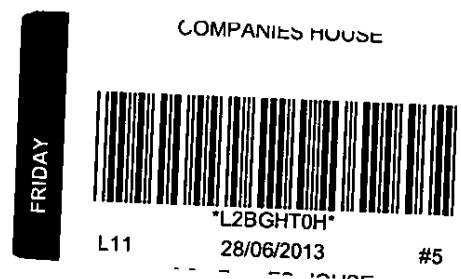


**Thales Holdings UK PLC**

**Annual report and accounts  
for the year ended 31 December 2012**

Registered number: 3945443



# Thales Holdings UK PLC

## Directors' report

The Directors present their annual report and accounts, together with the auditor's report, for the year ended 31 December 2012

### 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 Ltd 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 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 the UK.

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. This resulted in a profit before tax in the year of £3,375,000 (2012: £3,020,000).

The budgeted cash flow forecast supports an improvement to the cash position for at least the next three years, and therefore we do not expect the business to change fundamentally.

The subsidiary undertakings held by the Company are listed in note 10 to the financial statements. Consolidated financial statements are not presented as the Company takes advantage of the exemption afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Thales SA which prepares consolidated accounts which are publicly available.

During the year an impairment review was carried out as a result of which the value of the Company's investments remained unchanged at 31 December 2012 (2011: impairment (£nil)).

# Thales Holdings UK PLC

## Directors' report (continued)

### **Dividends**

The Directors do not recommend the payment of a dividend (2011 - £nil)

### **Financial risk management objectives and policies**

The Company's principal financial instruments comprise bank overdrafts, cash and short-term deposits. 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. This exposure is not hedged, but management monitor the situation closely.

### **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 accounts 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.

### **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.

# Thales Holdings UK PLC

## Directors' report (continued)

### Directors

The Directors who served during the year are as listed below

Alexander Dorrian	Chairman
Victor Chavez	CEO
Edward Lowe	
Lawrence Hammond	
Kathryn Jenkins	
Stephane Ramon	(Resigned 1 April 2013)
Ewen McCrorie	(Appointed 1 April 2013)

### Secretary

Michael William Peter 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 charitable or political donations were made during the year (2011-2012)

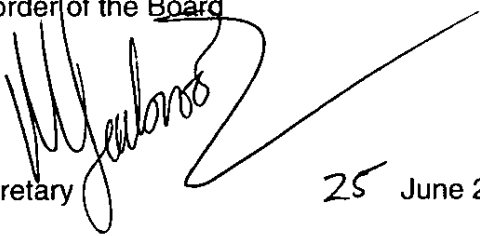
### Disclosure of information to auditors

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

  
Secretary 25 June 2013

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

# Thales Holdings UK PLC

## Statement of Directors' responsibilities

The Directors are responsible for preparing 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 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

# Thales Holdings UK PLC

## Independent auditor's report to the shareholders

We have audited the financial statements of Thales Holdings UK plc for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow 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 Directors' Responsibilities Statement set out on page 4, 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.

### **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 2012 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 for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Thales Holdings UK PLC

## 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*

Jl Gordon (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP  
London

28 June 2013

# Thales Holdings UK PLC

## Statement of comprehensive income for the year ended 31 December 2012

	Note	2012 £000	2011 £000
<b>Continuing operations</b>			
Other income		16	17
Finance income	6	6,735	5,898
Finance costs	7	<u>(3,376)</u>	<u>(2,895)</u>
<b>Profit before tax from continuing operations</b>		3,375	3,020
Income tax credit	9	<u>422</u>	<u>382</u>
<b>Profit for the year and total comprehensive income for the year</b>		<u>3,797</u>	<u>3,402</u>

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

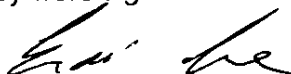
# Thales Holdings UK PLC

## Statement of financial position for the year ended 31 December 2012

	Note	2012 £000	2011 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	10	<u>1,946,811</u>	<u>1,946,811</u>
<b>Current assets</b>			
Trade and other receivables	11	1,095	1,096
Loans to group companies	12	790,036	690,007
Corporation tax asset		<u>422</u>	<u>547</u>
<b>Total current assets</b>		<u>791,553</u>	<u>691,650</u>
<b>Total assets</b>		<u><b>2,738,364</b></u>	<u><b>2,638,461</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans from group companies	14	(873,196)	(872,818)
Bank overdrafts	15	<u>(258,475)</u>	<u>(162,747)</u>
<b>Total current liabilities</b>		<u><b>(1,131,671)</b></u>	<u><b>(1,035,565)</b></u>
<b>Net current liabilities</b>		<u><b>(340,118)</b></u>	<u><b>(343,915)</b></u>
<b>Net assets</b>		<u><b>1,606,693</b></u>	<u><b>1,602,896</b></u>
<b>EQUITY</b>			
Share capital	16	726,848	726,848
Other reserves		873,559	873,559
Retained earnings		<u>6,286</u>	<u>2,489</u>
<b>Total equity</b>		<u><b>1,606,693</b></u>	<u><b>1,602,896</b></u>

