

Thales Electronics plc

**Annual report and accounts
for the year ended 31 December 2011**

Registered number 497098



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Directors' report

The Directors present their annual report and financial statements, together with the auditors' report, for the year ended 31 December 2011

Principal activities

The principal activity of the Company is a holding Company

Business review

The Company acts as a non-trading, intermediate holding Company within the Thales group of companies based in the UK. On 8 July 2010 the Company sold its 20% stake in Camelot Group plc

The subsidiary undertakings held by the Company are listed in note 7 to the financial statements. Consolidated financial statements are not presented as the Company takes advantage of the exemption afforded by Section 400 of CA 2006 because it is a wholly owned subsidiary of Thales SA which prepares consolidated accounts which are publicly available

The audited financial statements for the year ended 31 December 2011 are set out on pages 7 to 25. The Company made a profit after taxation for the year of £5,031,000 (2010 – £60,636,000)

Dividends

The Directors do not recommend the payment of a dividend (2010 - £nil)

Financial risk management objectives and policies

The Company's principal financial instruments comprise cash and bank overdrafts. 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 risks arising from the Company's financial instruments are foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below

Foreign currency risk

The Company no longer has any transactional currency exposures in respect of its cash and bank overdrafts

Directors' report (continued)

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables and investments. The Company trades exclusively with fellow subsidiaries and associates.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company has no significant concentration of credit risk due to the financial status of its counterparties.

Interest rate risk

The Company's exposure to the risk for changes in market interest rates is minimal.

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 accounting basis

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 1. In addition, the notes to the accounts include the Company's objectives, policies and processes for managing its capital and details of its financial instruments and hedging activities. The Company's financial risk management objectives and its exposures to credit and liquidity risk are set out in the preceding paragraphs.

The Company has considerable financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Environmental information

The Thales Group in the UK has implemented an Environmental Policy to conduct our current and future business in a way that protects the environment. This is achieved through development and implementation of Environmental Management Systems against which we report Environmental performance regularly to the Thales Holding UK plc board. It is a Thales requirement that operating companies are certified to the International Standard for Environmental Management Systems ISO 14001 to which we have been certified. Current Environmental Programmes include reducing our Carbon footprint and implementing a Green Purchasing programme.

Directors' report (continued)

Directors

The Directors who served during the year were as follows

A Dornan

A Lagomarsino Resigned 1 December 2011

L Hammond

M W P Seabrook

On 3 January 2012 S Ramon was appointed as a director of the Company

Directors' liabilities

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

Donations

No political or charitable donations were made during the year (2010 £ nil)

Disclosure of information to the 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 Director has taken all the steps he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

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

By order of the Board



M W P Seabrook
Director

28

June 2012

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

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 are required 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 judgments 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 Company's financial position and financial performance
- 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

Independent auditor's report to the shareholders of Thales Electronics plc

We have audited the financial statements of Thales Electronics plc for the year ended 31 December 2011 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statement of Changes in Equity and the related notes. 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' report 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 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 2011 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.

Independent auditors' report to the shareholders of Thales Electronics plc (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

Helen Hewson (Senior statutory auditor)

For and on behalf of Ernst & Young LLP

London

28 June 2012

Statement of comprehensive income
for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Continuing operations			
Administrative expenses		-	3,358
Amounts written-off investments		(1,292)	(2,779)
Operating (loss)/profit	3	(1,292)	579
Investment income	4	4,122	3,127
Profit on disposal of investments		2,319	56,887
Profit before tax from continuing operations		5,149	60,593
Income tax (expense)/credit	6	(118)	43
Profit and total comprehensive income for the year net of tax		5,031	60,636

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

Statement of financial position
for the year ended 31 December 2011

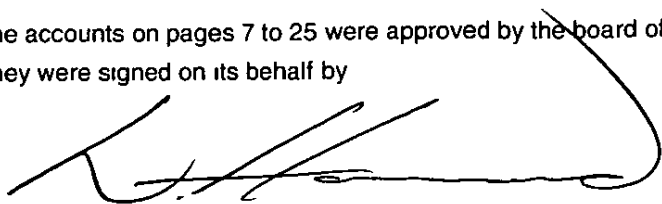
Company Registered Number 497098

	Note	2011 £000	2010 £000
ASSETS			
Non-current assets			
Investment in subsidiaries	7	715,768	717,060
Current assets			
Trade and other receivables	8	253,594	62,096
Current tax receivables		-	43
Cash and cash equivalents	9	-	94,392
		253,594	156,531
Total assets		969,362	873,591
LIABILITIES			
Current liabilities			
Trade and other payables	10	147,195	56,574
Corporation tax payable		118	-
		147,313	56,574
Net current assets		106,281	99,957
Non-current liabilities			
Provisions	11	861	861
Total liabilities		148,174	57,435
Net assets		821,188	816,156
EQUITY			
Share capital	13	74,613	74,613
Share premium account		212,215	212,215
Capital redemption reserve		279,325	279,325
Retained earnings		255,035	250,003
Total equity		821,188	816,156

