

**Thales Optronics (Taunton) Limited**

Annual report and accounts  
for the year ended 31 December 2013

Registered number: 328043



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## Directors' report

The Directors present their annual report and financial statements, together with the auditor's report, for the year ended 31 December 2013.

### Employee matters

People are the Company's greatest assets. With growing competition, attracting and retaining quality workers from the local community is key. Therefore it makes good business sense to incorporate attractive employment policies and principles with the view to creating a skilled, happy, diverse, proud and motivated workforce. This is what the Company tries to achieve.

### 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.

### Dividends

The Directors do not recommend the payment of a dividend (2012 - £Nil).

### Going concern accounting basis

The Company's business activities, together with the factors likely to affect its future position are set out in the Strategic Report on page 3.

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.

## Directors' report (continued)

### Directors

The Directors who served during the year were as follows

E McCrorie resigned 01.10.13

G Blanguernon appointed 01.09.13

A Cresswell resigned 01.04.13

M Broughton appointed 01.04.13

### 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.

### Supplier payment policy

It is the Company's normal practice to make payments to suppliers promptly provided that the supplier has performed in accordance with the relevant terms and conditions.

### Donations

There were no charitable donations made during the year to 31 December 2013 (2012: £nil).

No political donations were made during the year (2012: £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 directors have taken all the steps they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

In accordance with section 489 of the Companies Act 2006, the Company has not elected to re-appoint its auditors annually and Mazars LLP will therefore continue in office.

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



G Blanguernon

Director

5 September 2014

## Strategic Report

### Principal activities

The principal activities of the Company were the design, development, and manufacture of sighting instrumentation, night vision equipment, laser range finding and electronic equipment used especially in fighting vehicles, ships and aircraft.

At the end of the financial year, the Company transferred all operating assets and liabilities to its immediate parent company, Thales UK Limited, along with the associated trading activities as part of a wider consolidation plan involving a number of fellow subsidiaries of Thales UK Limited. Consequently, it is intended that the on-going conduct of the transferred business will be managed and reported in the future by Thales UK Limited. The transfer of the business referred to above is described in further detail in the note 4 to these financial statements.

### Business review

The Taunton site was closed during the year ended 31 December 2007. All work was successfully transferred to the Thales Optronics Business in Glasgow through a phased plan throughout 2007. A number of key staff members took up both permanent and temporary opportunities which facilitated the transfer. The Beryllium and Aerospace component activities were sold off independently to GSI Group Ltd, and Taunton Aerospace Ltd, respectively.

On 29 November 2013, in line with the Thales UK wider consolidation plan involving Thales UK Limited, the Company reduced its share capital by cancelling and extinguishing 33,943,999 ordinary shares of 25p each.

### Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. This may also involve the negotiation of third party guarantees of customer creditworthiness. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and certain derivative instruments, 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, with exposure spread over a large number of counterparties and customers.

## Strategic report (continued)

### Commodity price risk

The Company's exposure to price risk is minimal.

### 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.

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KT15 2NX



G Blanguernon

Director

5 September 2014

## Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## Independent auditor's report to the members of Thales Optronics (Taunton) Limited

We have audited the financial statements of Thales Optronics (Taunton) Limited for the year ended 31 December 2013 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes. 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.

### Respective responsibilities of directors and auditors

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

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

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

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

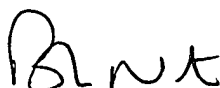
### Matters on which we are required to report by exception

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.