The accounts on pages 7 to 25 were approved by the Board of Directors and authorised for issue on 25 June 2013. They were signed on its behalf by

E McCrone, Director



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

# Thales Holdings UK PLC

## Statement of changes in equity for the year ended 31 December 2012

	Share capital	Share premium	Retained earnings	Total
	£000	£000	£000	£000
At 1 January 2011	726,848	873,559	(913)	1,599,494
Profit for the year	-	-	3,402	3,402
At 31 December 2011	726,848	873,559	2,489	1,602,896
Profit for the year	-	-	3,797	3,797
At 31 December 2012	726,848	873,559	6,286	1,606,693

# Thales Holdings UK PLC

## Statement of cash flows

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
<b>OPERATING ACTIVITIES</b>			
Profit before tax from continuing operations		3,375	3,020
Non-cash adjustments to reconcile profit before tax to net cash flows,			
Finance income	6	(6,735)	(5,898)
Finance costs	7	3,376	2,895
		16	17
Working capital adjustments			
(Increase) / decrease in trade receivables		1	-
Income taxes received	9	547	662
<b>Net cash from operating activities</b>		<b>564</b>	<b>679</b>
<b>INVESTING ACTIVITIES</b>			
Interest received	6	6,735	5,898
Interest paid	7	(3,376)	(2,895)
<b>Net cash flow from investing activities</b>		<b>3,359</b>	<b>3,003</b>
<b>FINANCING ACTIVITIES</b>			
(Increase) in loans to group companies		(100,029)	(27,450)
Increase in loans from group companies		378	93,629
<b>Net cash flow from financing activities</b>		<b>(99,651)</b>	<b>66,179</b>
<b>Net (decrease) / increase in cash &amp; cash equivalents</b>		<b>(95,728)</b>	<b>69,861</b>
Cash & cash equivalents at beginning of year	13	(162,747)	(232,608)
<b>Cash &amp; cash equivalents at end of year</b>	<b>13</b>	<b>(258,475)</b>	<b>(162,747)</b>

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 2012

### 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 3. The nature of the Company's operations and principal activities are set out in the Directors' Report.

The financial statements are presented in pounds sterling, the currency in which the majority of the Company's transactions are denominated.

### 2. Accounting policies

#### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) 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 (except for derivative financial instruments and available for sale financial assets that have been measured at fair value). The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. 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 accounts afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Thales SA, which prepares consolidated accounts 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 pre-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

# Thales Holdings UK PLC

## Notes to the financial statements (continued) for the year ended 31 December 2012

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

### **Financial instruments**

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

### **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 and equity instruments issued by the Company are classified according 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

# Thales Holdings UK PLC

## Notes to the financial statements (continued)

for the year ended 31 December 2012

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

### 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.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted at the balance sheet date or the date that the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 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

# Thales Holdings UK PLC

## Notes to the financial statements (continued)

for the year ended 31 December 2012

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

### **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 except for the following new and amended International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2012,

#### **Amendments to IFRS 7 Disclosures – transfers of financial assets in the current year.**

The amendments enhance existing disclosure requirements for transferred financial assets that are not derecognised and require additional disclosure on an entity's continuing involvement in derecognised assets. This had no material impact on the financial position or performance of the Company in the current or prior year.

#### **Income Tax (IAS 12 - Amended):**

The amendment states that the measurement of associated deferred tax arising on investment properties that are measured using the fair value model under IAS 40 "investment properties" should reflect the presumption that the carrying amount of the underlying asset will, normally, be recovered through sale rather than use. This had no material impact on the financial position or performance of the Company in the current or prior year.

# Thales Holdings UK PLC

## Notes to the financial statements (continued) for the year ended 31 December 2012

### **New standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company does not intend to adopt those standards until they become effective.

The new standards are

### **Presentation of Financial Statements (IAS 1)**

The amendment is to the presentation of other comprehensive income (OCI), those items of OCI that could be reclassified to profit or loss at a future date will be presented separately from those items that will never be reclassified to profit or loss. The amendment to IAS 1 is effective for annual periods beginning on or after 1 July 2012 and the adoption of the amendment is not expected to have a material impact on the results of the Company.

