Cassidian Limited

Report and Financial Statements

31 December 2012

Registered No 04191036

Directors
C Paynter
R S Southwell
H Guillou
M J Stevens

Secretary
J Rose

Auditors
Ernst & Young LLP
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Registered No 04191036

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2012

Results and dividends

The loss for the year amounted to £111,341,000 (2011 – loss for the year £36,203,000) The directors do not recommend the payment of a final dividend

Principal activities and business review

The company's principal activity is the provision of secure communication solutions that address the demands of the defence market, emergency services, homeland security and other government departments The company's offer spans initial feasibility and concept studies, through design architecture, integration, manufacturing, and implementation and through life support

The unique offering encompasses system integration, fixed networks, deployed networks, satellite and ground segment communications, security management and consultancy, and managed services In order to deal with the complexities of its addressed markets, the company employs highly skilled engineers, project managers and business managers

The company supports the EADS Central function for key account marketing and international sales The company is the UK base for the office of the Chief Technical Officer, "CTO" The CTO is the focal point for Research and Technology (R&T), development of design and manufacturing tools and innovation across the EADS group The Systems Design Centre ("SDC") supports EADS as a Lead System Integrator ("LSI")

Following the restructuring in 2011, the Cassidian Limited business is now managed on the three pillars which are Cyber Security, export of existing capabilities to overseas markets, and the deployment of the Cassidian division portfolio into the UK domestic markets

The EADS NV Group, including Cassidian, manages their operations on a divisional, and cross country basis For these reasons the company's directors believe that key performance indicators for the company are not necessary or appropriate for the understanding of the development, performance or position of the business

DII

Cassidian is part of the ATLAS consortium providing the UK's Ministry of Defence (MoD) with one of the largest IT outsourcing deals in UK history

The 10 year Defence Information Infrastructure (DII) programme is made up of three increments, and will have a profound impact on the way the MoD does business In simple terms, the programme will provide 300,000 users in 2,000 locations, including MoD offices, deployed headquarters and war-ships, with a single information network that covers 150,000 desktop terminals Programme delivery remains as agreed with HP (the ATLAS prime partner) for all increments

The majority of the implementation phase has been completed in 2011, although there have been some delays in the implementation of overseas sites at the request of the MoD which are due for completion in 2013 Support will continue beyond 2013 under the current contract

The company is the lead supplier of fixed infrastructure networks, and network security to the programme which will provide a common Information Technology solution to all UK Ministry of Defence sites

ECTOCRYP®

Cassidian Limited is working to create the appropriate offering for identified customers within the US market There have been contracts in place in both the domestic and export markets, the offering for which will be made in conjunction with the respective product variations

Directors' report

Emergency Response Solution

During the termination phase of the FiReControl project, the company recognised that it had started to develop a generic Emergency Response Solution which addresses an identified worldwide market in emergency response control centres The company had capitalised the respective part of the development costs of £69 5m in these financial statements as an intangible asset

Following a thorough assessment by Cassidian for specific re-usability, deferred development expenditure relating to the Emergency Response Solution intangible asset was reviewed at the end of the accounting period and it was determined that the circumstances which had justified the deferral of the expenditure no longer applied, this affected expenditure to the extent of £60m which was written off immediately to profit and loss

Data Centre Offering

A tangible asset base had been identified during the termination phase of the FiReControl project in 2010, and Cassidian Limited had capitalised a Data Centre At 31 December 2012, the remaining component fixed assets of the FiReControl project were assessed and determined to be impaired in full

EADS Foundation Wales

Cassidian Limited continues to enhance its relationship with the Welsh Assembly Government and local academia through a non-profit joint venture 'EADS Foundation Wales' The foundation was piloted for two years, and the partnership formalised in 2011 with the joint venture launch, which formally commenced trading on 1st September 2011

Funding has been pledged until 2015 by the principal partners EADS and Cassidian Limited and the Welsh Assembly Government Cardiff University is a stakeholder in the foundation EADS Foundation Wales is committed to research and development in fields linked to the digital economy, low-carbon energy and advanced engineering and manufacturing

Reorganisation

There was a formal announcement in November 2012 that the Cassidian division would perform an adaptation program whereby employee's roles would be transferred within the business in order to better utilise key skills and resource A provision of £5 3m has been put in place to facilitate this