Statement of financial position (continued)
for the year ended 31 December 2011

Company Registered Number 497098

The accounts on pages 7 to 25 were approved by the board of directors and authorised for issue on 28 June 2012
They were signed on its behalf by

A handwritten signature in black ink, appearing to be 'L. Hammond', with a large, sweeping loop at the end.

L Hammond
Director

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

Statement of changes in equity
for the year ended 31 December 2011

Attributable to equity holders of the Company

	Share capital £000 (Note 13)	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 1 January 2010	74,613	212,215	279,325	189,368	755,521
Profit for the year	-	-	-	60,636	60,636
At 31 December 2010	74,613	212,215	279,325	250,004	816,157
Profit for the year	-	-	-	5,031	5,031
At 31 December 2011	74,613	212,215	279,325	255,035	821,188

Statement of cash flows
for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		5,149	60,593
Non-cash adjustments to reconcile profit before tax to net cash flows			
Impairment provision		1,292	2,779
Inter-company debt forgiveness	3	-	(3,358)
Investment income	4	(4,122)	(3,127)
Gain on disposal of investments		(2,319)	(56,887)
Working capital adjustments			
(Increase)/decrease in receivables		(98,746)	215
Increase/(decrease) in payables		90,621	2,609
		(8,125)	2,824
Income taxes received	6	43	85
Net cash from operating activities		(8,082)	2,909
INVESTING ACTIVITIES			
Interest received	4	622	511
Dividends received	4	3,500	2,616
VAT recovered on demerger		2,320	-
Transfer of cash to UK cash pool		(92,752)	-
Proceeds on disposal of investments		-	75,889
Net cash from investing activities		(86,310)	79,016
Net (decrease)/increase in cash & cash equivalents		(94,392)	81,925
Cash & cash equivalents at beginning of year	9	94,392	12,467
Cash & cash equivalents at end of year	9	-	94,392

Notes to accounts

for the year ended 31 December 2011

Corporate Information

The Company is a limited Company incorporated and domiciled in England & Wales. 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. Information on its ultimate parent is presented in note 14.

1. Accounting Policies

Basis of preparation

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 principal accounting policies adopted are set out below.

These financial statements contain information about Thales Electronics 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.

Going concern basis

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.

Notes to accounts (continued)
for the year ended 31 December 2011

New and amended standards and interpretations

There are no new or amended standards or interpretations adopted with effect from 1 January 2011 that have a significant impact on the financial statements

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 IASB issued new standards relating to interests in other entities and related disclosures. The new standards are

Consolidated Financial Statements (IFRS 10) : This standard replaces the consolidation requirements in IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation – Special Purpose Entities', building on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard uses a single definition of control which comprises of three elements that centre on power over the investee, exposure or rights to the variable returns from the investee and the ability to use the power to affect the returns. The standard also includes new requirements for taking account of potential voting rights when assessing control.

Joint Arrangements (IFRS 11): This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form as is currently the case. As a consequence IFRS 11 permits only two classifications for joint arrangements, being either joint operations or joint ventures. The new standard also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in joint ventures.

Disclosure of Interests in Other Entities (IFRS 12) This standard sets out new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard therefore not only requires additional disclosures to be made about entities that are included within the consolidated financial statements, for example relating to judgements and assumptions that have been made when deciding classifications of interests, but also requires disclosures to be made so users are able to understand interests in unconsolidated entities.

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.

Separate Financial Statements (IAS 27) and Investments in Associates and Joint Ventures' (IAS 28) (Re-issued)

Following the issue of IFRS 10 and IFRS 11, consequential changes have been made to these standards. IAS 27 no longer deals with the accounting or disclosure requirements for consolidated financial statements and therefore includes the requirements for individual financial statements only. IAS 28 no longer deals with the classification of joint arrangements and includes only the accounting requirements for joint arrangements. Accordingly the standard requires the use of the equity method of accounting for all joint ventures and no longer permits the proportionate consolidation method to be used. The new requirements are effective for annual periods beginning on or after 1 January 2013 and the company intends to adopt them from this date. The adoption of IAS27 is not expected to have a significant impact on the business.

Notes to accounts (continued)
for the year ended 31 December 2011

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.