### **Financial Instruments (IFRS 9):**

This standard is the first step in the process to replace IAS 39 "Financial Instruments recognition and measurement". It introduces new requirements for the classification and measurement of financial assets with all recognised financial assets that are within the scope of IAS 39 to be subsequently measured at amortised cost or fair value. In addition, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in fair value attributable to changes in credit risk is presented in other comprehensive income unless recognition would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to credit risk are not subsequently reclassified to profit or loss.

This is effective for annual periods beginning on or after 1 January 2015. The effect of adoption of IFRS 9 has not yet been evaluated.

# Thales Holdings UK PLC

## Notes to the financial statements (continued)

for the year ended 31 December 2012

### **Consolidation, joint arrangements, associates and disclosures (IFRSs 10, 11 & 12, IAS 27 & 28):**

In May 2011 a package of five standards on consolidation, joint arrangements, associates and disclosures was issued

Under IFRS 10 there is only one basis for consolidation and that is control. Control has a new definition under IFRS 10 that contains three elements, power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect returns

IFRS 11 classifies joint arrangements as either joint operations or joint ventures with joint ventures required to be accounted for using the equity method of accounting

IFRS12 introduces more extensive disclosure requirements than under existing standards

These new standards are effective for annual periods beginning on or after 1 January 2013 and the Company intends to adopt them from this date. Adoption of these standards is not expected to have a significant impact on the business

### **Fair Value Measurement (IFRS 13):**

This new standard sets out a comprehensive framework for defining and measuring fair value and also includes additional disclosure requirements about fair value measurements. The standard does not extend the use of fair value accounting, but brings together all the requirements for how to measure and disclose information about fair value under all circumstances into this one standard

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and the Company intends to adopt it from this date. The adoption of IFRS 13 is not expected to have a significant impact on the business

### **Financial Instruments: presentation (IAS 32 - Amended) & disclosure (IFRS 7 - Amended):**

These amendments introduce new disclosure requirements regarding the effect of offsetting financial assets and financial liabilities on the balance sheet. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and the amendments to IAS 32 effective for annual periods beginning on or after 1 January 2014. Thales intends to adopt these amendments with effect from 1 January 2013 and 1 January 2014 respectively. The evaluation of the effect of the adoption of these standards has not yet been completed

# Thales Holdings UK PLC

## Notes to the financial statements (continued) for the year ended 31 December 2012

### Improvements to IFRSs (Issued in May 2012)

The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2013 and include

- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 32 Financial Instruments Presentation

#### Amendments to IAS 16.

The amendments clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Directors do not anticipate that the amendments to IAS 16 will have a significant impact on the Company's financial statements.

#### Amendments to IAS 32.

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 "Income Taxes". The Directors do not anticipate that the amendments to IAS 32 will have any impact on the Company's financial statements.

### 4. Revenue

An analysis of the Company revenue is as follows

	2012 £000	2011 £000
Finance income (note 6)	6,735	5,898
Revenue as defined in IAS 18	<u>6,735</u>	<u>5,898</u>

### 5. Auditor's remuneration

The audit fees payable to Ernst & Young LLP for 2012 are £12,000 (2011: £12,000)

# Thales Holdings UK PLC

## Notes to the financial statements (continued) for the year ended 31 December 2012

### 6. Finance income

	2012 £000	2011 £000
Interest received from parent Company	3,503	2,740
Interest received from fellow subsidiaries	3,223	3,151
Interest received on bank deposits	9	7
	<u>6,735</u>	<u>5,898</u>

### 7. Finance costs

	2012 £000	2011 £000
Interest on bank overdrafts	1,005	999
Interest on loans from fellow subsidiaries	2,371	1,896
	<u>3,376</u>	<u>2,895</u>

### 8. 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 2012

### 9. Income tax

	2012 £000	2011 £000
<i>Current tax</i>		
UK corporation tax	(422)	(547)
Adjustments in respect of prior years	-	165
<b>Total tax credit</b>	<b>(422)</b>	<b>(382)</b>

Corporation tax is calculated at 24.5% (2011 – 26.5%) 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

	2012 £000	2011 £000
Profit on ordinary activities before tax	3,375	3,020
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	827	800
Tax effect of		
Imputed interest under UK to UK transfer pricing	(1,249)	(1,347)
Adjustments to prior year (current tax)	-	165
<b>Total tax credit</b>	<b>(422)</b>	<b>(382)</b>

The Finance Act 2012 reduced the main rate of UK corporation tax to 23% with effect from 1 April 2013. As this rate has been substantively enacted at the balance sheet date, the deferred tax figures within these accounts have been calculated at this rate.