British Standards Institute (BSI) accreditation

During 2012 Cassidian Limited successfully passed the formal audit to gain BS11000 accreditation, one of only 27 companies to have achieved this standard to date The new standard launched by the British Standards Institute (BSI) in 2010, provides a strategic framework to enable businesses and other bodies to build collaborative working relationships with other organisations

The framework is designed to help organisations share knowledge, skills and resources The key benefits include enhanced competitiveness, assured service delivery, more effective supplier and customer relationships and creation of development opportunities for employees

Simplify 2014

Following Cassidian's division wide successful completion of the Transformation in 2011, and the further re-organisation in 2012, Cassidian division has announced a new improvement programme "Simplify Cassidian 2014" This will look to improve its efficiency, quality, speed and effectiveness, and to tackle subjects such as leadership and ways of working, whilst aiming to streamline major processes and optimise tools

Directors' report

Corporate social responsibility

Embedded into our business practices are responsible ways of ensuring we meet the highest standards of business ethics, customer fulfilment and satisfaction, employee engagement and satisfaction, community involvement and support and the highest standards of environmental and sustainability performance By using the principles of Corporate Social Responsibility (CSR) as a key business driver we strive to minimise our impact on the environment and society by acting responsibly so that we can secure a sustainable future

Full details of our Corporate Social Responsibility programme, called C3 – Consider, Commit, Connect is published in an annual report The company has identified its carbon footprint, collates KEPI data, implemented carbon reduction initiatives and is accredited to ISO 14001 We continually invest in our safety management system and programmes across all business and are accredited to OHSAS 18001 2007

Cassidian Limited continues to succeed in meeting its legal and corporate obligations and promoting good citizenship in its local environment It continues to support, through its employees its nominated local charities, and contributes to the local community via a number of employee and company led activities It continues to promote best practice in health & safety and environmental performance through its dedication to maintaining certified management systems in both fields Cassidian Limited strives to exceed customer expectations and is dedicated to ensuring employee satisfaction and fulfilment The company continues in its endeavour to meet its CSR requirements and will continue to develop and implement its CSR programmes throughout 2013

Future developments

The directors aim to grow the Cassidian Ltd business via the aforementioned three pillars, which are Cyber Security, export of existing capabilities to overseas markets, and the deployment of the Cassidian division portfolio into the UK domestic markets The company continues to pursue contracts in both UK and export markets, with the aim of continuing growth through expansion in its market share for current activities, and developing new products and technology through research and development

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out above

The company participates in the EADS NV group's centralised treasury arrangements and shares banking arrangements with its parent and fellow subsidiary undertakings Continued financial support will be made available by the ultimate parent undertaking, EADS NV, to enable the company to meet its liabilities as and when they fall due The directors have received assurance that the ultimate parent company will continue its support in the future and as a result the directors expect that the company will be able to continue in operational existence for the foreseeable future, and the financial statements have been prepared on the going concern basis

Risks and uncertainties

Government contracts

As a government contractor the company is subject to financial audits regarding the performance and accounting of some of its contracts These audits may result in adjustment to costs and prices on such contracts

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Directors' report

Fixed price contracts

A significant portion of the company's revenues are derived from fixed price contracts The majority of these relate to the manufacture of previously developed technologies, which typically have less risk associated with them than design and development programmes An inherent risk in any fixed price contract is that actual costs may exceed those projected at the time of contract acceptance

To mitigate performance related risks, the company manages its projects through structured methods and the application of the company GATE process reviews

Export controls

An element of the company's sales is derived from the export of its products The export of these products may be subject to licensing and export controls, no assurance can be given that these will not become more restrictive, or that political factors or changing international circumstances will not result in the company being unable to obtain the necessary export licences

The company follows strict guidelines and policies to ensure adherence to these regulations

Directors

The current directors as at 31 December 2012 are listed on page 1 All directors have served for the full year except B P M Rambaud and P Watson who left on the 12th September 2012, and 20th July 2012 respectively M J Stevens was appointed on 6th June 2012

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Political and charitable donations

During the year, the company made charitable donations of £1,000 (2011 – Nil) The company did not make any political donations during the year (2011-Nil)

Research and development

The company recognises the importance of investing in research and development programmes, and that product development and innovation is a continuing process The company commits resources to research and development to assist in achieving and securing a competitive position in the respective markets

Employee involvement

There is a continuing commitment throughout the company to provide employees with information and to consult on matters of concern with a view to ensuring an awareness of the financial and economic factors affecting the performance of the company Regular meetings are held involving directors, managers and supervisors to engage employees and convey information about the business A permanently standing consultative committee exists as the formal vehicle for consultation and communication of information to staff

