OPEN

Thales Training & Simulation (Merlin) Limited

Annual report and financial statements

For the year ended 31 December 2018

Registered number: 4004490

Contents

Directors' report

The Directors present their annual report and financial statements, together with the auditor's report, for the year ended 31 December 2018.

Principal activities

The principal activities of the Company continued to comprise provision of aircrew training services to the Ministry of Defence (MoD) under the FIASTS Public Private Partnership (PPP) contract.
Services include instruction and maintenance of aircraft simulators based on an RAF site at Linton-on-Ouse.

Dividends

No dividends were paid in 2018 (2017: £2,000,000).
The Directors do not recommend the payment of a final dividend (2017: £NIL).

Going concern

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 Holdings 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.

Future developments

The Company received formal termination notice of the main contract. The contract will be terminated on 31st October 2019. The Company will continue to receive normal trading income until this time. In the meantime the Company is working with its customer to ensure that the contract activities are concluded in a mutually acceptable manner.

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' report (continued)

Directors

The Directors who served during the year were as follows:

Name

J Standen (resigned 15 April 2019)

D Rawlins (appointed 15 April 2019)

P Jayne

S McCann

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.

Employee matters

People are the Company's greatest assets. With growing competition, attracting and retaining quality workers from the local community is key. Therefore it makes good business sense to incorporate attractive employment policies and principles with the view to creating a skilled, happy, diverse, proud and motivated workforce. This is what the Company tries to achieve.

Thales Training and Simulation (Merlin) Limited continues to recruit ex-military aircrew with the necessary qualifications for instruction and maintenance engineers with experience in aircraft simulation.

Donations

No political donations were made during the year or in the prior year.

Directors' report (continued)

Disclosure of information to the auditor

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 a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

In accordance with section 489 of the Companies Act 2006, the Company has not elected to re-appoint its auditor annually and Ernst & Young LLP will therefore continue in office.

On behalf of the Board

28.06.19

350 Longwater Avenue
Green Park
Reading
RG2 6GF

2019

Strategic report

Business review

As set out in the directors' report, the Company's main contract and source of revenues will end on 31 October 2019. The Company will continue to receive normal trading income until that date.

The revenue for the year ended 31 December 2018 was £3,406,000 (2017: £4,016,000), generating profit before tax of £892,000 (2017: £844,000).

Key performance indicators

The customer has the right to deduct service credits in relation to various parts of the service being unavailable as prescribed within the contract. The Company has therefore put in place a set of KPIs in order to monitor performance and minimise any service credit claims that may arise. There were no service credits incurred in 2018 (2017: £Nil).

The Directors expect the general level of training activity to continue at the current level for those sites still operational.

Financial risk management objectives and policies

The Company's principal financial instruments, other than derivatives, comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. 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.

Credit risk

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

The Company trades mainly with the UK MoD and has a minimal level of trade with other third parties. The Company recognises that this constitutes a significant concentration of credit risk to one party but believes that as the MoD is a government agency, this is not a significant risk.

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. This may also involve the negotiation of third party guarantees of customer creditworthiness. In addition receivable balances are monitored on an on-going basis with the result that the Company's exposure to bad debts is not significant.

Strategic report (continued)

With respect to credit risk arising from the other financial assets of the Company, which comprises 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.

On behalf of the Board

28.06.19

350 Longwater Avenue
Green Park
Reading
RG2 6GF

2019

Directors' responsibilities statement

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

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

Independent auditor's report to the members of Thales Training & Simulation (Merlin) Limited

Opinion

We have audited the financial statements of Thales Training & Simulation (Merlin) Limited for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 19 including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the members of Thales Training & Simulation (Merlin) Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept by the parent company, 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the members of Thales Training & Simulation (Merlin) Limited

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

J I Gordon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 JUNE 2019

Statement of comprehensive Income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Continuing operations			
Revenue	3	3,406	4,016
Cost of sales		(1,977)	(2,618)
Gross profit		1,429	1,398
Administrative expenses		(537)	(558)
Finance income	5	-	4
Profit before taxation		892	844
Income tax expense	7	-	(96)
Profit for the year		892	748
Total comprehensive income for the year		892	748

