

Thales Electronics Limited

Annual report and accounts for the year ended 31 December 2015

Registered number: 497098



Contents

	Page
Directors' report	1
Strategic report	3
Statement of Directors' responsibilities	5
Independent auditor's report	6
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12

Directors' report

The Directors present their annual report and financial statements, together with the auditor's report, for the year ended 31 December 2015.

Dividends

The Directors do not recommend the payment of a dividend (2014 - £nil).

Going concern

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

Environmental information

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

Directors

The Directors who served during the year and subsequently were as follows:

M W P Seabrook

E A McCrorie

P J Rowley

S J Stratton

Resigned 31 August 2015

1 September 2015

Directors' liabilities

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

Donations

No political donations were made during the year (2014: £nil).

Directors' report (continued)

Disclosure of information to the auditors

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

Auditors

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

By order of the Board



M W P Seabrook
Director

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

26 May 2016

Strategic report

Principal activities

The principal activity of the Company is a holding Company which acts as a non-trading, intermediate, parent Company within the Thales group of Companies.

Business review

The Company acts as a non-trading, intermediate holding Company within the Thales group of Companies based in the UK.

The subsidiary undertakings held by the Company are listed in note 9 to the financial statements.

The audited financial statements for the year ended 31 December 2015 are set out on pages 8 to 22. The Company made a profit after taxation for the year of £21,078,000 (2014 – £716,000).

During the year, the Company has reviewed its investment values and concluded that there is no impairment to its investments.

Financial risk management objectives and policies

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 credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Company's principal financial assets are trade and other receivables. 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.

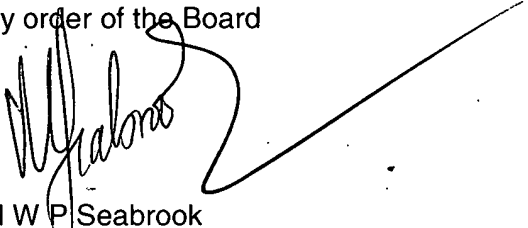
Financial risk management objectives and policies (continued)

Strategic report (continued)

Liquidity risk

The Company does not operate a bank account and any cash transactions are now transacted by a fellow subsidiary via a single UK bank account with the transactions treated as intercompany balances. Because of the nature of the Company's business its exposure to liquidity risk is minimal.

By order of the Board

A handwritten signature in black ink, appearing to read 'M W P Seabrook', with a long, sweeping horizontal line extending to the right.

M W P Seabrook
Director

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

26 May 2016

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. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

We have audited the financial statements of Thales Electronics Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow, and the related notes 1 to 15. 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 Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 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.

Independent auditor's report to the shareholders of Thales Electronics Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

J I Gordon, (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

26 MAY 2016

Statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Continuing operations			
Finance income	4	717	716
Other operating income		861	-
Reversal of impairment		19,500	-
		<hr/>	<hr/>
Profit before tax from continuing operations		21,078	716
Income tax charge	7	-	-
		<hr/>	<hr/>
Total comprehensive income for the year net of tax		<hr/> 21,078	<hr/> 716

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

Statement of financial position

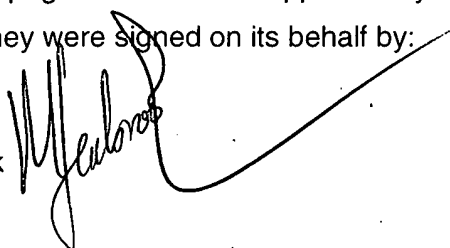
As at 31 December 2015

	Note	2015 £000	2014 £000
ASSETS			
Non-current assets			
Investment in subsidiaries	9	573,517	554,017
Current assets			
Trade and other receivables	10	257,732	257,015
		257,732	257,015
Total assets		831,249	811,032
LIABILITIES			
Current liabilities			
Trade and other payables	11	147,637	147,637
		147,637	147,637
Net current assets		110,095	109,378
Non-current liabilities			
Provisions	12	-	861
Total liabilities		147,637	148,498
Net assets		683,612	662,534
EQUITY			
Share capital	14	74,613	74,613
Share premium account		212,215	212,215
Capital redemption reserve		279,325	279,325
Retained earnings		117,459	96,381
Total equity		683,612	662,534

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

The accounts on pages 8 to 22 were approved by the Board of Directors and authorised for issue on 26 May 2016. They were signed on its behalf by:

M. W P Seabrook
Director



Statement of changes in equity
For the year ended 31 December 2015

Attributable to equity holders of the Company

	Share Capital £000 (Note 14)	Share premium account £000	Capital redemption reserve £000	Retained Earnings £000	Total Equity £000
At 31 December 2013	74,613	212,215	279,325	95,665	661,818
Profit for the year	-	-	-	716	716
At 31 December 2014	<u>74,613</u>	<u>212,215</u>	<u>279,325</u>	<u>96,381</u>	<u>662,534</u>
Profit for the year	-	-	-	21,078	21,078
At 31 December 2015	<u>74,613</u>	<u>212,215</u>	<u>279,325</u>	<u>117,459</u>	<u>683,612</u>

Statement of cash flows

For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		21,078	716
Working capital adjustments:			
Increase in trade and other receivables		(717)	(716)
Reduction in provisions		(861)	-
Less impairment reversal		(19,500)	-
Net cash flow from operating activities		<u>-</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 December 2015

1. General Information

The Company is a limited Company incorporated and domiciled in England & Wales. The address of the registered office is given on page 2. The nature of the Company's operations and principal activities are set out in the Strategic Report. Information on its ultimate parent is presented in note 15.

2. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) adopted for use in the European Union. The financial statements are presented in pounds sterling, the currency in which the Company's transactions are denominated, and all values are rounded to the nearest thousand, (£000), except when otherwise indicated.

The principal accounting policies adopted are set out below:

These financial statements contain information about Thales Electronics Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Thales SA, which prepares consolidated accounts which are publicly available.

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.

Investments

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

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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the financial statements (continued)

For the year ended 31 December 2015

Accounting Policies (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Financial 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.

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 credit comprises current tax. Income tax 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 receivable on the profit or loss for the year and any adjustments in respect of previous years using tax rates enacted or substantively enacted at the reporting date.

Revenue recognition

Finance income is recognised as interest accrues, by reference to the principal outstanding and at the interest rate applicable.

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

Notes to the financial statements (continued)

For the year ended 31 December 2015

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

Significant accounting judgements, estimates and assumptions

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

Impairment of investments

The impairment review of [certain] investments are based on future cash flows at a pre-tax discount rate.

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

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. There have been no new or amended International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2015.

New standards issued but not yet effective

The Company has not applied the following IFRS and IFRIC that are applicable to the Company and that have been issued but are not yet effective.

New/revised international financial reporting standards

Effective date

IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2018
--------	-----------------------	---

The Directors do not expect that the adoption of the above pronouncements will have a material impact to the financial statements in the period of initial application other than disclosure.

Notes to the financial statements (continued)

For the year ended 31 December 2015

4. Revenue

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

	2015 £000	2014 £000
Finance income	717	716
	<u>717</u>	<u>716</u>

5. Auditor's remuneration

For the year ended 31 December 2015 and the preceding year, the auditor's remuneration of £9,000 (2014 - £9,000) non audit services has been borne by a fellow subsidiary.

6. Director's remuneration

The Directors received no remuneration for their services in respect of the Company in either the current or preceding year.

7. Income tax charge

	2015 £000	2014 £000
Current tax:		
Current income tax charge	-	-
Total current tax	<u>-</u>	<u>-</u>
Total tax charge	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

For the year ended 31 December 2015

8. Income tax charge (continued)

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

	2015 £000	2014 £000
Profit before tax	717	716
Profit multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	145	154
Tax effect of:		
Imputed Interest under UK to UK transfer pricing regulations	(447)	(475)
Group relief surrendered for nil payment	302	321
Total tax charge	-	-

The rate of corporation tax reduced from 21% to 20% effective from 1 April 2015. Further reductions to 19% and 18%, effective from 1 April 2017 and 1 April 2020 respectively, were included in the Finance Act (No.2) 2015 which was enacted on 18 November 2015.

The Chancellor announced in the Budget on 16 March 2016 that the full rate of UK corporation tax would reduce by a further 1% to 17% from 1 April 2020.

Notes to the financial statements (continued)
For the year ended 31 December 2015

9. 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.