Robert Neate (Senior Statutory Auditor)

For and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
90 St Vincent Street  
Glasgow, G2 5UB



12 September 2014



**Statement of comprehensive income**  
for the year ended 31 December 2013

	Note	2013 £000	2012 £000
<b>Revenue</b>	5	114	196
<b>Cost of sales</b>		(97)	(197)
<b>Gross Profit/(Loss)</b>		17	(1)
<b>Administrative expenses</b>		(279)	(461)
<b>Net Loan forgiveness from fellow group undertakings</b>		4,471	-
<b>Transfer of assets to Thales UK Ltd</b>		-	(14)
<b>Operating Profit/(Loss)</b>		4,209	(476)
<b>Finance income</b>	7	1	1
<b>Finance costs</b>	8	-	(2)
<b>Profit/(Loss) before taxation</b>		4,210	(477)
<b>Income tax</b>	10	-	103
<b>Total comprehensive profit/(loss) for the year</b>		4,210	(374)

All amounts disclosed above relate to discontinued activities following the transfer to Thales UK Limited on 31 December 2013.

The accompanying notes are an integral part of the Statement of comprehensive income.

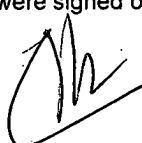
Statement of financial position  
as at 31 December 2013

Company Registration Number 328043

	Note	2013 £000	2012 £000
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	4,14	3	8,387
Current tax receivables	10	-	98
Cash and cash equivalents	15	-	245
<b>Total assets</b>		<u>3</u>	<u>8,730</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	-	12,927
		-	12,927
<b>Net current liabilities</b>		-	<u>(4,197)</u>
<b>Net assets</b>		<u>3</u>	<u>(4,197)</u>
<b>EQUITY</b>			
Share capital	20	-	8,486
Hedging reserves		-	10
Retained earnings		3	(12,693)
<b>Total equity</b>		<u>3</u>	<u>(4,197)</u>

The accounts on pages 7 to 28 were approved by the board of directors and authorised for issue on 5 September 2014. They were signed on its behalf by:

Director



G Blanguernon

5 September 2014

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

Statement of changes in equity  
for the year ended 31 December 2013

Attributable to equity holders of the Company

	Share capital £000	Hedging reserve £000	Retained earnings £000	Total equity £000
At 1 January 2012	8,486	10	(12,319)	(3,823)
Retained loss for the year	-	-	(374)	(374)
At 31 December 2012	8,486	10	(12,693)	(4,197)
At 1 January 2013	8,486	10	(12,693)	(4,197)
Reduction of share capital	(8,486)	-	8,486	-
Retained profit for the year	-	(10)	4,210	4,200
At 31 December 2013	-	-	3	3

**Statement of cash flows**  
for the year ended 31 December 2013

	Note	2013 £000	2012 £000
<b>OPERATING ACTIVITIES</b>			
Profit/(loss) from operations		4,209	(476)
Non cash adjustments to reconcile operating profit/(loss) to net cash flow			
Depreciation of property, plant & equipment		-	91
Share based payments		-	2
Write off of hedging reserve		(10)	-
Working capital adjustments net of effects from business transfer			
Decrease in inventories		-	15
Decrease / (increase) in receivables	14	8,263	(851)
(Decrease) / increase in payables	16	(12,667)	1,100
Increase in pensions asset	18	-	13
		(205)	(106)
Income taxes (paid)/received		98	316
Interest paid	8	-	(2)
Interest received	7	1	1
<b>Net cash (used in)/from operating activities</b>		<b>(106)</b>	<b>209</b>
<b>INVESTING ACTIVITIES</b>			
Net cash (used in) investing activities	4	(139)	-
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>		<b>(245)</b>	<b>209</b>
<b>Cash &amp; cash equivalents at beginning of year</b>		<b>245</b>	<b>36</b>
<b>Cash &amp; cash equivalents at end of year</b>		<b>-</b>	<b>245</b>

## Notes to accounts

for the year ended 31 December 2013

### 1. Corporate Information

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 25 July 2014. The Company is a limited Company incorporated and domiciled in England & Wales. The address of the registered office is given on page 2. The nature of the Company's operations and principal activities are set out in the Directors' report. Information on its ultimate parent is presented in note 22.

### 2. 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. The financial statements have been prepared on a historical cost basis (except for land and buildings, derivative financial instruments and available for sale financial assets that have been measured at fair value). The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The financial statements are presented in pounds sterling, the currency in which the majority of the Company's transactions are denominated, and all values are rounded to the nearest thousand, (£000), except when otherwise indicated.