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

Statement of financial position

as at 31 December 2018

Company registration number 4004490

	Note	2018 £000	2017 £000
ASSETS			
Non-current assets			
Intangible assets	9	-	-
		-	-
Current assets			
Trade and other receivables	10	2,675	652
Cash and cash equivalents	11	2,565	5,744
		5,240	6,396
Total assets		5,240	6,396
LIABILITIES			
Current liabilities			
Trade and other payables	12	(490)	(2,538)
		(490)	(2,538)
Net current assets		4,750	3,858
Total liabilities		(490)	(2,538)
Net assets		4,750	3,858
Equity			
Share capital	16	2700	2,700
Retained earnings		2,050	1,158
Total equity		4,750	3,858

The financial statements on pages 10 to 26 were approved by the Board of Directors and authorised for issue on 28th June 2019.

They were signed on its behalf by:

28.06.19

Director - Paul Jayne

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

Statement of changes in equity

for the year ended at 31 December 2018

	Share capital £000	Retained earnings £000	Total £000
At 1 January 2017	2,700	2,410	5,110
Dividend paid (note 8)	-	(2,000)	(2,000)
Profit for the year	-	748	748
At 1 January 2018	2,700	1,158	3,858
Profit for the year	-	892	892
At 31 December 2018	2,700	2,050	4,750

Statement of cash flows

for the year ended 31 December 2018

	Note	**2018** £000	**2017** £000
OPERATING ACTIVITIES			
Profit before tax		892	844
Operating cash flows before movement in working capital		892	844
(Increase)/decrease in receivables		(2,023)	305
(Decrease)/increase in payables		(2,048)	493
Cash generated from operations		(3,179)	1,642
Net cash flows from operating activities		(3,179)	1,642
FINANCING ACTIVITIES			
Dividends paid		(-)	(2,000)
Net cash flows from financing activities		(-)	(2,000)
Net decrease in cash equivalents		(3,179)	(358)
Cash & cash equivalents at beginning of year	11	5,744	6,102
Cash & cash equivalents at end of year	11	2,565	5,744

Notes to accounts

for the year ended 31 December 2018

1. Corporate information

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 28 June 2019. The Company is a limited company incorporated and domiciled in England & Wales. The address of the registered office is given on page 3. The nature of the Company's operations and principal activities are set out in the directors' report. Information on its ultimate parent is presented in note 19.

2. Accounting policies

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 financial statements have been prepared on a historical cost basis. The financial statements are presented in pounds sterling, the currency in which the majority of 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.

Intangible assets

Development costs are measured initially at purchase cost and amortised on a straight line basis over its estimated useful life. The amortisation period for development costs incurred is 14 years.

Financial instruments

Financial assets

IFRS 9 introduces a single approach to classification and measurement of financial assets, based on the characteristics of the financial instruments and on the Company's management and intention. Thus:

- Financial assets with expected cash flows that solely correspond to principal and interest payments are measured at amortised costs if managed only to collect these flows:
- In other cases, financial assets are measured at fair value through the income statement, except for equity investments not held for trading and whose changes in value affect optionally the Other Comprehensive Income (OCI).

These principles are reflected as follows on the assets presented in the Company's balance sheet:

- Receivables and financial loans are recognised at amortised cost. They are subject to impairment if an expected loss or an impairment indicator is identified. This impairment, recognised in "other financial income (expense), may subsequently be reversed through profit and loss if the conditions so justify.
- Other financial assets are estimated at fair value through the profit and loss.
- Cash and cash equivalents include cash at bank and in hand as well as cash equivalents (short-term and liquid investments that are easily converted into a known amount of cash and exposed to negligible risk of a change in value).

Notes to accounts (continued)

for the year ended 31 December 2018

2. Accounting policies (continued)

Financial liabilities

Borrowings and other financial liabilities are measured at amortised cost using the effective interest rate. Upon initial recognition, premiums, redemption and issuance costs are included in the calculation of the effective interest rate and are recognised in the profit and loss account on an actuarial basis over the life of the loan.

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.

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 charge/(credit) comprises current and deferred tax. Income tax expense/(credit) is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity. Current tax is the expected tax payable/(receivable) on the profit /(loss) for the year and any adjustments in respect of previous years using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised on an undiscounted basis using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted at the balance sheet date or the date that the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to accounts (continued)
for the year ended 31 December 2018

2. Accounting policies (continued)

Revenue recognition

Revenue represents the fair value of consideration received or receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Sales of goods are recognised when goods are delivered and title has passed. Operating revenue from services provided is recognised insofar as the transaction has been completed on the reporting date.