Income Tax (IAS 12 - Amended): This amendment relates to the recovery of underlying assets and addresses the evaluation of deferred tax related to investment properties. The revision has an effective date of 1 Jan 2012 and the company intends to adopt them at this date. The evaluation of the effect of adoption of IAS 12 has not yet been completed.

Employee Benefits (IAS 19 - Amended): The amendment provides three key changes to the requirements for post-employment benefits: firstly, the elimination of the option to defer the recognition of actuarial gains and losses, known as the 'corridor approach', secondly improving the presentational requirements for movements in defined benefit plan assets and liabilities, and thirdly, enhancing the disclosure requirements to provide better information about the characteristics and risks of defined benefit plans. The presentational requirements will result in the service cost and net interest cost being presented within profit or loss, and all re-measurement changes to be presented with other comprehensive income. The amendment has also changed the definition of a curtailment and requires all past service costs to be recognised immediately in profit or loss.

IAS 19 is effective for annual periods beginning on or after 1 January 2013 and the company intends to adopt this new standard with effect from that date. The evaluation of the effect of adoption of IAS 19 has not yet been completed.

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 will have no impact on the results of the company.

Financial Instruments. disclosures (IFRS 7 - Amended): The amendment relates to disclosures required for Transfers of Financial Assets and is effective for annual periods beginning on or after 1 July 2011. The amendment is to be applied prospectively and early adoption is permitted. The adoption of IFRS 7 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.

Financial instruments

Notes to accounts (continued)

for the year ended 31 December 2011

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

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost plus directly attributable transaction costs

At subsequent reporting dates, debt securities that the Company has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts An impairment loss is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in the statement of comprehensive income for the period For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss

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

Notes to accounts (continued)
for the year ended 31 December 2011

instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

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

Trade payables

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

Notes to accounts (continued)
for the year ended 31 December 2011

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

- Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and derivative contracts, provisions for pensions and other post retirement benefits and tax losses carried forward, and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base
- Tax rates enacted or substantively enacted by the statement of financial position date are used to determine deferred income tax
- Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised
- The carrying amount of the deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered
- Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future
- Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Company and the same taxation authority

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date

Revenue recognition

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

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established

Notes to accounts (continued)
for the year ended 31 December 2011

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Borrowing costs

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

Provisions

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

Significant accounting judgements, estimates and assumptions

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

Impairment of investments

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

Notes to accounts (continued)
for the year ended 31 December 2011

2 Revenue

An analysis of the Company's revenue is as follows

	2011 £000	2010 £000
Investment income	4,122	3,127
Revenue as defined in IAS18	<u>4,122</u>	<u>3,127</u>

3 Profit from operations

Profit from operations is stated after charging

	2011 £000	2010 £000
Inter-company debt forgiveness	-	3,358
Impairment losses	<u>1,292</u>	<u>2,779</u>

For the year ended 31 December 2011 and the preceding year, auditors' remuneration for audit and non audit services has been borne by a fellow subsidiary. Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2010 - £nil)

4 Investment Income

	2011 £000	2010 £000
Interest received from group companies	622	511
Dividends from equity investments	<u>3,500</u>	<u>2,616</u>
	<u>4,122</u>	<u>3,127</u>

5 Staff costs

The Directors received no remuneration for their services in respect of the Company in either the current or preceding year. Directors' remuneration is borne by other companies within the Group. Their time spent on the activities of the Company is negligible. The Company had no employees other than the Directors.

Notes to accounts (continued)
for the year ended 31 December 2011

6 Income tax expense

	2011 £000	2010 £000
Current tax:		
Current income tax expense/(credit)	118	(43)
Total current tax	<u>118</u>	<u>(43)</u>
Total tax charge credit on profit on ordinary activities	<u>118</u>	<u>(43)</u>

The Chancellor announced in the UK budget on 23 March 2012 that the full rate of UK corporation tax will reduce to 26% with effect from 1 April 2012, and decrease by a further 1% each 1 April thereafter until reaching 23% with effect from 1 April 2014. The reduction in the tax rate to 26% with effect from 1 April 2012 was substantively enacted on 29 March 2012. The figures within these accounts are calculated in accordance with the legislation which had been substantively enacted at the balance sheet date, being the rate of 27% with effect from 1 April 2011, rather than the rates announced in the 23 March 2012 budget.

