12,861</u>	<u>8,999</u>	<u>2,209</u>	<u>3,867</u>	<u>338,285</u>	<u>604,643</u>	<u>1,732,518</u>	<u>1,263,733</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.