The principal accounting policies adopted are set out below:

#### Going Concern Basis of Accounting

At the end of the financial year ended 31 December 2013, the Company transferred all operating assets and liabilities to its immediate parent company, Thales UK Limited, along with the associated trading activities as part of a wider consolidation plan involving a number of fellow subsidiaries of Thales UK Limited.

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

## Notes to accounts (continued)

for the year ended 31 December 2013

### Intangible fixed assets

#### *Research and development*

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied that all the following conditions are met.

- an asset is created that can be identified
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably

In such cases, an internally generated intangible asset is recognised and amortised on a straight line basis over its useful life.

#### *Patents and trademarks*

Patents and trademarks are measured initially at purchase cost and amortised on a straight line basis over their estimated useful lives.

#### *Software*

Software is measured initially at purchase cost and amortised on a straight line basis over its estimated useful life.

### Property, plant and equipment

Plant and machinery are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery      20% to 50% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation and is revised annually.

Interest costs incurred in bringing assets to a state where they are ready to be used are capitalised as part of the costs of the asset.

### Impairment of property, plant and equipment and intangible assets excluding goodwill

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

Notes to accounts (continued)  
for the year ended 31 December 2013

**Impairment of property, plant and equipment and intangible assets excluding goodwill (continued)**

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

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

**Financial instruments**

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

**Trade receivables**

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

**Cash and cash equivalents**

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

**Financial liabilities and equity**

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

**Bank borrowings**

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction 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 (see below).

**Notes to accounts (continued)**  
for the year ended 31 December 2013

**Trade payables**

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

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the first-in-first-out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Un-invoiced research and development fully funded by customers is carried forward as work in progress.

**Taxation**

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

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

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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



## Notes to accounts (continued)

for the year ended 31 December 2013

### Revenue recognition

Revenue represents the fair value of consideration received or receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Operating revenue from services provided are recognised insofar as the transaction has been completed on the balance sheet date.

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

### Retirement benefit costs

The Company participates in certain retirement benefit schemes which are managed by Thales UK Limited for the benefit of employees and former employees of the Thales Group in the UK.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The Company participates in the Thales UK Pension Scheme (TUPS) which is a defined benefit retirement benefit scheme. The annual cost of contributions associated with employees who are members of this scheme is borne by the Company as an expense in the statement of comprehensive income and there is no impact retained in the statement of financial position. The impact for 2013 in these financial statements is shown in note [18].

Full details and disclosures of the Thales UK Pension Scheme are reported in the financial statements of Thales UK Limited.

Notes to accounts (continued)  
for the year ended 31 December 2013

**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.

In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts and options (see above for details of the Company's accounting policies in respect of such derivative financial instruments).

**Share-based payments**

Share options granted by the company's parent to its employees are accounted for in accordance with the requirements of IFRS 2.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The Group uses a binomial model to measure the amount of the benefit to employees receiving the options granted. The fair value of such options is determined at the date of grant. The amounts thus obtained are taken to the income statement over the vesting period of the rights. Recognition in the income statement is linear over the vesting period of each scheme. No expense is recognised for options that do not ultimately vest, with the exception of options where vesting is conditional upon a market condition.

This expense is included in income from operations and a corresponding credit is recognised increasing retained earnings. It thus has no effect on the overall amount of shareholders' funds.

## Notes to accounts (continued)

for the year ended 31 December 2013

### **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 that have a significant risk of causing a material adjustment to the carrying amount of assets recognised in the financial statements are listed below;

#### ***Deferred tax recognition***

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Further details on deferred tax asset recognition are disclosed in Note 19.

#### ***Long-term contracts***

Long term contract arrangements are accounted for in accordance with IAS11 and IAS18. This requires judgements to estimate future expected costs to be incurred.

