

## **Thales e-Security Limited**

Annual report and financial statements  
for the year ended 31 December 2014

Registered number: **02518805**



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## Directors' report

The Directors present their annual report and financial statements for the year ended 31 December 2014.

Matters relating to the principal activity, business review and principal risks and uncertainties are addressed in the Strategic Report on page 3.

### Dividends

The Directors do not recommend the payment of a dividend (2013: £14,000,000).

### 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 Strategic Report on page 3. At the close of business on 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. 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. Following the transfer of the business to Thales UK Limited, Company's sole asset is the amount receivable from Thales UK Limited equivalent to the net book value of the net assets transferred. The transfer of the business referred to above is described in further detail in the note 2 to these financial statements.

In view of the trading prospects of Thales UK Limited, the Directors have a reasonable expectation that the amount receivable from Thales UK Limited remains recoverable, and the Company has sufficient resources to continue in its current existence for the foreseeable future and therefore the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In addition, the notes to the accounts include the Company's objectives, policies and processes for managing its business. The Company's financial risk management objectives and its exposures to credit and liquidity risk are also set out in the Strategic Report.

### Employees

Following the business transfer referred to above, the Company no longer has any employees apart from the directors.

### Directors

The directors who served during the year were as follows:

P Jones	(Resigned 31 March 2014)
S Stratton	
D J Vincent	
P Naybour	

## Directors' report (continued)

### 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.

### Directors' interests

According to the register of directors' interests, no director had any beneficial interests in the shares of the Company or held the right to subscribe for shares during the period.

### 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 needed by the auditors in connection with preparing their report, of which the auditors are unaware. Each Director has taken all the steps he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditors

Mazars LLP have indicated their willingness to continue in office as independent auditors of the Company and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

Approved by the Board and signed on its behalf:



Michael Seabrook  
Secretary

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

17 September 2015

## Strategic report

The Directors present their Strategic report which outlines the key issues which the Directors consider to be significant in relation to the Company's current and future activities.

### Principal activities

Following the business transfer referred to in the Directors' report, the Company did not trade during the year and made neither profit nor loss. In the preceding year which ended 31 December 2013, the principal activities of the Company comprised the design, manufacture and sale of products and services in the areas of network security and the protection of value bearing electronic transactions.

### Business review

No change is currently envisaged to the Company's activities.

### Credit risk

In view of the fact that the Company no longer trades with other parties, the Directors consider that there is minimal credit risk, the sole amount receivable being due from the Company's immediate parent, Thales UK Limited, as stated in the Directors' report.

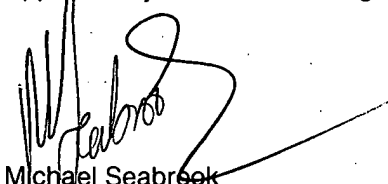
### Liquidity risk

The Company is not exposed to liquidity risk as it does not carry out any trading transactions following the business transfer.

### Key performance indicators

The Company did not engage in any trading activity during the year and as a consequence has no KPI's.

Approved by the Board and signed on its behalf:



Michael Seabrook  
Secretary

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

17 September 2015

## Statement of 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 have elected to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union 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 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; 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 for the year ended 31 December 2014

### **Independent auditor's report to the members of Thales e-Security Limited**

We have audited the financial statements of Thales e-Security Limited for the year ended 31 December 2014 which comprise the Statement of comprehensive income, the Statement of financial position, the statement of changes in equity and 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 auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's member, 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 member 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 member 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 web-site 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 2014 and of the company's result for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

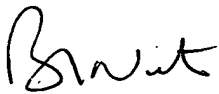
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report  
for the year ended 31 December 2014 (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.