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

Retirement benefit costs

The Company participates in the Thales UK Pension Scheme (TUPS) which is a defined benefit retirement benefit scheme managed by Thales UK Limited for the benefit of employees and former employees of the Thales Group in the UK. The annual cost of contributions associated with employees who are members of this scheme is borne by the Company as an expense in the statement of comprehensive income and there is no impact retained in the statement of financial position. The impact for 2018 in these financial statements is shown in note 14.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

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.

Notes to accounts (continued)

for the year ended 31 December 2018

2. Accounting policies (continued)

Significant accounting judgements, estimates and assumptions

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

Deferred tax recognition

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Further details on deferred tax asset recognition are disclosed in Note 15.

Application of new and revised International Financial Reporting Standards (IFRS's)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, with the exception of those resulting from the first application of IFRS 15 (Revenue from contracts with customers) and IFRS 9 (Financial instruments) . Following due consideration, the Directors concluded that the new and amended International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2018 did not have a material impact on the annual financial statements of the Company. Accordingly, no re-statement of the financial statements for the previous year to reflect the application of these new standards in 2018 was considered necessary by the Directors.

New standards issued but not yet effective

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

New/revised international financial reporting standards		**Effective date**
IFRS 16	Leases	Annual periods beginning on or after 1 January 2019

The directors have assessed the impact of IFRS16 and no material impact on the annual financial statements of the company is expected.

Notes to accounts (continued)
for the year ended 31 December 2018

3. Revenue

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

	2018	**2017**
	£000	£000
Rendering of services	3,406	4,016
Revenue per statement of comprehensive income	3,406	4,016
Finance income	-	4
Revenue as defined in IFRS15	3,406	4,020

	2018	2017
	£000	£000
Order book at 1 January	-	-
Order intake – non-Group	6,319	4,016
Revenue – non-Group - as defined in IFRS 15	(3,406)	(4,016)
Order book at 31 December	2,913	-

The order book is expected to be recognised as revenue in the next financial year

4. Profit from operations

	2018	**2017**
	£000	£000
Staff costs (note 6)	603	708
Auditor's remuneration for audit services	6	6

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £Nil (2017 - £Nil).

5. Finance income

	2018	**2017**
	£000	£000
Interest on bank deposits	-	4
	-	4

Notes to accounts (continued)

for the year ended 31 December 2018

6. Staff costs

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

	2018 Number	2017 Number
Production	11	11
Administration	1	2
	12	13

	2018 £000	2017 £000
Their aggregate remuneration comprised:		
Wages and salaries	509	617
Social security costs	70	62
Other pension costs (see note 14)	24	29
	603	708

Directors' emoluments

	2018 £000	2017 £000
Directors' remuneration	-	-
Pension contributions	-	-
	-	-

During the period the following number of Directors:	No.	No.
Accrued benefits under money purchase pension schemes	-	-
Accrued benefits under defined benefit pension schemes	-	-
Exercised share options	-	-
Received entitlement to shares under long term incentive schemes	-	-

Notes to accounts (continued)

for the year ended 31 December 2018

7. Income tax expense

	2018 £000	2017 £000
Current tax:		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	-	118
Adjustments in respect of prior years	-	(22)
Total deferred tax	-	96
Total tax charge for the year	-	96

The rate of corporation tax reduced from 20% to 19% on 1 April 2017. A further reduction to 17% effective 1 April 2020 was included in the Finance Act 2016 which was substantively enacted on 6 September 2016.

The deferred tax balances as at 31 December 2018 have been calculated at the above rates corresponding to the expected years of reversal.