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

#### **New and amended standards and interpretations:**

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2013;

- Presentation of Financial Statements (IAS 1- amended)
- Fair Value Measurement (IFRS 13)
- Financial Instruments: Disclosure (IFRS 7 - amended)

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

Further standards have been issued but were not yet effective up to the date of the Company's financial statements. Following the transfer of the Company's assets and liabilities to Thales UK Limited on 31 December 2013, the Directors do not expect these future changes to affect the Company's financial statements.

Notes to accounts (continued)  
for the year ended 31 December 2013

**4. Business transfer**

On 31 December 2013, the Company participated in a plan to consolidate certain operating activities conducted by Thales Group subsidiaries in the UK into Thales UK Limited, a company which is also the immediate parent of the Company.

Under this plan, the Company transferred all operating assets and liabilities to Thales UK Limited, along with the associated trading activities (the Transfer). Consequently, it is intended that the on-going conduct of the transferred business will be managed and reported in the future by Thales UK Limited. In exchange for the net assets transferred, the Company recognised an amount receivable from Thales UK Limited. This amount represents the net book value of the separable net assets and liabilities transferred to Thales UK Limited.

The following table summarises the separable net assets and liabilities transferred to Thales UK Ltd on 31 December 2013:

**Assets & liabilities transferred to Thales UK Limited at 31 December 2013**

	Note	2013 £000
<b>ASSETS</b>		
<b>Current assets</b>		
Trade and other receivables	14	124
Cash and cash equivalents	15	139
<b>Total assets</b>		<u>263</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	16	260
<b>Total liabilities</b>		<u>260</u>
<b>Net assets transferred at 31 December 2013 to Thales UK Limited</b>		<u>3</u>
<b>Represented by amount receivable from Thales UK Limited</b>		<u>3</u>

**Notes to accounts (continued)**  
for the year ended 31 December 2013

**5. Revenue**

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

	2013 £000	2012 £000
Sale of goods	114	196
Revenue per Statement of comprehensive income	114	196
Investment income	1	1
Revenue as defined in IAS18	115	197

**6. Profit/(Loss) from operations**

Profit/(Loss) from operations is stated after charging:

	2013 £000	2012 £000
Depreciation of property, plant and equipment	-	91
Staff costs (note 9)	244	344

Amounts payable to Mazars LLP and their associates by the Company in respect of audit services were borne by the immediate parent company.

Amounts payable to Mazars LLP and their associates by the Company in respect of non-audit services were £Nil (2012:£Nil).

Notes to accounts (continued)  
for the year ended 31 December 2013

**7. Finance income**

	2013 £000	2012 £000
Interest on bank deposits	1	1
	<u>1</u>	<u>1</u>

**8. Finance costs**

	2013 £000	2012 £000
Bank charges	-	2
	<u>-</u>	<u>2</u>

**9. Staff costs**

The average monthly number of employees was:

	2013 Number	2012 Number
Production	3	3
Administration	-	-
	<u>3</u>	<u>3</u>

	2013 £000	2012 £000
Their aggregate remuneration comprised:		
Wages and salaries	200	278
Social security costs	13	36
Other pension costs (note 18)	31	30
Post employment benefits costs	-	-
	<u>244</u>	<u>344</u>

No director received any emoluments during this period (2012 £nil).

Notes to accounts (continued)  
for the year ended 31 December 2013

10. Income tax

	2013 £000	2012 £000
Current tax:		
Current income tax (credit)	-	(98)
Adjustments in respect of current income tax of previous year	-	(5)
Total current tax	-	(103)
Deferred tax:		
Origination and reversal of temporary differences	1	-
Adjustments in respect of prior year	(1)	-
Total current tax	-	-
Total tax (credit) on profit/(loss) on ordinary activities	-	(103)

Corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable loss for the year.

