

Thales Electronics plc

Annual report and accounts

for the year ended 31 December 2008

Registered number: 497098

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COMPANIES HOUSE

Registered No. 497098

Directors

A Dorrian
A Lagomarsino
L Hammond

Secretary

M W P Seabrook

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

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

Directors' report

The directors present their annual report and financial statements, together with the auditors' report, for the year ended 31 December 2008.

Principal activity

The principal activity of the company is a holding company.

Business review and future developments

The Company acts as a non-trading, intermediate holding company within the Thales group of companies based in the UK. The Company receives regular dividend income from its investment in Camelot Group plc. On 30 August 2007 Camelot Group plc signed the enabling agreement with the National Lottery Commission which officially appoints Camelot as operator of The National Lottery from February 2009 to 2019. This triggered a subscription agreement compelling the Company to subscribe for 10,000,000 redeemable shares in Camelot Group plc at par.

The subsidiary undertakings held by the Company are listed in note 7 to the financial statements. Consolidated financial statements are not presented as the Company takes advantage of the exemption afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Thales SA which prepares consolidated accounts which are publicly available.

The audited financial statements for the year ended 31 December 2008 are set out on pages 7 to 21. The company made a profit after taxation for the year of £2,582,000 (2007 – £4,453,000).

The directors do not foresee any change in the business of the company in the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend (2007 – £nil).

Financial risk management objectives and policies

The Company's principal financial instruments comprise cash and bank overdrafts. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

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

Foreign currency risk

The Company has transactional currency exposures in respect of its cash and bank overdrafts. This exposure is unhedged, but minimal due to the very low value of the balances involved.

Credit risk

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

The Company trades exclusively with fellow subsidiaries and associates.

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

Directors' report (continued)

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

Interest rate risk

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

Liquidity risk

The Company prepares regular cash flow forecasts to ensure that there are always necessary funds in place to enable financial liabilities to be met as they fall due.

Directors

The directors who served during the year were as listed on page 1.

Director's liabilities

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

Donations

No charitable or political donations were made during the year (2007 – nil)

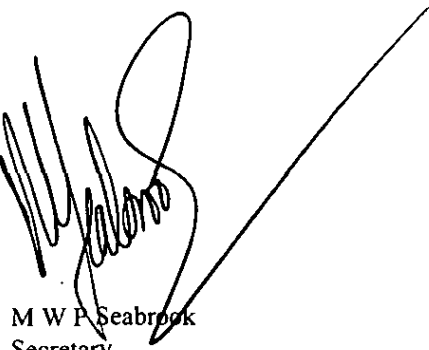
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the auditor, the director has taken all the steps he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

On behalf of the Board



M W P Seabrook
Secretary

31 March 2009

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

Statement of directors' responsibilities in respect of the financial statements

United Kingdom company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period, and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 auditors' report

to the shareholders of Thales Electronics plc

We have audited the financial statements of Thales Electronics plc for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

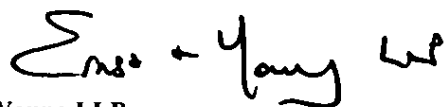
Independent auditors' report

to the shareholders of Thales Electronics plc (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP

Registered Auditors

London

31 March 2009

Income statement

for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Continuing operations			
Administrative income		50	40
Amounts written off investments		(10,790)	(5,086)
Loss from operations	2	(10,740)	(5,046)
Investment income	4	13,371	10,858
Finance costs	5	(635)	(738)
Profit before taxation		1,996	5,074
Tax credit(expense)	6	586	(621)
Profit for the period		2,582	4,453

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

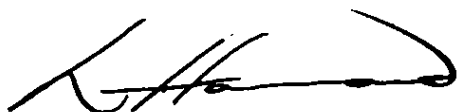
There are no recognised gains or losses in either period other than those shown in the income statement.

