



Thales Electronics plc

Annual report and accounts

for the year ended 31 December 2009

Registered number 497098

Thales Electronics plc

Registered No 497098

Directors

A Dorrnan

A Lagomarsino

L Hammond

M W P Seabrook – Appointed 25 October 2009

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 2009

Principal activity

The principal activity of the Company is a holding Company

Business review

The Company acts as a non-trading, intermediate holding Company within the Thales group of companies based in the UK. The Company receives regular dividend income from its investment in Camelot Group plc. On 1st February 2009 Camelot Group began operating the third National Lottery under which it is committed to making lower profits. This is reflected in a lower dividend receipt this year. On 25 March 2010 the Company announced its intention to sell its 20% stake in Camelot Group plc as detailed in note 15.

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

The audited financial statements for the year ended 31 December 2009 are set out on pages 7 to 21. The Company made a profit after taxation for the year of £6,650,000 (2008 – £2,582,000).

Dividends

The Directors do not recommend the payment of a dividend (2008 – £nil).

Financial risk management objectives and policies

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

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

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

Foreign currency risk

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

Credit risk

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

The Company trades exclusively with fellow subsidiaries and associates.

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

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

Interest rate risk

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

Directors' report (continued)

Liquidity risk

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

Going concern accounting basis

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 2. In addition, the notes to the accounts include the Company's objectives, policies and processes for managing its capital and details of its financial instruments and hedging activities. The Company's financial risk management objectives and its exposures to credit and liquidity risk are set out in the preceding paragraphs.

The Company has considerable financial resources including a 20% stake in the National Lottery operator Camelot. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

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 (2008 – 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
29th June 2010

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

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the 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 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 2009 which comprise the Statement of financial position, the Statement of comprehensive income, the Statement of cash flows and the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

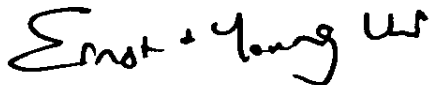
Independent auditors' report

to the shareholders of Thales Electronics plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'Ernst & Young UK'.

Amin Mawji (Senior statutory auditor)

For and on behalf of Ernst & Young LLP

London

29 June 2010

Statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Continuing operations			
Administrative income		-	50
Amounts written off investments		-	(10,790)
Loss from operations	2	-	(10,740)
Investment income	4	6,581	13,371
Finance costs	5	(16)	(635)
Profit before taxation from operations		6,565	1,996
Income tax credit	6	85	586
Profit for the year and total comprehensive income for the year net of tax		6,650	2,582

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

Statement of financial position

at 31 December 2009

		2009	2008
	Note	£000	£000
ASSETS			
Non-current assets			
Investment in subsidiaries	7	719,894	719,894
Other non-current financial assets	8	18,750	18,750
		<u>738,644</u>	<u>738,644</u>
Current assets			
Trade and other receivables	9	58,972	73,958
Corporation tax debtor		85	-
Cash and cash equivalents	10	12,467	6,723
		<u>71,524</u>	<u>80,681</u>
Total assets		<u>810,168</u>	<u>819,325</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	53,786	69,531
Current tax liability		-	60
Bank overdrafts	12	-	2
		<u>53,786</u>	<u>69,593</u>
Net current assets		<u>19,469</u>	<u>11,088</u>
Non-current liabilities			
PROVISIONS	13	861	861
Total liabilities		<u>54,647</u>	<u>70,454</u>
Net assets		<u>755,521</u>	<u>748,871</u>
Equity			
Share capital	14	74,613	74,613
Share premium account		212,215	212,215
Capital redemption reserve		279,325	279,325
Retained earnings		189,368	182,718
Total equity		<u>755,521</u>	<u>748,871</u>

The accounts on pages 7 to 21 were approved by the Board of directors and authorised for issue on 29 June 2010. They were signed on its behalf by