The rate of corporation tax reduced from 26% to 24% effective from 1 April 2012 and to 23% effective from 1 April 2013. A reduction to 21%, effective from 1 April 2014 and a reduction to 20%, effective from 1 April 2015, were included in the Finance Act 2013 which was enacted on 17 July 2013. The deferred tax balances as at 31 December 2013 have been restated at a rate of 20% as this is the rate at which deferred tax is expected to reverse.

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

	2013 £000	2012 £000
Profit/(Loss) on ordinary activities before tax	4,210	(477)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	979	(117)
Tax effect of:		
Expenses not deductible for tax purposes	(7)	(3)
Debt forgiveness	(1,039)	-
Adjustment to prior year (current tax)	-	(5)
Adjustment to prior year (deferred tax)	(1)	-
Deferred tax rate change impact movement	59	22
Movement in unrecognised deferred tax	(59)	-
Group relief surrendered for nil payment	68	-
Total tax (credit)/charge	-	(103)

Notes to accounts (continued)  
for the year ended 31 December 2013

**11. Goodwill**

	£000
<b>Cost</b>	
At 1 January 2013 and 31 December 2013	702
Transfer to Thales UK Ltd	(702)
	<u>-</u>
<b>Amortisation and impairment</b>	
At 1 January 2013	702
Transfer to Thales UK Ltd	(702)
	<u>-</u>
At 31 December 2013	<u>-</u>
<b>Net book value</b>	
At 31 December 2013	<u>-</u>
At 1 January 2013	<u>-</u>

**12. Other intangible assets**

	Development costs £000	Patents & trademarks £000	Total £000
<b>Cost</b>			
At 1 January 2013	3,082	401	3,483
Transfer to Thales UK Ltd	(3,082)	(401)	(3,483)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>
<b>Amortisation</b>			
At 1 January 2013	3,082	401	3,483
Transfer to Thales UK Ltd	(3,082)	(401)	(3,483)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>
<b>Carrying amount</b>			
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 2013	<u>-</u>	<u>-</u>	<u>-</u>



Notes to accounts (continued)  
for the year ended 31 December 2013

**13. Property, plant and equipment**

	Plant and Machinery
	£000
<b>Cost</b>	
At 1 January 2013	581
Transfer to Thales UK Ltd	(581)
At 31 December 2013	-
<b>Accumulated depreciation and impairment</b>	
At 1 January 2013	581
Transfer to Thales UK Ltd	(581)
At 31 December 2013	-
<b>Carrying amount</b>	
At 31 December 2013	-
At 31 December 2012	-

**14. Trade and other receivables**

	2013 £000	2012 £000
Trade and other receivables:		
Amounts receivable from the sale of goods	-	47
Less: Provision for the impairment of receivables	-	(48)
Amounts receivable from the sale of goods - net	-	(1)
Other receivables	-	97
Intercompany receivables	-	8,291
	-	8,387

An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The table below shows the movement in this allowance during the year.

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

	2013 £000	2012 £000
At 1 January	48	48
Transferred to Thales UK Limited	(48)	-
At 31 December	-	48

**Notes to accounts (continued)**  
for the year ended 31 December 2013

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
<b>2012:</b>					
Amounts receivable from the sale of goods	<u>47</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47</u>
<b>2013:</b>					
Amounts receivable from the sale of goods	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**15. 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.

**16. Trade and other payables**

	2013 £000	2012 £000
Trade creditors and accruals	-	39
Payments on account	-	131
Other payables	-	-
Intercompany creditors	<u>-</u>	<u>12,757</u>
	<u>-</u>	<u>12,927</u>

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

The average credit period taken for trade purchases is 0 days (2012:32 days).