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

	2018 £000	2017 £000
Profit before tax	892	844
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	169	163
Tax effects of:		
Adjustments to prior year (deferred tax)	-	(22)
Deferred tax rate change impact movement	(2)	(2)
Movement in unrecognised deferred tax	(21)	96
Group relief surrendered for nil payment	(146)	(139)
Total tax charge for year	-	96

Notes to accounts (continued)

for the year ended 31 December 2018

8. Dividends

	2018 £000	2017 £000
Amounts recognised as distributions to equity holders in the year		
Interim dividends paid for the year ended 31 December 2018 of 0p per share (2017: 74p).	-	2,000

9. Intangible assets

	Development costs £000
Cost	
At 1 January 2017	232
At 31 December 2017	232
At 31 December 2018	232
Amortisation	
At 1 January 2017	(232)
Charge for the year	-
At 31 December 2017	(232)
Charge for the year	-
At 31 December 2018	(232)
Carrying amount	
At 31 December 2018	-
At 31 December 2017	-
At 1 January 2017	-

Notes to accounts (continued)

for the year ended 31 December 2018

10. Trade and other receivables

	2018 £000	2017 £000
Accrued income	312	506
Amounts owed by group undertakings	2,000	-
Prepayments and other receivables	363	146
Trade and other receivables	2,675	652

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

Trade receivables are non-interest bearing and are normally settled within 30 days.

11. Cash and cash equivalents

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets of £2,565,000 (2017 £5,744,000) approximates their fair value.

12. Trade and other payables

	2018 £000	2017 £000
Trade payables	2	137
Amounts owed to group undertakings	232	1,114
Other taxes and social security costs	89	209
Accruals and deferred income	167	1,078
Trade and other payables	490	2,538

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

Trade payables are non-interest bearing and normally settled on a 30 day term.

Notes to accounts (continued)

for the year ended 31 December 2018

13. Financial instruments
Categories of financial instruments

	Loans and receivables £000	Liabilities at amortised cost £000	Total £000
31 December 2018			
Assets			
Trade and other receivables	2,650	-	2,650
	650	-	650
Liabilities			
Trade and other payables	-	490	490
	-	490	490

	Loans and receivables £000	Liabilities at amortised cost £000	Total £000
31 December 2017			
Assets			
Trade and other receivables	632	-	632
	632	-	632
Liabilities			
Trade and other payables	-	2,538	2,538
	-	2,538	2,538

Fair value

The Directors consider that for all financial instruments, assets and liabilities that are carried in the financial statements, the carrying value approximates the fair value. The carrying amount of the assets above represents the Company's maximum exposure to credit risk. All trade and other payables will be paid within the next 3 months.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Notes to accounts (continued)

for the year ended 31 December 2018

14. Retirement benefit schemes

The Thales Group operates a number of schemes within the UK for the benefit of employees and former employees of the Group. The full details of the Thales UK Pension Scheme, which is a defined benefit scheme, are reported in the financial statements of Thales UK Limited. The Company recognised the amounts described below in respect of its pension scheme obligations during the year. The schemes include both defined benefit schemes and defined contribution schemes.

Defined contribution schemes

The total cost charge to income in relation to defined contribution schemes amounted to £24,000 (2017: £20,000) representing contributions payable to the schemes by the Company at rates specified in the rules of the plan.

Defined benefit schemes

The total cost charged to income in relation to defined benefit schemes amounted to £Nil (2017: £9,000).

15. Deferred tax

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

Deferred tax asset	**Capital allowances**	**Total**
	£000	£000
As at 1 January 2018	-	-
Charged to the income statement	-	-
As at 31 December 2018	-	-

16. Share capital

	2018	**2017**
	£000	£000
Authorised		
2,700,000 ordinary shares of £1 each	2,700	2,700
Allotted, called-up and fully-paid		
2,700,000 ordinary shares of £1 each	2,700	2,700

Notes to accounts (continued)
for the year ended 31 December 2018

17. Share capital (continued)

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 2018 and 31 December 2017.

18. Operating lease arrangements

The Company as lessee

	2018	2017
	£000	£000
Minimum lease payments under operating leases charged to expense for the year	4	7

At the date of the statement of financial position the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£000	£000
- Within one year	4	8
- In the second to fifth years inclusive	5	8
	9	16

Operating lease payments represent rentals payable by the Company for vehicles. Leases are negotiated for an average term of four years.

Notes to accounts (continued)

for the year ended 31 December 2018

19. Related party transactions

The immediate parent company is Thales Training and Simulation Limited registered 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 trading transactions with related parties:

	Purchases of goods		Amounts owed to related parties	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Parent company	1,312	1,281	232	1,114

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.

Other related party transactions

In addition to the above, Thales UK Limited performed certain administrative services for the Company, for which a management fee of £290,000 (2017: £286,000) was charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

There is also a balance of £2,000,000 owed by a group undertaking at 31st December 2018 (2017 – Nil).