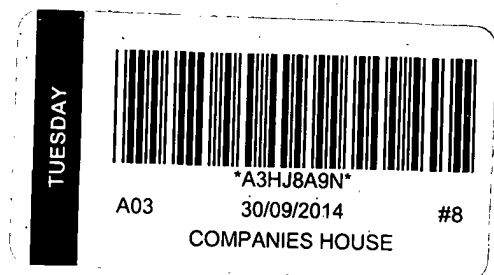


Thales Electronics Limited

Annual report and accounts for the year ended 31 December 2013

Registered number: 497098



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Directors' report

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

Dividends

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

Going concern accounting basis

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	Appointed 1 April 2013
S H P Ramon	Resigned 1 April 2013
P Sourisse	Resigned 1 April 2013
L Hammond	Resigned 31 December 2013
P J Rowley	Appointed 1 January 2014

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 (2012: £nil).

Directors' report (continued)

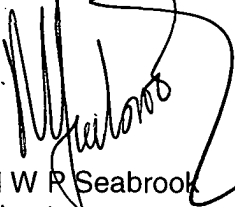
Disclosure of information to the auditors

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 R Seabrook
Director

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

24 September 2014

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. On 23 April 2013 the Company was reregistered as a limited company, changing its status from PLC status.

The subsidiary undertakings held by the Company are listed in note 8 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 2013 are set out on pages 8 to 23. The Company made a loss after taxation for the year of £159,729,000 (2012 – £359,000 profit).

During the year, the Company has reviewed its investment values and concluded that there is an impairment in the value of these investments of £160,565,000 (2012: £1,189,000).

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.

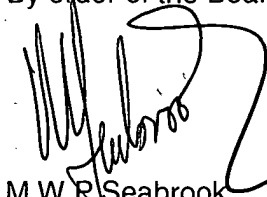
The Company has no significant concentration of credit risk due to the financial status of its counterparties.

Strategic report (continued)

Liquidity risk

During 2011 the Company closed its bank account and any cash transactions are now transacted by a fellow subsidiary via a single UK bank account with the transactions treated as inter-company 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', is written over the text 'By order of the Board'.

M W P Seabrook
Director

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

24 September 2014

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic 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 Limited (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.

Ernst & Young LLP

J I Gordon, (Senior statutory auditor)

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

25 September 2014

Statement of comprehensive income

For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Continuing operations			
Investment income	6	836	1,186
Amounts written-off investments	9	(160,565)	(1,189)
Loss before tax from continuing operations	5	(159,729)	(3)
Income tax credit	8	-	362
(Loss)/profit and total comprehensive (loss)/income for the year net of tax		<u>(159,729)</u>	<u>359</u>

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

Statement of financial position

As at 31 December 2013

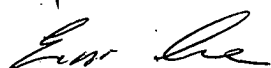
	Note	2013 £000	2012 £000
ASSETS			
Non-current assets			
Investment in subsidiaries	9	554,017	714,572
Current assets			
Trade and other receivables	10	256,299	255,111
Current tax receivables		-	362
		256,299	255,473
Total assets		810,316	970,045
LIABILITIES			
Current liabilities			
Trade and other payables	11	147,637	147,637
		147,637	147,637
Net current assets		108,662	107,836
Non-current liabilities			
Provisions	12	861	861
Total liabilities		148,498	148,498
Net assets		661,818	821,547
EQUITY			
Share capital	14	74,613	74,613
Share premium account		212,215	212,215
Capital redemption reserve		279,325	279,325
Retained earnings		95,665	255,394
Total equity		661,818	821,547

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

The accounts on pages 8 to 23 were approved by the board of directors and authorised for issue on

24

September 2014. They were signed on its behalf by:



E. McCrorie Director

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

Attributable to equity holders of the Company

	Share capital £000 (Note 13)	Share premium account £000	Capital redemption reserve £000	Retained Earnings £000	Total equity £000
At 1 January 2012	74,613	212,215	279,325	255,035	821,188
Profit for the year	-	-	-	359	359
At 31 December 2012	74,613	212,215	279,325	255,394	821,547
Loss for the year	-	-	-	(159,729)	(159,729)
At 31 December 2013	74,613	212,215	279,325	95,665	661,818

Statement of cash flows

For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
OPERATING ACTIVITIES			
Loss before tax from continuing operations		(159,729)	(3)
Non-cash adjustments to reconcile loss before tax to net cash flows:			
Write off of investments		160,565	1,189
Working capital adjustments:			
Increase in trade and other receivables		(1,188)	(1,510)
Increase in provision		-	324
Income tax received		362	-
Net cash flow from operating activities		<u>10</u>	<u>-</u>
INVESTING ACTIVITIES			
Payment for shares		<u>(10)</u>	<u>-</u>
Net cash flow from investing activities		<u>(10)</u>	<u>-</u>
Net movement in cash & cash equivalents		<u>-</u>	<u>-</u>
Cash & cash equivalents at beginning of year		<u>-</u>	<u>-</u>
Cash & cash equivalents at end of year		<u>-</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 December 2013

1. Corporate 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 2013

2. 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 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

Interest 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 2013

2. 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 except for the following new and amended International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2013;

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

Notes to the financial statements

For the year ended 31 December 2013

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

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
IAS 36	Recoverable Amount Disclosures for Non- Financial Assets	Annual periods beginning on or after 1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement	Annual periods beginning on or after 1 January 2014
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2015

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.