Balance sheet

at 31 December 2008

	Note	2008 £000	2007 £000
ASSETS			
Non-current assets			
Investment in subsidiaries	7	719,894	730,684
Other non-current financial assets	8	18,750	18,750
		<u>738,644</u>	<u>749,434</u>
Current assets			
Trade and other receivables	9	73,958	60,344
Corporation tax debtor		-	24
Cash and cash equivalents	10	6,723	6,809
		<u>80,681</u>	<u>67,177</u>
Total assets		<u>819,325</u>	<u>816,611</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	69,531	69,452
Current tax liability		60	-
Bank overdrafts	12	2	9
		<u>69,593</u>	<u>69,461</u>
Net current assets/(liabilities)		<u>11,088</u>	<u>(2,284)</u>
Non-current liabilities			
Provisions	13	861	861
Total liabilities		<u>70,454</u>	<u>70,322</u>
Net assets		<u>748,871</u>	<u>746,289</u>
Equity			
Share capital	14	74,613	74,613
Share premium account	15	212,215	212,215
Capital redemption reserve	15	279,325	279,325
Retained earnings	15	182,718	180,136
Total equity		<u>748,871</u>	<u>746,289</u>

The accounts on pages 7 to 21 were approved by the Board of directors and authorised for issue on 31 March 2009. They were signed on its behalf by:



L Hammond
Director

The accompanying notes are an integral part of this balance sheet.

Cash flow statement

for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Cash flows from operating activities			
Loss from operations	2	(10,740)	(5,046)
Adjustments for;			
Impairment charge	7	10,790	5,086
(Decrease)/increase in provisions	13	-	(61)
Operating cash flows before movement in working capital		50	(21)
(Increase)/decrease in receivables	9	(13,614)	25,863
Increase/(decrease) in payables	11	79	(1,736)
Cash generated from operations		(13,485)	24,106
Income taxes received/(paid)		670	(1,458)
Finance costs	5	(635)	(738)
Net cash from operating activities		(13,450)	21,910
Investing activities			
Interest received	4	2,990	3,198
Dividends received	4	10,381	7,660
Purchases of trading investments		-	(10,000)
Net cash from investing activities		13,371	858
Net (decrease)/increase in cash & cash equivalents		(79)	22,768
Cash & cash equivalents at beginning of year	10	6,800	(15,968)
Cash & cash equivalents at end of year	10	6,721	6,800

Cash and cash equivalents include bank overdrafts.

The accompanying notes are an integral part of this cash flow statement.

Notes to the financial statements

at 31 December 2008

General Information

The Company is incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the Company's operations and principal activities are set out in the directors' report.

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

1. Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS's), adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulations.

The principal accounting policies adopted are set out below:

These financial statements contain information about Thales Electronics plc as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Thales SA which prepares consolidated financial statements which are publicly available.

Adoption of new and revised standards

The following International Financial Reporting Interpretations Committee (IFRIC) interpretations have been adopted in the financial statements

IFRIC 11 IFRS 2 Group and Treasury Share transactions - *Effective for periods beginning on or after 1 March 2007*. It has had no impact on the results or net assets of the Company

IFRIC 12 Service Concession Arrangements - *Effective for periods beginning on or after 1 January 2008*. It has had no impact on the results or net assets of the Company

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - *Effective for periods beginning on or after 1 January 2008*. It has had no impact on the results or net assets of the Company

IFRIC15 Agreements for the Construction of Real Estate *Effective for periods beginning on or after 1 January 2008*. It has had no impact on the results or net assets of the Company

IFRIC16 Hedges of a Net Investment in a Foreign Operation *Effective for periods beginning on or after 1 October 2008*. It has had no impact on the results or net assets of the Company

Notes to the financial statements (continued)

at 31 December 2008

1. Accounting policies (continued)

New standards and interpretations not applied

At the date of authorisation of these financial statements the following standards and interpretations, which have not been applied in these statements, were in issue but not yet effective:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption - *Effective for periods beginning on or after 1 January 2009*

IFRS 2 Share-based Payment – Amendment relating to vesting conditions and cancellations - *Effective for periods beginning on or after 1 January 2009*

IFRS 3 Business Combinations – Comprehensive revision on applying the acquisition method - *Effective for periods beginning on or after 1 July 2009*

IFRS 8 Operating Segments - *Effective for periods beginning on or after 1 January 2009*

IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income - *Effective for periods beginning on or after 1 January 2009*

IAS 1 Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation - *Effective for periods beginning on or after 1 January 2009*

IAS 23 Borrowing costs – Comprehensive revision to prohibit immediate expensing - *Effective for periods beginning on or after 1 January 2009*

IAS 27 Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3 - *Effective for periods beginning on or after 1 July 2009*

IAS 27 Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3 - *Effective for periods beginning on or after 1 January 2009*