**Robert Neate (Senior Statutory Auditor)**

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St Katherine's Way  
London  
E1W 1DD

18 September 2015



Statement of comprehensive income  
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Revenue	3	-	48,043
Cost of sales		-	(20,319)
<b>Gross profit</b>		-	27,724
Distribution costs		-	(9,889)
Administrative expenses		-	(15,647)
<b>Profit from operations</b>	4	-	2,188
Finance income	5	-	203
<b>Profit before tax</b>		-	2,391
Income tax credit	8	-	89
<b>Profit for the year</b>		-	2,480
<b>Total comprehensive income for the year</b>		-	2,480

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

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


**Statement of financial position**  
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment	10	24,060	24,060
<b>Current assets</b>			
Trade and other receivables	12	25,692	25,692
<b>Total assets</b>		<u>49,752</u>	<u>49,752</u>
<b>Equity</b>			
Share capital	16	35,200	35,200
Retained earnings		14,552	14,552
<b>Total equity</b>		<u>49,752</u>	<u>49,752</u>

The financial statements on pages 7 to 29 were approved by the Board of Directors and authorised for issue on:

17 September 2015

They were signed on its behalf by:



D Vincent  
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 2014

Attributable to equity holders of the Company

	Share Capital £'000 (Note 16)	Retained Earnings £'000	Total Equity £'000
<b>At 1 January 2013</b>	35,200	26,072	61,272
Profit for the year	-	2,480	2,480
Total comprehensive income	-	2,480	2,480
Dividends	-	(14,000)	(14,000)
<b>At 31 December 2013</b>	35,200	14,552	49,752
Total comprehensive income	-	-	-
<b>At 31 December 2014</b>	35,200	14,552	49,752

Statement of cash flows  
for year ended 31 December 2014

	2014 £'000	2013 £'000
<b>OPERATING ACTIVITIES</b>		
<b>Cash generated from operations</b>		
Profit from operations	-	2,188
Adjustments for :		
Depreciation of property, plant and equipment	-	365
Amortisation of intangible assets	-	5,517
Disposal of tangible assets	-	53
<b>Operating cash flows before movement in working capital</b>	-	8,123
Decrease in inventories	-	2,727
Decrease in receivables	-	1,799
(Decrease) in payables	-	(7,770)
Other movement (Research Tax Credit receivable)	-	(950)
<b>Cash generated from operations</b>	-	3,929
Income taxes received	-	597
<b>Net cash from operating activities</b>	-	4,526
<b>INVESTING ACTIVITIES</b>		
Interest received	-	203
Acquisition of tangible fixed assets	-	(578)
Net cash transferred on disposal	-	(40,400)
<b>Net cash used in investing activities</b>	-	(40,775)
<b>Net decrease in cash &amp; cash equivalents</b>	-	(36,249)
<b>Cash &amp; cash equivalents at beginning of year</b>	-	36,249
<b>Cash &amp; cash equivalents at end of year</b>	-	-

## Notes to the financial statements

for year ended 31 December 2014

### 1. Accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards. As indicated in the Directors' Report, the Company did not trade during the year. The Company did trade during the year ended 31 December 2014, and the principal accounting policies adopted in that year are set out below to enable the reader of these accounts to understand the basis on which the comparative financial information was prepared.

#### Going concern basis

As indicated in the Directors' report, 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.

#### Property, plant and equipment

Land, buildings fixtures and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than properties and 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:

Leasehold land and buildings	25 years
Plant and machinery	3 to 10 years
Computer Hardware	3 years
Computer Software	In year of purchase

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

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

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

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

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

## Notes to the financial statements

for year ended 31 December 2014 (continued)

### Impairment of property, plant and equipment (continued)

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 re-valued 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 re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Financial instruments

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

### Trade receivables

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

### 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 profit or loss 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 profit or loss 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

## Notes to the financial statements

for year ended 31 December 2014 (continued)

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 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.

### Derivative financial instruments and hedge accounting

The Company's former activities exposed it primarily to the financial risks of changes in foreign exchange rates. The Company used derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

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

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

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

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

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

## Notes to the financial statements

for year ended 31 December 2014 (continued)

### **Derivative financial instruments and hedge accounting (continued)**

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

### **Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and credited to the statement of profit or loss and comprehensive income on a straight line basis over the expected useful lives of the assets concerned.

Other grants are credited to the statement of profit or loss and other comprehensive income as the related expenditure is incurred.

### **Research and development tax credits**

The Company claims research and development government credits in the UK. These are judged to have characteristics more akin to grants than income taxes and are offset against the relevant expenditure. Credits are recognised to the extent there is reasonable assurance they will be received.

### **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.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.



## Notes to the financial statements

for year ended 31 December 2014 (continued)

### 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.

Revenue from services provided is recognised insofar as the transaction has been completed on the reporting date.