Most employees participate directly in the success of the business through the company incentive scheme

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Directors' report

Disabled employees

The company gives full consideration to applications from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate

Creditor payment policy

It is the company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the company and its suppliers, provided that all terms and conditions have been complied with At 31 December 2012 the company had an average of 65 days (2011 – 70 days) purchases outstanding in trade creditors

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the company's activities Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386 (1) of the Companies Act 2006 Therefore the auditors, Ernst & Young LLP, will be deemed to be reappointed for each succeeding year

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the Board

M J Stevens

Director

21/6/13

Statement of directors' responsibilities in respect of the financial statements

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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 the affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASSIDIAN LIMITED

We have audited the financial statements of Cassidian Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on 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 loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASSIDIAN LIMITED (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

Ken Griffin (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

Date 2 July 2013

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Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover	2	78,985	86,829
Cost of sales		(83,542)	(87,935)
Gross loss		(4,557)	(1,106)
Administrative expenses		(16,288)	(23,954)
Other operating income	3	114	533
Impairment of tangible fixed assets	3	(21,008)	-
Operating loss	3	(41,739)	(24,527)
Exceptional item - Fundamental Reorganisation	5	(5,406)	(7,050)
Loss on disposal of fixed asset	5	-	(523)
Loss on disposal of intangible asset	5	(60,055)	-
Interest expense and similar charges	7	(4,141)	(4,103)
Loss on ordinary activities before taxation		(111,341)	(36,203)
Tax on loss on ordinary activities	8	-	-
Loss for the financial year	18	(111,341)	(36,203)

All of the company's activities relate to continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 2012

The company has no recognised gains or losses other than the loss for the year and, therefore, no separate Statement of Total Recognised Gains and Losses has been presented

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Balance sheet

At 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Intangible assets	9	11,809	73,854
Tangible assets	10	6,394	33,011
Investments	11	11,654	11,654
		29,857	118,519
Current assets			
Stocks	12	11,661	14,482
Debtors due in more than one year	13	17,314	24,411
Debtors due within one year	13	49,102	30,931
Cash at bank and in hand		147	539
		78,224	70,363
Creditors: amounts falling due within one year	14	(394,725)	(339,250)
Net current (liabilities)		(316,501)	(268,887)
Total assets less current liabilities		(286,644)	(150,368)
Creditors. amounts falling due after more than one year			
Long-term loans	15	-	(30,000)
		(286,644)	(180,368)
Provisions for liabilities and charges	16	(6,243)	(1,178)
Net (liabilities)		(292,887)	(181,456)
Capital and reserves			
Called up share capital	17	100	100
Share premium	18	113,030	113,030
Merger reserve	18	(3,444)	(3,444)
Profit and loss account	18	(402,573)	(291,232)
Total equity shareholders (deficit)	18	(292,887)	(181,546)

Approved by the Board on and signed on its behalf by

M J Stevens

Director

27/6/13

Registered No 04191036

Notes to the financial statements

for the year ended 31 December 2012

1. Accounting policies

The principal accounting policies are summarised below They have all been applied consistently throughout the year

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company does not prepare group financial statements as it is exempt from doing so by Section 400 of the Companies Act 2006, by virtue of its EU parent, preparing group financial statements, EADS NV which is incorporated in the Netherlands These financial statements therefore present information about the company and not its group

Cash flow statement

The company has relied on the exemptions provided in Financial Reporting Standard 1 (revised) and has therefore not produced a cash flow statement

Going concern

These financial statements have been prepared on the going concern basis because continued financial support will be made available by the ultimate parent undertaking, EADS NV, to enable the company to meet its liabilities as and when they fall due

Goodwill

Goodwill is the difference between the fair value of the consideration for the acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its expected useful economic life

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment The cost of tangible fixed assets represents their purchase cost, together with any incidental costs of acquisition Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing on the date of acquisition, of each asset evenly over their expected useful lives, as follows

Leasehold land and buildings	–	over the lease term
Plant and machinery	–	5 to 10 years
Furniture, fixtures and fittings	–	5 to 10 years
Other equipment	–	5 to 6 years

Assets under construction are not depreciated until they are brought into use

Assets bought under finance leases are depreciated over the shorter of the lease term and the asset's expected useful life