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

	2011 £000	2010 £000
Profit on ordinary activities before tax	5,149	60,593
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28%)	1,364	16,966
Tax effect of		
Expenses not deductible for tax purposes	(907)	(16,823)
Imputed interest under UK UK transfer pricing	(339)	(186)
Total tax charge	<u>118</u>	<u>(43)</u>

Notes to accounts (continued)
for the year ended 31 December 2011

7 Investment in subsidiaries

The Company has investments in the following subsidiary undertakings all of which are wholly owned and incorporated in England & Wales except where stated. To avoid a statement of excessive length, details of investments which are not significant have been omitted. A full list of all subsidiaries will be filed with the annual return.

	<i>Holding</i>	<i>Principal Activity</i>
Decca Limited	Ordinary shares	Holding company
Controls and Communications Limited	Ordinary shares	Holding company
Saracen Insurance Limited *	Ordinary shares	Insurance services
Racal Radio Limited	Ordinary shares	Non-trading company
Thales IT&S Holdings Limited	Ordinary shares	Holding company
Sterling Flying Training Services Limited	Ordinary shares	Non-trading company
Thales Overseas Holdings Limited	Ordinary shares	Holding company
Thales (Wigmore Street) Limited	Ordinary shares	Holding company

* Incorporated in Bermuda

	Total £000
Cost	
At 1 January 2011 and 31 December 2011	<u>921,864</u>
Amounts written off	
At 1 January 2011	204,804
Written-off during the year	<u>1,292</u>
At 31 December 2011	<u>206,096</u>
Net book value	
At 31 December 2011	<u>715,768</u>
At 31 December 2010	<u>717,060</u>
At 1 January 2010	<u>719,894</u>

Notes to accounts (continued)
for the year ended 31 December 2011

8 Trade and other receivables

	2011 £000	2010 £000
Amounts owed by group undertakings	253,594	62,096
Other debtors	-	-
	<u>253,594</u>	<u>62,096</u>

The Directors consider that an allowance for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience, is not necessary

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

The Directors consider that the carrying amount of trade and other receivables approximates their fair value

At 31 December the aged trade receivables analysis is as follows

	Total £000	Neither past due nor impaired £000	Overdue less than 3 months £000	Overdue 3 to 6 months £000	Overdue more than 6 months £000
2011	<u>253,594</u>	<u>253,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
2010	<u>62,096</u>	<u>62,096</u>	<u>-</u>	<u>-</u>	<u>-</u>

9 Cash and cash equivalents

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value

During 2011 the Company closed its bank account and all cash transactions are now transacted by a fellow subsidiary via a single UK bank account with the transactions treated as inter-company loan balances

Notes to accounts (continued)
for the year ended 31 December 2011

10 Trade and other payables

	2011 £000	2010 £000
Amounts due to group undertakings	146,837	56,226
Other creditors	179	170
Accruals and deferred income	179	178
	<u>147,195</u>	<u>56,574</u>

The Directors consider that the carrying amount of trade payables approximates their fair value

11 Provisions

	Total £000
At 1 January and 31 December 2011	<u>861</u>
Included in current liabilities	-
Included in non-current liabilities	<u>861</u>
	<u>861</u>

Provisions relate to liabilities arising in connection with claims against former group companies. It is expected that the majority of these liabilities will be settled over the warranty periods for the companies disposed.

Notes to accounts (continued)
for the year ended 31 December 2011

12 Financial instruments

Fair value

Set out below is a comparison of the carrying amounts and fair value of all of the Company's financial instruments, including those classified under discontinued operations that are carried in the financial statements

As at 31 December 2011 the Company held the following financial instruments measured at fair value

	2011		2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets				
Cash	-	-	94,392	94,392
Trade and other receivables	253,594	253,594	62,096	62,096
Financial liabilities				
Trade and other payables	147,195	147,195	56,574	56,574

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

All trade payables will be paid within the next 12 months

Sensitivity analysis – Interest Rates

As a result of the historically very low interest rates that have prevailed in the UK over the last two years, any movement in interest rate will have minimal impact on the statement of comprehensive income and equity

Notes to accounts (continued)
for the year ended 31 December 2011

13 Share capital

	2011 £000	2010 £000
<i>Authorised</i>		
1,600,000,000 ordinary shares of 25p each	<u>400,000</u>	<u>400,000</u>
<i>Allotted, called-up and fully-paid</i>		
298,452,708 ordinary shares of 25p each	<u>74,613</u>	<u>74,613</u>

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2011 and 31 December 2010.

14 Related party transactions

The immediate parent Company is Thales Holdings UK plc, a Company incorporated in the UK. 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 the following trading transactions with related parties

	Intercompany transactions		Amounts owed by related parties		Amounts owed to related parties	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2010 £'000	2011 £'000
Parent Company	-	-	143,329	50,000	-	-
Fellow subsidiaries	-	3,340	110,265	12,096	146,837	53,509

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.