4. Revenue

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

	2013 £000	2012 £000
Investment income	836	1,186
	<u>836</u>	<u>1,186</u>

5. Loss before tax from continuing operations

	2013 £000	2012 £000
Loss from operations is stated after charging		
Impairment losses	<u>160,565</u>	<u>1,189</u>

For the year ended 31 December 2013 and the preceding year, auditor's remuneration for audit and non audit services has been borne by a fellow subsidiary. The amount payable to Ernst & Young LLP and their associates relating to audit services was £9,000 (2012 - £ 9,000). No amounts were paid in either year in respect of non-audit services.

Notes to the financial statements (continued)

For the year ended 31 December 2013

6. Investment income

	2013 £000	2012 £000
Interest received from group companies	836	599
Dividends from equity investments	-	587
	<u>836</u>	<u>1,186</u>

7. 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.

8. Income tax credit

	2013 £000	2012 £000
Current tax:		
Current income tax credit	-	(362)
Total current tax	<u>-</u>	<u>(362)</u>
 Total tax credit	 <u>-</u>	 <u>(362)</u>

Notes to the financial statements

For the year ended 31 December 2013

8. Income tax credit (continued)

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

	2013 £000	2012 £000
Loss before tax	<u>(159,729)</u>	<u>(3)</u>
Loss multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(37,137)	(1)
Tax effect of:		
Expenses not deductible for tax purposes	-	291
Impairment of investment	37,331	-
Imputed interest under UK to UK transfer pricing	(483)	(508)
Non taxable income from dividends	-	(144)
Group relief surrendered for nil payment	<u>289</u>	<u>-</u>
Total tax credit	<u>-</u>	<u>(362)</u>

The rate of corporation tax reduced from 26% to 24% effective from 1 April 2012 and to 23% effective from 1 April 2013. A reduction to 21%, effective from 1 April 2014 and a reduction to 20%, effective from 1 April 2015, were included in the Finance Act 2013 which was enacted on 17 July 2013.

Notes to the financial statements (continued)

For the year ended 31 December 2013

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. To avoid a statement of excessive length, details of investments which are not significant have been omitted. A full list of all subsidiaries will be filed with the annual return.

	<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		
			2013	2012
			£000	£000
Cost				
At 1 January			921,857	921,864
Subsidiaries struck-off during the year			-	(7)
Additions during the year			10	-
At 31 December			<u>921,867</u>	<u>921,857</u>
Amounts written off				
At 1 January			(207,285)	(206,096)
Written-off during the year			<u>(160,565)</u>	<u>(1,189)</u>
At 31 December			<u>(367,850)</u>	<u>(207,285)</u>
Net book value				
At 1 January			<u>714,572</u>	<u>715,768</u>
At 31 December			<u>554,017</u>	<u>714,572</u>

On 7 September 2012, Saracen Insurance Limited was struck-off.

On 23 October 2012, Thales Nominees Limited was struck-off.

Notes to the financial statements (continued)

For the year ended 31 December 2013

10. Trade and other receivables

	2013 £000	2012 £000
Amounts owed by group undertakings	256,299	255,054
Other debtors	-	57
	<u>256,299</u>	<u>255,111</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
2013:	256,299	256,299	-	-	-
2012:	<u>255,111</u>	<u>255,111</u>	<u>-</u>	<u>-</u>	<u>-</u>

11. Trade and other payables

	2013 £000	2012 £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 2013

12. Provisions

	Total £000
At 1 January 2013	861
Additional provision in year	-
At 31 December 2013	861
Included in current liabilities	-
Included in non-current liabilities	861
	861

Provisions relate to liabilities arising in connection with claims against former group companies. It is expected that the majority of these liabilities will be settled over the warranty periods for the companies disposed.

13. Financial instruments

Categories of financial instruments

	Loans and receivables £000	Amortised cost £000	Total £000
31 December 2013			
Assets			
Trade and other receivables	256,299	-	256,299
Liabilities			
Trade and other payables	147,637	-	147,637
Provisions	861	-	861
31 December 2012			
Assets			
Trade and other receivables	255,111	-	255,111
Current tax receivables	362	-	362
Liabilities			
Trade and other payables	147,637	-	147,637
Provisions	861	-	861

Notes to the financial statements (continued)

For the year ended 31 December 2013

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 2013 the Company held the following financial instruments measured at fair value:

	2013		2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets:				
Trade and other receivables	256,299	256,299	255,111	255,111
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 2013					
Trade and other receivables	256,299	-	-	-	256,299
At 31 December 2012					
Trade and other receivables	255,111	-	-	-	255,111
Current tax receivables	362	-	-	-	362

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 2013

13. Financial instruments (continued)

Maturity of financial liabilities

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

	Within one year £000	Timing of cash flows			Total £000
		Between one and two years £000	Between two and five years £000	More than five years £000	
At 31 December 2013					
Trade and other payables	147,637	-	-	-	147,637
Provisions	861	-	-	-	861
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012					
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 2013

14. Share capital	2013 £000	2012 £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 2013 and 31 December 2012.

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 45 rue de Villiers, 92526 Neuilly sur Seine Cedex, 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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Parent company	143,329	143,329	-	-
Fellow subsidiaries	112,970	111,725	147,280	147,280

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.