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable

Notes to the financial statements

for the year ended 31 December 2012

1. Accounting policies (continued)

Investments

Investments are stated at cost less provision for permanent diminution in value

Stocks

Raw materials, consumables and goods for resale are stated at purchase cost on a first-in, first-out basis

Work in progress and finished goods are stated at the cost of direct materials and labour, plus attributable overheads based on a normal level of activity

Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty The profit included is calculated to reflect the proportion of work carried out at the year end, by recording turnover and related costs (as defined in stocks above) as contract activity progresses Full provision is made for losses on all contracts in the year in which they are first foreseen Turnover in respect of long-term contracts is calculated to fairly reflect the level of completion of the contract Revenues derived from variations on contracts are recognised only when they have been accepted by the customer

Advance payments received from customers are shown as payments received on account in 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 on account

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold, and

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

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Notes to the financial statements

for the year ended 31 December 2012

1. Accounting policies (continued)

Government grants

Government grants in respect of capital are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured Any expenditure carried forward is amortised in line with the expected future sales from the related project

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives or lease term Capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest element of the rental obligations is charged in the profit and loss account over the year of the lease and represents a constant proportion of the balance of capital repayments outstanding

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

Lessor accounting

Cassidian Limited operates a finance lease arrangement, whereby Cassidian Limited acts as a lessor Assets are amortised on a straight line basis using the assets useful economic life Revenue is recognised using a straight line basis over the lease term of the asset

Pensions

The company operates a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

Share-based payments.

Stock options, restricted shares and restricted units are accounted for in accordance with FRS20 – 'Share-based payments'

Equity settled transactions

Associated services received are measured at fair value and are calculated by multiplying the number of options expected to vest with the fair value of the option or restricted share as of the grant date The fair value of the option is determined by applying the Black Scholes Option Pricing Model The fair value of the services is recognised as a personnel expense in the period

Notes to the financial statements

for the year ended 31 December 2012

1. Accounting policies (continued)

Cash settled transactions

The cost of cash settled transactions is measured at fair value using the Black Scholes Option Pricing Model

Fair value is initially established at the grant date and at each balance sheet date thereafter until the awards are settled Changes in the carrying amount for the liability are recognised in the profit or loss for the period

2. Turnover

Turnover, excluding VAT, comprises sales to customers The company records transactions as sales when the delivery of products or performance of services takes place in accordance with the terms of sale, except in relation to long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced

Continuing turnover is attributable to one activity, the provision of secure communication solutions

Analysis by geographical market

	2012	*2011*
	£000	*£000*
UK	59,630	63,793
Europe	10,712	12,297
Rest of World	8,643	10,739
	78,985	86,829

3. Operating loss

This is stated after charging/(crediting)

	2012	*2011*
	£000	*£000*
Depreciation of owned tangible fixed assets	6,129	2,723
Impairment of tangible fixed asset	21,008	-
Amortisation of intangible assets	2,309	29,276
Operating lease rentals – other	1,608	2,240
Operating lease rentals – land and buildings	2,986	2,971
Auditors' remuneration	108	127
Other fees to auditors		
Other services	20	-
Research and development	6,239	5,802
Government grants received	(928)	(975)
Other operating income		
Foreign exchange gain	(555)	432
Other	29	101

Notes to the financial statements

for the year ended 31 December 2012

4. Directors' emoluments

	2012 £000	2011 £000
Emoluments	498	150
Company contributions to money purchase pension schemes	19	25
	517	175
Highest paid director		
Emoluments	381	150
Company contributions to money purchase pension schemes	14	25
	395	175

Number of directors in company pension schemes

	2012 No	2011 No
Defined contribution schemes	2	1

The highest paid director exercised share options during the year and also received shares under the group's long term incentive scheme The aggregate amount of money paid to 1 director under long term incentive schemes and share options in respect of qualifying services was £24,774 (2011 nil)

The highest paid director and total directors' emoluments had been impacted by extra ordinary events, related to a director leaving the company during 2012 on compassionate grounds

A number of Cassidian director duties are so incidental to the company that no remuneration is allocated to Cassidian from the other group companies

Notes to the financial statements

for the year ended 31 December 2012

5. Exceptional items

	2012	*2011*
	£000	*£000*
Fundamental reorganisation	5,406	7,050
Loss on disposal of fixed assets	-	523
Impairment of tangible fixed asset	21,008	-
Loss on disposal of intangible asset	60,055	-
	86,469	7,573

There was a formal announcement in November 2012 that the Cassidian division would perform an adaptation program whereby employees' roles would be transferred within the business, in order to better utilise key skills and resource