The Chancellor announced in the Budget on 20 March 2013 that the full rate of UK corporation tax would reduce by a further two percent to 21% from 1 April 2014, followed by a further one percent to 20% from 1 April 2015. The effect of this subsequent rate reduction on deferred tax balances has not been reflected in these accounts due to the relevant legislation not having been substantively enacted at the balance sheet date.

# Thales Holdings UK PLC

## Notes to the financial statements (continued) for the year ended 31 December 2012

### 10. Investment in subsidiaries

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

	<b>Holding</b>	<b>Principal activity</b>
Thales Electronics Limited	Ordinary shares	Holding Company
Thales UK Limited	Ordinary shares	Defence manufacturer

	<i>£000</i>
<b>Cost:</b>	
At 31 December 2011 and 2012	2,026,811
	<hr/>
<b>Amounts written off:</b>	
At 31 December 2011 and 2012	80,000
	<hr/>
<b>Net book value:</b>	
At 31 December 2011 and 2012	1,946,811
	<hr/>

### 11. Trade and other receivables

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Other receivables	1,095	1,096
	<hr/>	<hr/>

# Thales Holdings UK PLC

## Notes to the financial statements (continued)

for the year ended 31 December 2012

### 12. Loans to 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

	2012 £000	2011 £000
Loans receivable from parent company	564,933	468,007
Loans receivable from subsidiary companies	225,103	222,000
	<u>          </u>	<u>          </u>
The loans are repayable as follows		
On demand or within one year	790,036	690,007
	<u>          </u>	<u>          </u>

#### Analysis of loans receivable by currency

	<i>Sterling</i> £000	<i>Euros</i> £000	<i>US dollars</i> £000	<i>Total</i> £000
31 December 2012	740,287	26,612	23,137	790,036
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
31 December 2011	644,718	17,115	28,174	690,007
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The weighted average interest rates for these loans were as follows

	2012 %	2011 %
Loans receivable from parent company	0.8%	0.8%
Loans receivable from subsidiary companies	0.9%	0.9%

# Thales Holdings UK PLC

## Notes to the financial statements (continued) for the year ended 31 December 2012

### 13. 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 S A on a daily basis.

The carrying amount of these assets approximates their fair value.

### 14. Loans from 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.

	2012 £000	2011 £000
Loans payable to subsidiary companies	873,196	872,818
The loans are payable as follows		
On demand or within one year	873,196	872,818

#### Analysis of loans payable by currency

	Sterling £000	Euros £000	Total £000
31 December 2012	799,823	73,373	873,196
31 December 2011	872,818	-	872,818

The weighted average interest rates for these loans were as follows:

	2012 %	2011 %
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 2012

### 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 Corporate services 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.

	2012 £000	2011 £000		
Bank overdrafts	258,475	162,747		
The borrowings are repayable as follows				
On demand or within one year	258,475	162,747		
Analysis of bank overdrafts by currency				
	<i>Sterling</i> £000	<i>Euros</i> £000	<i>US dollars</i> £000	<i>Total</i> £000
31 December 2012	207,924	27,263	23,288	258,475
31 December 2011	116,715	17,726	28,306	162,747

The weighted average interest rates paid were as follows

	2012 %	2011 %
Bank overdrafts	0.68	0.60

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 2012

### 16. Share capital

	2012 £000	2011 £000
<i>Authorised</i>		
1,000,000,000 ordinary shares of £1 each	1,000,000	1,000,000
<i>Allotted, called-up and fully-paid</i>		
726,847,984 ordinary shares of £1 each	726,848	726,848

### 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 2012 and 31 December 2011.

# Thales Holdings UK PLC

## Notes to the financial statements (continued)

for the year ended 31 December 2012

### 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 45 rue de Villiers, 92526 Neuilly sur Seine Cedex, France

#### Trading transactions

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

2012 £000's	InterCompany transactions Received	InterCompany transactions Paid	Amounts owed by related parties	Amounts owed to related parties
Parent Company	-	96,926	564,933	-
Fellow subsidiaries	378	3,103	225,103	873,196
<b>Total 2012</b>	<b>378</b>	<b>100,029</b>	<b>790,036</b>	<b>873,196</b>

2011 £000's	InterCompany transactions received	InterCompany transactions paid	Amounts owed by related parties	Amounts owed to related parties
Parent Company	-	26,617	468,007	-
Fellow subsidiaries	93,630	833	222,000	872,818
<b>Total 2011</b>	<b>93,630</b>	<b>27,450</b>	<b>690,007</b>	<b>872,818</b>

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