A Lagomarsino
Director

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

Statement of changes in equity

at 31 December 2009

	Share Capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2008	74,613	212,215	279,325	180,136	746,289
Retained profit for the year	-	-	-	2,582	2,582
At 31 December 2008	74,613	212,215	279,325	182,718	748,871
Retained profit for the year	-	-	-	6,650	6,650
At 31 December 2009	74,613	212,215	279,325	189,368	755,521

Statement of cash flows

for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Cash flows from operating activities			
Loss from operations	2	-	(10,740)
Adjustments for, Impairment charge	7	-	10,790
Operating cash flows before movement in working capital		-	50
Decrease/(increase) in receivables	9	14,986	(13,614)
(Decrease)/ increase in payables	11	(15,745)	79
Cash generated from operations		(759)	(13,485)
Income taxes (paid)/ received		(60)	670
Finance costs	5	(16)	(635)
Net cash from operating activities		(835)	(13,450)
Investing activities			
Interest received	4	395	2,990
Dividends received	4	6,186	10,381
Net cash from investing activities		6,581	13,371
Net increase/(decrease) in cash & cash equivalents		5,746	(79)
Cash & cash equivalents at beginning of year	10	6,721	6,800
Cash & cash equivalents at end of year	10	12,467	6,721

Cash and cash equivalents include bank overdrafts

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

Notes to accounts

at 31 December 2009

General Information

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 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Thales SA which prepares consolidated financial statements which are publicly available.

Going concern basis

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Adoption of new and revised standards

The following, International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations have been adopted in the financial statements,

- 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 7 Financial Instruments Disclosures – Amendments enhancing disclosures about fair value and liquidity risk – Effective for periods beginning on or after 1 January 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 January 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

Notes to accounts (continued)

at 31 December 2009

- IFRIC 13 Customer loyalty programmes – Effective for periods beginning on or after 1 July 2008
- IFRIC 18 Transfers of assets from customers – Effective for transfers received on or after 1 July 2009

The adoption of the above standards and interpretations has had no impact on the results or net assets of the Company

New standards and interpretations not yet 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 – Revised and restructured – Effective for annual periods beginning on or after 1 July 2009
- IFRS 1 First-time adoption of International Financial Reporting Standards – Amendments relating to oil and gas assets and determining whether an arrangement contains a lease – Effective for annual periods beginning on or after 1 January 2010
- IFRS 2 Share-based payment – Amendments relating to group cash-settled share-based payment transactions – Effective for annual periods beginning on or after 1 January 2010
- IFRS 3 Business Combinations – Comprehensive revision on applying the acquisition method - Effective for periods beginning on or after 1 July 2009
- IFRS 9 Financial instruments – Classification and measurement – Effective for annual periods beginning on or after 1 January 2013
- IAS 24 Related party disclosures – Revised definition of related parties – Effective for annual periods beginning on or after 1 January 2011
- 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 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 classification of rights issues – Effective for annual periods beginning on or after 1 February 2010
- IAS 39 Financial Instruments Recognition and Measurement – Amendments for eligible hedged items - Effective for periods beginning on or after 1 July 2009
- IFRIC 17 Distributions of non-cash assets to owners - Effective for annual periods beginning on or after 1 July 2009
- IFRIC 19 Extinguishing financial liabilities with equity instruments – Effective for annual periods beginning on or after 1 July 2010

The Directors do not consider that the adoption of the amendments resulting from the April 2009 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 2010, with the exception of the amendments to IFRS 2 and IAS 38 which are 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 accounts (continued)

at 31 December 2009

Impairment of investments

At each Statement of financial position 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 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.

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).