Revenue from construction contracts is recognised in accordance with the Company's accounting policy on construction contracts as previously detailed in this note.

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.

### 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 profit or loss and other comprehensive income and there is no impact retained in the statement of financial position. The impact for 2014 in these financial statements is shown in note 13.

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

### 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.

## Notes to the financial statements

for year ended 31 December 2014 (continued)

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other 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:

#### *Deferred tax recognition*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probably 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 8.

#### *Long-term contracts*

Long-term contract arrangements are accounted for in accordance with IAS 11. This requires judgements to estimate future expected costs to be incurred.

### **Impairment of investments**

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

## Notes to the financial statements

for year ended 31 December 2014 (continued)

### **2. Business transfer**

As indicated in the Directors' Report, the Company did not trade during the year and made neither profit nor loss.

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.

Notes to the financial statements  
for year ended 31 December 2014 (continued)

**2. Business Transfer (continued)**

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**

	<b>2013 £000</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Property, plant & equipment	793
Goodwill and other intangible assets	28,252
Deferred tax assets	840
	<u>29,885</u>
<b>Current assets</b>	
Inventories	4,440
Trade and other receivables	13,883
Current tax receivables	950
Cash and cash equivalents	40,400
	<u>59,673</u>
<b>Total assets</b>	<u>89,558</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Trade and other payables	(63,807)
Other financial liabilities	(59)
	<u>(63,866)</u>
<b>Total liabilities</b>	<u>(63,866)</u>
<b>Net assets transferred at 31 December 2013 to Thales UK Limited</b>	<u><u>25,692</u></u>
<b>Represented by amount receivable from Thales UK Limited</b>	<u><u>25,692</u></u>

Notes to the financial statements  
for year ended 31 December 2014 (continued)

**3. Revenue**

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

	2014 £'000	2013 £'000
Sale of goods - EMEA	-	42,894
- Rest of World	-	4,950
Revenue from construction contracts	-	199
	<hr/>	<hr/>
Revenue per statement of comprehensive income	-	48,043
	<hr/>	<hr/>

**4 Profit from operations**

Profit from operations is stated after charging:

	2014 £'000	2013 £'000
Research and development costs	-	12,169
Depreciation of property, plant and equipment	-	365
Amortisation of internally generated intangible assets included in other operating expenses	-	5,517
Cost of inventories recognised as an expense	-	28
Research and development tax credit	-	(950)
Staff costs (note 6)	-	16,701
Pensions (note 14)	-	1,017
Auditors' remuneration for audit services	-	50
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For the year ended 31 December 2014 and the preceding year, auditor's remuneration for audit services has been borne by a fellow subsidiary. No amounts were payable to Mazars LLP for non-audit services in either the current or preceding year.

**5. Finance income**

	2014 £'000	2013 £'000
Interest on bank deposits	-	203
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**Notes to the financial statements**  
for year ended 31 December 2014 (continued)

**6. Staff costs**

The average monthly number of employees (including executive directors) was:

	<b>2014 Number</b>	<b>2013 Number</b>
Distribution	-	228
Sales/Marketing	-	88
Administration	-	26
	<u>-</u>	<u>342</u>

	<b>2014 £'000</b>	<b>2013 £'000</b>
Their aggregate remuneration comprised:		
Wages and salaries	-	14,790
Social security costs	-	1,911
Other pension costs (see note 14)	-	1,017
	<u>-</u>	<u>17,718</u>

Notes to the financial statements  
for year ended 31 December 2014 (continued)

**7. Directors' emoluments**

	2014 £'000	2013 £'000
<b>Directors' remuneration:</b>		
Remuneration of directors	-	504
Pension scheme contributions	-	129
	<u>-</u>	<u>633</u>

Number of directors accruing benefits under the following schemes:

	Number	Number
Money purchase schemes	-	1
Defined benefit schemes	-	4
	<u>-</u>	<u>4</u>

	Number	Number
The number of directors who exercised share options	-	2
The number of directors who received share options under long term incentive schemes	-	4

	2014 £'000	2013 £'000
<b>Details of the highest paid director:</b>		
Remuneration of directors	-	183
Pension scheme contributions	-	43
	<u>-</u>	<u>226</u>