After the joint agreement with the FiReControl customer to terminate the FiReControl contract on December 20th 2010, Cassidian Limited had to implement a restructuring process during 2011 The cost of which, £7m was fully recognised in 2011

At 31 December 2012, the remaining component fixed assets of the FiReControl project were assessed for impairment in accordance with FRS 11, their carrying values were compared to their recoverable amounts, represented by their value in use to Cassidian, no cash inflows are expected from the continued use of the assets or their disposal (See note 10)

Following a thorough assessment by Cassidian for specific re-usability, deferred development expenditure relating to the Emergency Response Solution intangible asset was reviewed at the end of the accounting period and it was determined that the circumstances which had justified the deferral of the expenditure no longer applied, this affected expenditure to the extent of £60m which was written off immediately to profit and loss (See note 9)

Notes to the financial statements

for the year ended 31 December 2012

6. Staff costs

	2012	*2011*
	£000	*£000*
Wages and salaries	31,544	37,983
Social security costs	3,765	4,075
Other pension costs	2,381	2,828
	37,690	44,886

Average monthly number of employees during the year

	2012	*2011*
	No	*No*
Administration	46	67
Engineering	313	359
Project management	148	202
Sales and marketing	58	56
	565	684

7. Interest expense and similar charges

	2012	*2011*
	£000	*£000*
Interest on amounts owed to group undertakings	3,802	3,774
Bank Guarantee and similar charges	339	329
	4,141	4,103

Notes to the financial statements

for the year ended 31 December 2012

8. Tax on loss on ordinary activities

(a) Analysis of charge in year

	2012	*2011*
	£000	*£000*
Total current tax being		
UK corporation tax on losses for the year	-	-
Total current tax	-	-
Total deferred tax being		
Origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	-	-

(b) Factors affecting tax charge for year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows

	2012	*2011*
	£000	*£000*
Loss on ordinary activities before tax	(111,341)	(36,203)
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 24 5% (2011 26 5%)	(27,279)	(9,594)
Effects of		
Expenses not deductible for tax purposes	980	3,725
Origination and reversal of timing differences	7,938	(2,638)
Losses carried forward	18,360	8,507
Current tax charge for year	-	-

(c) Deferred tax

The company has tax losses which give rise to an unrecognised deferred tax asset of £81,092,606 (2011 – £61,349,685) This deferred tax asset has not been recognised due to the inherent uncertainty over the magnitude and timing of future taxable profits

(d) Factors affecting future tax charge

Announcements were made before the balance sheet date, in the December 2012 Autumn Statement, to changes in tax rates that will have an effect on future tax charges of the company The change in the corporation tax rate from 23% to 21% by 1 April 2014 has been announced but not substantively enacted The company does not have a recognised deferred tax balance, but this reduction in the tax rate will reduce the unrecognised value of the unrelieved losses

Notes to the financial statements

for the year ended 31 December 2012

9. Intangible assets

	Goodwill	*Development Expenditure*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 January 2012	94,690	98,052	192,742
Additions	-	319	319
Disposal	-	(60,055)	(60,055)
At 31 December 2012	94,690	38,316	133,006
Amortisation			
At 1 January 2012	94,690	24,198	118,888
Provided during the year	-	2,309	2,309
At 31 December 2012	94,690	26,507	121,197
Net book value			
At 31 December 2012	-	11,809	11,809
At 31 December 2011	-	73,854	73,854

In accordance with FRS 10 the goodwill arising on the acquisition of the UK branch of EADS Defence and Security Network SAS has been capitalised as an intangible asset and has been amortised evenly over the directors' estimate of its useful economic life, being 10 years

Development expenditure is treated in accordance with SSAP 13 Development expenditure is being amortised over directors' estimate of its useful economic life which is in line with revenues forecasted to be generated over that time

Deferred development expenditure is reviewed at the end of each accounting period and written off immediately, to the extent to which it is considered to be irrecoverable, where the circumstances which have justified the deferral of the expenditure no longer apply (see note 5)