Trade payables

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

Notes to accounts (continued)

at 31 December 2009

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

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

Borrowing costs

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

Provisions

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

Notes to accounts (continued)

at 31 December 2009

Significant accounting judgements, estimates and assumptions

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

Impairment of investments

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

2. Operating loss

This is stated after crediting

	2009	2008
	£000	£000
Net foreign exchange gain	-	4

For the year ended 31 December 2009 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

	2009	2008
	£000	£000
Interest on bank deposits	2	3
Interest receivable from group companies	393	2,987
Dividends from equity investments	6,186	10,381
	<u>6,581</u>	<u>13,371</u>

Notes to accounts (continued)

at 31 December 2009

5. Finance costs

	2009 £000	2008 £000
Interest payable to fellow group companies	16	635

6. Income tax expense

	2009 £000	2008 £000
Current tax		
UK corporation tax	(85)	60
Adjustments in respect of prior years	-	(646)
Total current tax	(85)	(586)
Total tax charge on profit on ordinary activities	(85)	(586)

Corporation tax is calculated at 28% (2008 – 28.5%) of the estimated assessable profit for the year

	2009 £000	2008 £000
Profit on ordinary activities before tax	6,565	1,996
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 - 28.5%)	1,838	569
Tax effect of		
Expenses not deductible for tax purposes	(1,732)	120
Imputed interest under UK UK transfer pricing	(191)	(629)
Tax (over)/under provided in previous years (current tax)	-	(646)
Total tax charge on profit on ordinary activities	(85)	(586)

Notes to accounts (continued)

at 31 December 2009

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 2009 and 31 December 2009	921,919
Amounts written off:	
At 1 January 2008	191,235
Written off during the year	10,790
At 31 December 2008	202,025
Written off during the year	-
At 31 December 2009	202,025
Net book value	
At 31 December 2009	719,894
At 31 December 2008	719,894
At 1 January 2008	730,684

Notes to accounts (continued)

at 31 December 2009

8. Other non-current financial assets

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Other participating interest	18,750	18,750
	<u> </u>	<u> </u>
		<i>Total</i>
		<i>£000</i>
Cost and net book value:		
At 1 January 2008		8,750
Additions during the year		10,000
		<u> </u>
At 31 December 2008 and 31 December 2009		18,750
		<u> </u>

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 Global Services Limited (formerly Camelot International Services Limited)	England & Wales	Ordinary shares	20.00

Notes to accounts (continued)

at 31 December 2009

9. Trade and other receivables

	2009 £000	2008 £000
Amounts owed by group undertakings	58,756	73,758
Other debtors	216	200
	<u>58,972</u>	<u>73,958</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
2009	<u>58,972</u>	<u>58,972</u>	-	-	-
2008	<u>73,958</u>	<u>73,958</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

	2009 £000	2008 £000
Amounts owed to group undertakings	53,509	69,186
Other creditors	171	171
Accruals and deferred income	106	174
	<u>53,786</u>	<u>69,531</u>

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

Notes to accounts (continued)

at 31 December 2009

12. Bank overdrafts

	2009 £000	2008 £000	
Bank overdrafts	-	2	
The borrowings are repayable as follows			
On demand or within one year	-	2	
Analysis of bank overdrafts by currency			
	Euros £000	US dollars £000	Total £000
31 December 2009	-	-	-
31 December 2008	-	2	2

In 2008 bank overdrafts were repayable on demand. The average effective interest rate on bank overdrafts approximated 3.16 per cent in 2008 and was determined based on base rate plus 1 per cent.

13. Provisions

	£000
At 1 January and 31 December 2009	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 accounts (continued)

at 31 December 2009

14. Share capital

	2009	2008
<i>Authorised</i>	<i>£000</i>	<i>£000</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 2009 and 31 December 2008.

15. Events after the reporting period

On 25 March 2010 the Company announced its intention to sell its 20% stakes in Camelot Group plc and Camelot Global Services Limited, (formerly Camelot International Services Limited), to Ontario Teachers' Pension Plan for an expected consideration of £76.3 million net of expenses. The deal is subject to approval from the National Lottery Commission. The Company expects the deal to be concluded early in the second half of 2010.

16. 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 related parties</i>		<i>Amounts owed to related parties</i>	
	2009	2008	2009	2008
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Parent company	50,000	50,000	-	-
Fellow subsidiaries	8,756	23,758	53,509	69,187

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.