	2014 £'000	2013 £'000
Compensation to directors for loss of office	-	180

Notes to the financial statements  
for year ended 31 December 2014 (continued)

**8. Income tax expense**

	2014 £'000	2013 £'000
<b>Current tax:</b>		
Adjustments in respect of prior years	-	(212)
Foreign tax	-	20
<b>Total current tax</b>	-	(192)
<b>Deferred tax</b>		
Origination and reversal of temporary differences charge	-	103
<b>Total deferred tax</b>	-	103
<b>Total tax credit on profit for the year</b>	-	(89)

There was no Corporation tax attributable to the year as the company is now non-trading. The corporation tax in 2013 was calculated at 23.25% of the estimated assessable loss for the year. The rate of corporation tax reduced 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 balance as at 31 December 2013 was restated at a rate of 20% as this is the rate at which deferred tax is expected to reverse.

The tax credit for the year can be reconciled to the statement of profit or loss and other comprehensive income as follows:

	2014 £'000	2013 £'000
Profit on before tax	-	2,391
Profit for the year multiplied by standard rate of corporation tax in the UK (2013: 23.25%)	-	556
<b>Tax effect of:</b>		
Expenses not deductible for tax purposes	-	(13)
Research and development	-	(181)
Deferred tax rate change impact on movement and opening balance	-	126
Adjustments to prior year - current tax	-	(212)
Foreign tax	-	20
Group relief received for nil payment	-	(385)
<b>Total tax credit</b>	-	(89)



Notes to the financial statements  
for year ended 31 December 2014 (continued)

**9. Goodwill and other intangible assets**

	Goodwill £'000	Development costs £'000	Patents and trademarks £'000	Total £'000
<b>Cost</b>				
At 1 January 2013	29,217	7,181	454	36,852
Additions	-	-	-	-
Transfer to Thales UK Limited	(29,217)	(7,181)	(454)	(36,852)
<b>At 31 December 2013 and 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Amortisation</b>				
At 1 January 2013	965	1,664	454	3,083
Charge for the year	-	5,517	-	5,517
Transfer to Thales UK Limited	(965)	(7,181)	(454)	(8,600)
<b>At 31 December 2013 and 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>				
At 31 December 2014	-	-	-	-
At 31 December 2013	-	-	-	-
At 1 January 2013	28,252	5,517	-	33,769

**10. Investment in subsidiaries**

The Company has investments in the following subsidiary undertakings at the year end.

	Shares in Subsidiary Undertakings (£'000)
<b>Cost</b>	
At 31 December 2013 and at 31 December 2014	<u>24,060</u>

	Country of incorporation or principal business address	Holding	%	Principal activity
nCipher Corporation Limited	England	8,308,413 £0.01 ordinary shares	100	Non-trading

Notes to the financial statements  
for year ended 31 December 2014 (continued)

**11. Property, plant and equipment**

	Leasehold improvements £'000	Plant, machinery and fittings £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 2013	1,402	2,080	3,482
Additions	-	578	578
Disposals	-	(151)	(151)
Transfer to Thales UK Limited	(1,402)	(2,507)	(3,909)
<b>At 31 December 2013 and 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Accumulated depreciation</b>			
At 1 January 2013	1,067	1,781	2,848
Charge for the year	136	229	365
Eliminated on disposal	-	(97)	(97)
Transfer to Thales UK Limited	(1,203)	(1,913)	(3,116)
<b>At 31 December 2013 and 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>			
At 31 December 2014	-	-	-
At 31 December 2013	-	-	-
At 1 January 2013	335	299	634

**Notes to the financial statements**  
for year ended 31 December 2014 (continued)

**12. Trade and other receivables**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Trade and other receivables:		
Amount due from Thales UK Limited	25,692	25,692
	<u>25,692</u>	<u>25,692</u>

At 31 December 2014, the aged trade receivables analysis was as follows:

	<b>Total</b> <b>£000</b>	<b>Neither past</b> <b>due nor</b> <b>impaired</b> <b>£000</b>	<b>Overdue less</b> <b>than 3</b> <b>months</b> <b>£000</b>	<b>Overdue 3 to</b> <b>6 months</b> <b>£000</b>	<b>Overdue</b> <b>more than 6</b> <b>months</b> <b>£000</b>
<b>2014:</b>					
Amount receivable from Thales UK Limited	25,692	25,692	-	-	-
	<u>25,692</u>	<u>25,692</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>2013:</b>					
Amount receivable from Thales UK Limited	25,692	25,692	-	-	-
	<u>25,692</u>	<u>25,692</u>	<u>-</u>	<u>-</u>	<u>-</u>

In the Directors' view, the carrying amount of the balance due from Thales UK Limited equates to its fair value.