Notes to the financial statements

for the year ended 31 December 2012

10. Tangible fixed assets

	Leasehold Improvements	*Plant and machinery*	*Furniture, fixtures and fittings*	*Other equipment*	*Assets under construction*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cost						
At 1 January 2012	1,674	612	9,943	12,147	24,707	49,083
Additions	-	-	164	25,047	(24,691)	520
At 31 December 2012	1,674	612	10,107	37,194	16	49,603
Depreciation						
At 1 January 2012	797	510	4,131	10,634	-	16,072
Provided during the year	156	50	980	4,943	-	6,129
Impairment loss	-	-	-	21,008	-	21,008
At 31 December 2012	953	560	5,111	36,585	-	43,209
Net book value						
At 31 December 2012	721	52	4,996	609	16	6,394
At 31 December 2011	877	102	5,812	1,513	24,707	33,011

Notes to the financial statements

for the year ended 31 December 2012

11. Investments

	Subsidiary undertakings	*Other investments*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 January 2012	36,418	3,000	39,418
Additions	-	-	-
At 31 December 2012	36,418	3,000	39,418
Amounts provided			
At 1 January 2012	24,764	3,000	27,764
At 31 December 2012	24,764	3,000	27,764
Net book value			
At 31 December 2012	11,654	-	11,654
At 31 December 2011	11,654	-	11,654

Details of the investments are as follows

Subsidiary undertakings	*Holding*	*Proportion of shares held*	*Nature of business*
Cassidian Test & Services (UK) Limited	Ordinary shares	100%	Manufacture of electronic instruments
Cassidian Cyber Security Limited (Formerly Kercado Limited)	Ordinary shares	100%	Information Assurance & managed IT security services
EADS Operations & Services (UK) Limited	Ordinary Shares	100%	Management of outsourcing Services
Other Investments			
Remote Operations Limited (In liquidation)	Ordinary shares	25%	Software developers

Notes to the financial statements

for the year ended 31 December 2012

12. Stocks

	2012 £000	2011 £000
Long-term contract balances	5,828	8,604
Work in progress	2,258	1,326
Finished goods	3,575	4,552
	11,661	14,482

	2012 £000	2011 £000
Long-term contract balances consist of		
Costs to date less provisions for losses	5,828	8,604

13. Debtors

	2012 £000	2011 £000
Trade debtors	15,934	1,749
Other taxes and social security costs	-	436
Amounts owed by group undertakings	10,557	7,384
Other debtors	152	400
Prepayments and accrued income	1,147	1,555
Amounts recoverable on long-term contracts	38,626	43,818
	66,416	55,342
Amounts due after more than one year included above		
Amounts recoverable on long-term contracts	17,314	24,411
Due in more than one year	17,314	24,411
Due within one year	49,102	30,931

Notes to the financial statements

for the year ended 31 December 2012

14. Creditors: amounts falling due within one year

	2012 *£000*	*2011* *£000*
Trade creditors	7,858	6,655
Amounts owed to group undertakings	366,786	313,340
Other taxes and social security costs	1,728	2,326
Customer payment on account	4,820	-
Accruals and deferred income	13,533	16,929
	394,725	339,250

15. Loans

	2012 *£000*	*2011* *£000*
Amounts due to group undertakings	-	30,000

On 18 November 2008 Cassidian Limited entered into a revised loan agreement with its parent company EADS NV, and secured a 5 year long term loan for £30m at an interest rate of Libor plus 2% The loan is included as amounts owed to group undertakings at 31 December 2012 (See note 14)

16. Provisions for liabilities and charges

	Claims *£'000*	*Dilapid-ation* *£'000*	*Share Incentive Plan* *£'000*	*Reorganis-ation costs* *£'000*	*Warranty Provision* *£'000*	*Total* *£'000*
At 1 January 2012	216	350	612	-	-	1,178
Provisions arising during the year	-	-	-	5,318	18	5,336
Provisions utilised during the year	(146)	-	(55)	-	-	(201)
Provisions released during the year	(70)	-	-	-	-	(70)
At 31 December 2012	-	350	557	5,318	18	6,243

Notes to the financial statements

for the year ended 31 December 2012

16. Provisions for liabilities and charges (continued)

Provision is made in respect of anticipated dilapidation costs payable under operating lease contracts

The £216,000 provision from 2010, for claims and legal expenses arising from the termination of the FiReControl contract had been fully utilised and released during the year

The Share Incentive Plan 'SIP' provision comprises £557,000 in respect of future liabilities under the 2007 to 2012 EADS Group employee Long Term Incentive Plan scheme (a cash settled scheme) Further details of this are set out in Note 23 It is expected that the provision will be fully utilised within 5 years