IAS 28 Investments in Associates – Consequential amendments arising from amendments to IFRS 3 - *Effective for periods beginning on or after 1 July 2009*

IAS 31 Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 - *Effective for periods beginning on or after 1 July 2009*

IAS 32 Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation - *Effective for periods beginning on or after 1 January 2009*

IAS 39 Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items - *Effective for periods beginning on or after 1 July 2009*

The Directors do not consider that the adoption of the amendments resulting from the May 2008 Annual Improvements project will result in a material impact on the financial information of the Company. These amendments are effective for accounting periods beginning on or after 1 January 2009, with the exception of the amendment to IFRS 5 which is effective for accounting periods beginning on or after 1 July 2009.

The Directors do not anticipate that the adoption of these standards and interpretations, wherever relevant, will have a material impact on the Company's financial statements in the period of initial application.

Notes to the financial statements (continued)

at 31 December 2008

1. Accounting policies (continued)

Impairment of investments

At each balance sheet date the Company reviews the carrying amounts of its tangible investments to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment 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 investment.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant investment 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 investment 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 investment in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant investment 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.

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowings

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

at 31 December 2008

1. Accounting policies (continued)

Trade payables

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

Taxation

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

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

- Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and derivative contracts, provisions for pensions and other post retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.
- Deferred tax is measured at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
- Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Revenue recognition

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

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

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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

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

Borrowing costs

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

Notes to the financial statements (continued)

at 31 December 2008

1. Accounting policies (continued)

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 balance sheet date, and are discounted to present value where the effect is material.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies management considers that it has not made any judgements in the valuation of investments that will have a significant effect on the amounts recognised in the financial statements apart from those involving estimations.

Key sources of estimation uncertainty

The Company has determined that the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, would not have a significant risk of causing a material adjustment of the carrying amounts of assets and liabilities within the next financial year.

2. Operating loss

This is stated after charging/(crediting):

	2008	2007
	£000	£000
Net foreign exchange (gain)/loss	(4)	12
Release of warranty provisions	-	(140)
	<u> </u>	<u> </u>

For the year ended 31 December 2008 and the preceding year, auditors' remuneration for audit services has been borne by a fellow subsidiary. No amounts were payable to Ernst & Young LLP for non-audit services in either the current or preceding year.

3. Staff costs

The directors received no remuneration for their services in respect of the company in either the current or preceding year. The company had no employees other than the directors.

4. Investment income

	2008	2007
	£000	£000
Interest on bank deposits	3	-
Interest receivable from group companies	2,987	3,198
Dividends from equity investments	10,381	7,660
	<u>13,371</u>	<u>10,858</u>

Notes to the financial statements (continued)

at 31 December 2008

5. Finance costs

	2008	2007
	£000	£000
Interest on bank loans and overdrafts	-	1
Interest payable to fellow group companies	635	737
	<u>635</u>	<u>738</u>

6. Income tax expense

	2008	2007
	£000	£000
Current tax:		
UK corporation tax	60	(24)
Adjustments in respect of prior years	(646)	645
Total current tax	<u>(586)</u>	<u>621</u>
Total tax charge on profit on ordinary activities	<u>(586)</u>	<u>621</u>

Corporation tax is calculated at 28.5% (2007 - 30%) of the estimated assessable profit for the year.

With effect from 1 April 2008 the standard rate of UK Corporation tax has reduced from 30 per cent to 28 per cent. As a result, the current tax charge/(credit) for the period has been calculated at the weighted average rate of 28.5 per cent and the deferred tax balances have been calculated using a tax rate of 28 per cent.

	2008	2007
	£000	£000
Profit on ordinary activities before tax	1,996	5,074
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2007 - 30%)	569	1,522
Tax effect of:		
Expenses not deductible for tax purposes	120	(773)
Imputed interest under UK:UK transfer pricing	(629)	(773)
Tax (over)/under provided in previous years (current tax)	(646)	645
Total tax charge on profit on ordinary activities	<u>(586)</u>	<u>621</u>

Notes to the financial statements (continued)

at 31 December 2008

7. Investment in subsidiaries

The Company has investments in the following subsidiary undertakings all of which are wholly owned and incorporated in England & Wales except where stated. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

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

* Incorporated in Bermuda.