**13. Financial instruments**

**Fair value**

The Company's financial risks policy is set out in the Strategic Report on page 3.

Set out below is a comparison of the carrying amounts and fair value of all of the Company's financial instruments.

**Notes to the financial statements**  
for year ended 31 December 2014 (continued)

**13. Financial instruments (continued)**

	2014 Carrying amount £000	Fair value £000	2013 Carrying amount £000	Fair value £000
Financial assets:				
Trade and other receivables	25,692	25,692	25,692	25,692

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

**Maturity of financial assets**

The contractual maturity of the Company's non-derivative financial assets is as follows:

	Within one year £000	Total £000
<b>At 31 December 2014</b>		
Trade receivables	<u>25,692</u>	<u>25,692</u>
<b>At 31 December 2013</b>		
Trade receivables	<u>25,692</u>	<u>25,692</u>

The Company's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match its requirements.

**Sensitivity analysis**

As the Company has no cash and bank balances or overdrafts and loans and because its only financial instruments are balances with fellow group companies that are denominated in sterling, there would be no significant impact on the statement of comprehensive income or net assets as a result of market movements in foreign exchange and interest rates.

**14. 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 schemes include both defined benefit schemes and defined contribution schemes.

Notes to the financial statements  
for year ended 31 December 2014 (continued)

**14. Retirement benefit schemes (continued)**

**Defined contribution schemes**

Due to the company's current non-trading status, there were no contributions made to defined contribution schemes in 2014. The total cost charged to income in relation to defined contribution schemes amounted to £603,839 in 2013, representing contributions payable to the schemes by the Company at rates specified in the rules of the plan.

**Defined benefit schemes**

Due to the company's current non-trading status, there were no contributions made to defined benefit schemes in 2014. The total cost charged to income in relation to defined benefit schemes amounted to £413,602 in 2013.

**15. Deferred tax**

The following are the major deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior year.

	Capital allowances £'000	Pensions £'000	Tax losses £'000	Total £'000
<b>As at 1 January 2013</b>	887	-	56	943
Deferred tax charged to statement of comprehensive income	(47)	-	(56)	(103)
Transfer asset to Thales UK Ltd	(840)	-	-	(840)
<b>As at 31 December 2013 and 31 December 2014</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		-	-	-

The position identified above for the year ended 31 December 2013 forms part of the business transferred to Thales UK Limited.

**Notes to the financial statements**  
for year ended 31 December 2014 (continued)

**16. Share capital**

	2014 £'000	2013 £'000
Authorised		
704,020,000 ordinary shares of 5p each	<u>35,201</u>	<u>35,201</u>
Allotted, called-up and fully-paid		
704,001,900 ordinary shares of 5p each	<u>35,200</u>	<u>35,200</u>

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

**17. Operating lease arrangements**

The Company as lessee	2014 £'000	2013 £'000
Minimum lease payments under operating leases recognised in income for the year	<u>-</u>	<u>1,728</u>

The position identified above at 31 December 2013 forms part of the business transferred to Thales UK Limited.

**Notes to the financial statements**  
for year ended 31 December 2014 (continued)

**18. Related party transactions**

The immediate parent company is Thales UK Limited, 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 Tour Carpe Diem, 31 Place des Corolles – CS 20001, 92098 PARIS LA DEFENSE CEDEX, France.

**Trading transactions**

During the year, the Company entered into the following trading transactions with related parties:

	Sales of goods		Purchases of goods and Services		Amounts owed by related parties		Amounts owed to related parties	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Parent company	-	-	-	-	25,692	25,692	-	-
Fellow subsidiaries	-	10,557	-	31,155	-	-	-	-

Sales of goods to related parties were made at the Company's usual list prices, less average discounts of 40 per cent. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.