Cassidian Limited fully provided for the UK element of the Cassidian adaptation program, and has provided £5 3m at the Balance Sheet date It is anticipated that this provision will be fully utilised by 2014 The Warranty provision comprises of £18,000 in respect of future liabilities arising from Ectocryp warranty claims It is anticipated that the provision will be fully utilised within 12 months of being provided

17. Allotted and issued share capital

	2012	*2011*	*2012*	*2011*
Allotted, called up and fully paid	*No*	*No*	*£000*	*£000*
Ordinary shares of £0 01 each	10,000,001	10,000,001	100	100

18. Reconciliation of shareholders deficit and movement on reserves

	Share capital £000	*Share premium £000*	*Merger reserve £000*	*Profit and loss account £000*	*Total Share-holders' deficit £000*
At 1 January 2011	100	113,030	(3,444)	(255,029)	(145,343)
Loss for the year	-	-	-	(36,203)	(36,203)
At 1 January 2012	100	113,030	(3,444)	(291,232)	(181,546)
Loss for the year	-	-	-	(111,341)	(111,341)
At 31 December 2012	100	113,030	(3,444)	(402,573)	(292,887)

Notes to the financial statements

for the year ended 31 December 2012

19. Other financial commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings		*Other*	
	2012	*2011*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*
Operating leases that expire				
Within one year	-	-	265	201
In two to five years	-	-	939	1,841
In over five years	2,986	2,971	-	14
	2,986	2,971	1,204	2,056

20. Pension commitments

The company operates a defined contribution pension scheme, The Cogent Pension Plan, for its directors and employees The assets of the scheme are held separately from those of the company in an independently administered fund All contributions have been remitted to the pension scheme in the year

21. Contingent liabilities

The company has provided guarantees in the normal course of its business of £5,772,829 (2011– £5,351,625)

Notes to the financial statements

for the year ended 31 December 2012

22. Related party transactions

As at the balance sheet date the company was a wholly owned subsidiary undertaking of EADS NV, a company registered in the Netherlands which prepares published consolidated financial statements The company has pursuant to paragraph 17 of Financial Reporting Standard 8 "Related Party Disclosures", not included details of transactions with other companies which are wholly owned subsidiaries of the EADS NV group

During the year Cassidian Limited entered into transactions, in the ordinary course of business, with Atlas Elektronik The transactions entered into, and trading balances outstanding as 31 December 2012, are as follows

Atlas Elektronik	*Sales to Related party £'000*	*Purchases from related party £'000*	*Amounts owed from related party £'000*	*Amounts owed to related party £'000*
2012	53	5	25	-
2011	80	-	6	-

A Service Agreement was written in June 2006 between Cassidian Limited and Atlas Elektronik UK Limited The Service Agreement framed the provision of functional and management services to Atlas Elektronik UK Limited by Cassidian Limited for which it charged a fee of £16,735 for the year ended 31 December 2012 (2011 £21,875) This agreement was entered into for a period of one year commencing on 1 July 2006 although the Service Agreement has now extended beyond this term Atlas Elektronic UK Limited is part of the Atlas Elektronic Group which is a joint venture between EADS NV and ThyssenKrupp of which EADS NV own 49% and ThyssenKrupp 51%

During the year Cassidian Limited entered into transactions, in the ordinary course of business, with Emiraje Systems LLC The transactions entered into, and trading balances outstanding as 31 December 2012, are as follows

Emiraje Systems LLC	*Sales to Related party £'000*	*Purchases from related party £'000*	*Amounts owed from related party £'000*	*Amounts owed to related party £'000*
2012	4,166	22	4,249	22
2011	5,031	-	1,666	-

Emiraje Systems LLC is a joint venture between EADS NV and the UAE, of which EADS NV own 49%, and the UAE 51%

Notes to the financial statements

for the year ended 31 December 2012

22. Related party transactions (continued)

During the year Cassidian Limited entered into transactions, in the ordinary course of business, with EADS Foundation Wales The transactions entered into, and trading balances outstanding as 31 December 2012, are as follows

EADS Foundation Wales	*Sales to Related party £'000*	*Purchases from related party £'000*	*Amounts owed from related party £'000*	*Amounts owed to related party £'000*
2012	371	356	371	178
2011	368	-	368	-

EADS Foundation Wales is a non-profit joint venture between Cassidian Limited and the Welsh Assembly Government

23. Share based payments

a) Equity settled share-based payments

The expense recognised for equity settled share based payments in respect of employee services during the year to 31 December 2012 is nil (2011 nil) This cost was recharged to the Company by way of a management fee and is settled by a cash payment to the ultimate parent company