	<i>£000</i>
Cost:	
At 1 January 2008 and 31 December 2008	921,919
Amounts written off:	
At 1 January 2007	186,149
Written off during the year	5,086
At 31 December 2007	191,235
Written off during the year	10,790
At 31 December 2008	202,025
Net book value	
At 31 December 2008	719,894
At 31 December 2007	730,684
At 1 January 2008	735,770

Notes to the financial statements (continued)

at 31 December 2008

8. Other non-current financial assets

	2008 £000	2007 £000
Other participating interest	18,750	18,750
		<i>Total</i> £000
Cost and net book value:		
At 1 January 2007		8,750
Additions during the year		10,000
At 31 December 2007 and 31 December 2008		18,750

The Company has investments in the following associated undertakings.

	<i>Country of incorporation</i>	<i>Holding</i>	<i>%</i>
Camelot Group Plc	England & Wales	Ordinary shares	20.00
Camelot International Services Limited	England & Wales	Ordinary shares	20.00

Notes to the financial statements (continued)

at 31 December 2008

9. Trade and other receivables

	2008 £000	2007 £000
Amounts owed by group undertakings	73,758	60,187
Other debtors	200	157
	<u>73,958</u>	<u>60,344</u>

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

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

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

At 31 December the aged trade receivables analysis is as follows:

	Total £000	Neither past due nor impaired £000	Overdue less than 3 months £000	Overdue 3 to 6 months £000	Overdue more than 6 months £000
2008:	<u>73,958</u>	<u>73,958</u>	-	-	-
2007:	<u>60,344</u>	<u>60,344</u>	-	-	-

10. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company. The carrying amount of these assets approximates their fair value.

11. Trade and other payables

	2008 £000	2007 £000
Amounts owed to group undertakings	69,186	69,235
Other creditors	171	171
Accruals and deferred income	174	46
	<u>69,531</u>	<u>69,452</u>

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

Notes to the financial statements (continued)

at 31 December 2008

12. Bank overdrafts

	2008 £000	2007 £000	
Bank overdrafts	2	9	
The borrowings are repayable as follows:			
On demand or within one year	2	9	
Analysis of bank overdrafts by currency:			
	<i>Euros</i> £000	<i>US dollars</i> £000	<i>Total</i> £000
31 December 2008	-	2	2
31 December 2007	8	1	9

Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximated 3.16 per cent (2007: 5.04 per cent) in the year and is determined based on base rate plus 1 per cent

13. Provisions

	£000
At 1 January and 31 December 2008	861
Included in non-current liabilities	861

Provisions relate to potential liabilities in connection with the disposal of group companies. It is expected that the majority of these liabilities will be settled over the warranty periods for the companies disposed. These range up to 5 years. No expenditure is expected to be incurred within the next financial year.

Notes to the financial statements (continued)

at 31 December 2008

14. Share capital

	2008	2007
	£000	£000
<i>Authorised</i>		
1,600,000,000 ordinary shares of 25p each	400,000	400,000
<i>Allotted, called-up and fully-paid</i>		
298,452,708 ordinary shares of 25p each	74,613	74,613

Capital management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

15. Reserves

	<i>Share premium account £000</i>	<i>Capital redemption reserve £000</i>	<i>Retained earnings £000</i>	<i>Total £000</i>
At 1 January 2008	212,215	279,325	180,136	671,676
Retained profit for the year	-	-	2,582	2,582
At 31 December 2008	212,215	279,325	182,718	674,258

16. Reconciliation of movements in shareholders' funds

	2008	2007
	£000	£000
Opening shareholders' funds	746,289	741,836
Profit for the year	2,582	4,453
Closing shareholders' funds	748,871	746,289

Notes to the financial statements (continued)

at 31 December 2008

17. Related parties

The immediate parent company is Thales Holdings UK plc, a company incorporated in the UK. The ultimate parent company is Thales SA a company incorporated in France. This is also both the largest and smallest group which includes the Company and for which consolidated financial statements are prepared. Copies of the group financial statements of Thales SA are available from 45 rue de Villiers, 92526 Neuilly sur Seine Cedex, France.

Trading transactions

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

	<i>Amounts owed by</i>		<i>Amounts owed to</i>	
	<i>related parties</i>		<i>related parties</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Parent company	50,000	39,872	-	-
Fellow subsidiaries	23,758	20,315	69,187	69,235

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.