Notes to accounts (continued)  
for the year ended 31 December 2013

**17. 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 at 31 December 2013:

	2013		2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Financial Assets</b>				
Cash	-	-	245	245
Trade and other receivables	3	3	8,387	8,387
<b>Financial Liabilities:</b>				
Trade and other payables	-	-	12,927	12,927
Derivative financial instruments	-	-	-	-

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

**Currency derivatives**

The Company utilises currency derivatives to hedge significant future transactions and cash flows. The Company is party to a number of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments are purchased internally from the Group treasury department in Paris and are primarily denominated in the currencies of the Company's principal markets. At the date of the statement of financial position, the total notional amount of outstanding forward foreign exchange contracts to which the Company is committed are as follows:

	2013 £000	2012 £000
Forward foreign exchange contracts	-	10

At 31 December 2013, the company had no currency derivatives (2012: nil). The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to (£nil): (2012: (£10,000)) has been deferred in equity.

Amounts of £nil (2012: £nil) have been transferred to the statement of comprehensive income and inventories in respect of contracts matured during the period.

Notes to accounts (continued)  
for the year ended 31 December 2013

**Maturity of financial liabilities**

At 31 December 2013 the number of non-derivative financial liabilities held by the company was as follows:

	Timing of cash flows				Total £000
	Within one year £000	Between one and two years £000	Between two and five years £000	More than five years £000	
<b>At 31 December 2013</b>					
Trade payables	-	-	-	-	-
Other payables	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
<b>At 31 December 2012</b>					
Trade payables	39	-	-	-	39
Other payables	12,888	-	-	-	12,888
	12,927	-	-	-	12,927

The Company has operated a funding strategy to ensure a mix of funding sources offering flexibility and cost effectiveness to match its requirements.

**Sensitivity analysis**

In the period prior to the transfer of the company's business to Thales UK Limited the potential impact on the income statement due to changes in interest rates would be minimal.

**18. Retirement benefit schemes**

The Thales Group operates a number of retirement benefit schemes within the UK for the benefit of employees and former employees of the Group. As indicated in the Accounting Policy (see Note 2), the full details of the Thales UK Pension Scheme, which is a defined benefit scheme, are reported in the financial statements of Thales UK Limited. The Company recognised the amounts described below in respect of its pension scheme obligations during the year. The scheme is a defined benefit scheme.

**Defined benefit schemes**

The total cost charged to income in relation to defined benefit schemes amounted to £30,614 (2012: £29,649).

Notes to accounts (continued)  
for the year ended 31 December 2013

**19. Deferred Tax**

The company has £396,000 (2012: £453,000) of unrecognised deferred tax assets. These have not been recognised due to the uncertainty over the availability of sufficient taxable profits in the future.

**20. Share capital**

	2013 £000	2012 £000
<i>Allotted, called-up and fully-paid</i>		
4 ordinary shares of 25p each	-	8,486

**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 2013 and 31 December 2012.

On 29 November 2013, in line with the Thales UK wider consolidation plan involving Thales UK Limited, the Company reduced its share capital by cancelling and extinguishing 33,943,999 ordinary shares of 25p each. No changes were made in the objectives, policies or processes during the years ended 31 December 2012.

**21. Operating lease arrangements**

**The Company as lessee**

	2013 £000	2012 £000
Minimum lease payments under operating leases charged to expense for the year	-	8

At the date of the statement of financial position the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2013 £000	2012 £000
- Within one year		2
- In the second to fifth years inclusive	-	-
- After five years	-	-
	-	2

Operating lease payments represent rentals payable by the Company for cars.  
Contracts are for an average term of 4 years for cars.

Notes to accounts (continued)  
for the year ended 31 December 2013

**22. Related party transactions**

The immediate parent company is Thales Optronics Ltd, a company incorporated in the UK. The ultimate parent company is Thales SA a company incorporated in France. 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:

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	2013	2012	2013	2012	2013	2012	2013	2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Parent company	-	-	-	-	-	-	-	12,712
Fellow subsidiaries	-	-	-	-	-	8,291	-	45

Provisions for doubtful debts relating to related parties were £Nil (2012: £Nil). The expense recognised in the year in respect of bad and doubtful debts due from related parties was £Nil (2012: £Nil).

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.

**Compensation of key management personnel**

The remuneration of directors and other members of key management during the year were made by Thales Optronics Ltd.