Stock option plans ('SOP') provided to the members of the Executive Committee as well as to the EADS N V group's senior management for the grant of options for the purchase of shares in the ultimate parent company Accordingly, certain members of the Company's senior management have been granted options under the scheme The EADS N V group's Board of Directors approved stock options in 2006, 2005, 2004, 2003, and 2002 No stock options were approved in 2007, 2008, 2009, 2010, 2011 or 2012

The principal characteristics of these options are summarised in the table below

	Fifth Tranche	**Sixth Tranche**
Date of Board of Directors meeting (grant date)	10th October 2003	8th October 2004
Exercise Price	€15 65	€24 32
	Seventh Tranche	**Eighth Tranche**
Date of Board of Directors meeting (grant date)	9th December 2005	18th December 2006
Exercise Price	€33 91	€25 65

Notes to the financial statements

for the year ended 31 December 2012

23. Share based payments (continued)

Each tranche have the following details

All options are fully vested as at 31 December 2012

Exercise Date	50% of options may be exercised after a period of two years and four weeks for the fifth and sixth tranche, and two years for the seventh to eighth tranche from the date of the grant of the options, 50% of options may be exercised as of the third anniversary of the date of grant of the options
Expiry dates	Tenth anniversary of the date of the grant of the option
Conversion right	One option for one share
Exercise Price Conditions	110% of the fair market value of the shares at the date of grant

The following table summarises the number and weighted average exercise price (WAEP) of, and movements in, share options held by employees of the Company during the year

	Number of Options					
	Balance at 1st January	Amendments to prior period units	Granted	Exercised	Forfeited	Balance at 31st December
2011	53,600	3,500	-	(2,100)	(1,750)	53,250
WAEP	€26 12	€28 43	-	€15 65	€24 17	€26 19
2012	53,250	-	-	(24,500)	(11,750)	17,000
WAEP	€26 19	-	-	€22 50	€28 33	€30 14

The range of exercise prices is shown above, the weighted average contractual life for share options outstanding at the end of the year is 2 2 years (2011 3 2 years)

In December 2006 performance and restricted shares were also granted to eligible employees of the Company

Notes to the financial statements

for the year ended 31 December 2012

23. Share based payments (continued)

The table below summarises the movement in these shares held by employees of the Company

All restricted shares are fully vested as at 31 December 2012

	Number of Restricted shares					
	Balance at 1st January	Amendments to prior period options	Granted	Exercised	Forfeited	Balance at 31st December
2011	7,954	962	-	-	-	8,916
2012	8,916	875	-	-	(87)	9,704

b) Cash settled share-based payments

In 2007, 2008, 2009, 2010, 2011 and 2012 the board of directors of EADS N V approved long term incentive plans to grant performance and restricted units

In line with FRS20, this plan is treated as a cash-settled plan in the company's financial statements The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance The shares vest in four equal quarters every 6 months, commencing in the May following the third anniversary of the grant date

The table below summarises the movement in these units

	Number of Performance and Restricted units					
	Balance at 1st January	Amendments to prior period units	Units paid	Units granted	Forfeited	Balance at 31st December
2011	65,060	(2,160)	(1,480)	10,800	(15,100)	57,120
2012	57,120	8,876	(10,936)	10,660	(12,926)	52,794

At the year end a provision of £557,000 (2011 612,000) is held relating to the above cash-settled plan

Notes to the financial statements

for the year ended 31 December 2012

23. Share based payments (continued)

The fair value of units granted per vesting date is as follows (LTIP plan 2012)

	Fair value of restricted and performance units to be settled in cash
May 2016	€25 61
November 2016	€25 07
May 2017	€24 56
November 2017	€24 04

The measurement of the performance and restricted units (2012) is based on an Option Pricing Model which is, next to other market data, mainly affected by the share price as of the end of the reporting period (€29 50 as of 31 December 2012) and the lifetime of the units

24. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Cassidian (Holdings) Limited, which does not prepare group financial statements The only group preparing consolidated accounts which include Cassidian Limited is EADS NV

In the directors' opinion, the company's ultimate parent undertaking and controlling party is EADS NV which is incorporated in the Netherlands Copies of the group financial statements, which include the company, are available from either Le Carre, Beech Avenue 130-132, 1119 PR Schiphol-Rijk, The Netherlands, or 37, Boulevard de Montmorency, 75781 Paris, Cedex 16, France