	<i>Holding</i>	<i>Principal Activity</i>		
Decca Limited	Ordinary shares	Holding Company		
Controls and Communications Limited	Ordinary shares	Holding Company		
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		
Racal Executive Trustees Limited	Ordinary shares	Non-trading Company		
Racal SMD Electronics (Pty) Limited	Ordinary shares	Non-trading Company		
			2015	2014
			£000	£000
Cost				
At 1 January			921,367	921,367
Additions during the year			-	-
At 31 December			<u>921,367</u>	<u>921,367</u>
Amounts written off				
At 1 January			(367,350)	(367,350)
Written-off during the year			-	-
Reversal of impairment			19,500	-
At 31 December			<u>(347,850)</u>	<u>(367,350)</u>
Net book value				
At 1 January			<u>573,517</u>	<u>554,017</u>
At 31 December			<u>573,517</u>	<u>554,017</u>

Notes to the financial statements (continued)

For the year ended 31 December 2015

10. Trade and other receivables

	2015 £000	2014 £000
Amounts owed by group undertakings	257,732	257,015
	<u>257,732</u>	<u>257,015</u>

The Directors consider that an allowance for estimated irrecoverable amounts, 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
2015:	<u>257,732</u>	<u>257,732</u>	-	-	-
2014:	<u>257,015</u>	<u>257,015</u>	-	-	-

11. Trade and other payables

	2015 £000	2014 £000
Amounts due to group undertakings	147,280	147,280
Other creditors	178	178
Accruals and deferred income	179	179
	<u>147,637</u>	<u>147,637</u>

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

Notes to the financial statements (continued)
For the year ended 31 December 2015

12. Provisions

	Total £000
At 1 January 2015	861
Reversal of provision in year	(861)
At 31 December 2015	-

13. Financial instruments

Categories of financial instruments

	Loans and receivables £000	Amortised cost £000	Total £000
31 December 2015			
Assets			
Trade and other receivables	257,732	-	257,732
Liabilities			
Trade and other payables	-	147,637	147,637
31 December 2014			
Assets			
Trade and other receivables	257,015	-	257,015
Liabilities			
Trade and other payables	-	147,637	147,637
Provisions	-	861	861

Notes to the financial statements (continued)
For the year ended 31 December 2015

13. Financial instruments (continued)

Information concerning the risks arising from financial instruments that the Company is exposed to can be located in the Strategic Report, along with the Company's policies for managing those risks.

Set out below is a comparison of the carrying amounts and fair value of all of the Company's financial instruments, that are carried in the financial statements.

As at 31 December 2015 the Company held the following financial instruments measured at fair value:

	2015		2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets:				
Trade and other receivables	257,732	257,732	257,015	257,015
Financial liabilities:				
Trade and other payables	147,637	147,637	147,637	147,637

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:

	Timing of cash flows				
	Within one year £000	Between one and two years £000	Between two and five years £000	More than five years £000	Total £000
At 31 December 2015					
Trade and other receivables	257,732	-	-	-	257,732
At 31 December 2014					
Trade and other receivables	257,015	-	-	-	257,015

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

Notes to the financial statements (continued)
For the year ended 31 December 2015

13. Financial instruments (continued)

Maturity of financial liabilities

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

	Timing of cash flows				Total £000
	Within one year £000	Between one and two years £000	Between two and five years £000	More than five years £000	
At 31 December 2015					
Trade and other payables	147,637	-	-	-	147,637
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014					
Trade and other payables	147,637	-	-	-	147,637
Provisions	861	-	-	-	861
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

Sensitivity analysis – Interest rates

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

Notes to the financial statements (continued)
For the year ended 31 December 2015

14. Share capital	2015 £000	2014 £000
<i>Authorised</i>		
1,600,000,000 ordinary shares of 25p each	<u>400,000</u>	<u>400,000</u>
<i>Allotted, called-up and fully-paid</i>		
298,452,708 ordinary shares of 25p each	<u>74,613</u>	<u>74,613</u>

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2015 and 31 December 2014.

15. Related party transactions

The immediate parent Company is Thales Holdings UK Plc, a Company incorporated in the UK. The ultimate parent Company is Thales SA a Company incorporated in France. This is also both the largest and smallest group which includes the Company and for which consolidated financial statements are prepared. Copies of the group financial statements of Thales SA are available from Tour Carpe Diem, 31 place des Corolles, 92098 Paris La Défense, France.

Trading transactions

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

	Amounts owed by related parties		Amounts owed to related parties	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Parent Company	143,329	143,329	-	-
Fellow subsidiaries	<u>114,404</u>	<u>113,686</u>	<u>147,280</u>	<u>147,280</u>

The amounts outstanding are unsecured. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.