

Thales GTS UK Limited

**Annual report and accounts
for the year ended 31 December 2021**

Registered number: 05805963



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Company information

Registered number: 05805963

Directors

H L Depree
M Garrity
P Maynard
A Bell
J Jackson

Company Secretary

M W P Seabrook

Registered Office

350 Longwater Avenue
Green Park
Reading
Berkshire
RG2 6GF

Auditor

Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

Strategic report

For the year ended 31 December 2021

The Directors present their Strategic Report which outlines the key issues which the Directors consider to be significant in relation to the Company's current and future activities.

Section 172(1) Statement

The Directors have taken account of the new reporting requirements as required by *The Companies (Miscellaneous Reporting) Regulations 2018* (the Regulations) which apply to companies which meet certain criteria in respect of reporting periods commencing on or after 1 January 2019. In this regard, the Directors consider that the Company is within the scope of the criteria which determine whether or not an entity is required to provide a Section 172(1) report in its annual report and financial statements on the basis that it meets the criterion of being a subsidiary of a company the shares of which are quoted on a regulated financial market (see Note 22 for ultimate parent company details), and the Company meets the criteria to be classed as a Large Company under the Companies Act.

The relationship with the key stakeholders has been managed as follows:

Regular performance reviews are held with customers with which the Company has on-going contracts, and specific delivery requirements are reviewed as part of this process.

The Company maintains contact with its suppliers and major sub-contractors through a mixture of regular and ad-hoc reviews to monitor progress and identify issues relating to its projects.

In a similar way, monthly reviews are held with the senior management of Thales UK Ltd, the Company's shareholder, to identify any issues and to report the performance of the Company.

Employees are regularly engaged through a combination of team briefings and individual consultations.

The Directors carry out their statutory duties under Section 172 of The Companies Act 2006 to promote the interests of the Company in accordance with the Corporate Governance arrangements of Thales UK Group, and in this regard, minutes of statutory meetings and key decisions of the Directors are recorded and retained by the Company Secretary.

Key decisions taken by the board in 2021 are set out below.

During the year the Board affirmed the plan to transfer its assets, liabilities and trading activities to its immediate parent company, Thales Ground Transportation Systems Limited.

Accordingly, on 31 August 2021, the Company completed the transfer to its immediate parent company, Thales Ground Transportation Systems Limited, of its assets, liabilities and trade. The business transfer price was £15,199,000, based on the Company's book value of the net assets and liabilities transferred at the date of the transaction.

Strategic report (continued)

For the year ended 31 December 2021

Business review

Revenue for the 8 months to 31 August 2021 was £60.8m compared with £91.9m in the previous 12 months period. Profit after tax for the 8 months to 31 August 2021 was £1.6m following a loss after tax of £3.2m in the previous year when the Company incurred additional costs as a result of the COVID-19 pandemic.

During the period prior to the business transfer on 31 August 2021 the Company continued to deliver its contracts with customers, of which the main contract is the delivery of the 4LM signalling upgrade programme for London Underground.

The Company's key financial and other performance indicators during the year were as follows:

	2021*	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000	£000
Revenue	60,825	91,915	141,737	232,830	209,545	126,266
Profit / (Loss) after tax	1,614	(3,178)	8,328	22,747	17,036	3,583
Total equity / (deficit)	15,199	13,585	16,766	8,438	(10,234)	(27,262)
Average headcount	206	373	424	465	496	463

Note* 2021 figures above relate to 8 months to 31 August 2021 prior to the business transfer. The activities are regarded as discontinued operations.

Research and development activities

The Company undertakes research and development in the technologies it currently deploys for customers as well as technologies, which it considers may be beneficial in delivering future transportation communication and control solutions for customers. There was no research and development cost reported in the year due to the novation of contracts from the Company to Thales Ground Transportation Systems Limited.

Future developments

As indicated in the Strategic Report on page 2, the Company completed the business transfer to Thales Ground Transportation Systems Limited on 31 August 2021. The Company will cease all trading after that date and will become dormant. At this point, the Directors will consider the future prospects of the company.

Strategic report (continued)

For the year ended 31 December 2021

Future developments (continued)

On 4th August 2021, Thales SA, the Company's ultimate parent, made a press release stating that:

"Thales (Euronext Paris: HO) and Hitachi Rail announce today that they are entering into exclusive negotiations on the sale of Thales's Ground Transportation Systems Global Business Unit ("Ground Transportation Systems" or "GTS")."

The press release added that

"The completion of the transaction will require the carve-out of the business in several countries, and is subject to usual conditions including regulatory and antitrust clearances. It is expected to close by the end of calendar year 2022 / early in calendar year 2023."

The full press release is available at the following address:

<https://www.thalesgroup.com/en/group/journalist/press-release/thales-enters-agreement-view-selling-its-ground-transportation>

From an operational perspective, the time during which the Group negotiations and discussions with Hitachi and other stakeholders are held will remain a period of focus on business as usual for the Company to deliver on the business' existing and on-going commitments, to Customers, Thales Group, Employees and other stakeholders.

Post balance sheet events

On 10 February 2022, Thales SA and Hitachi signed the legally binding Sale and Purchase agreement to transfer ownership of the Thales GTS business to Hitachi with the intention that the transaction will close by the end of 2022, once approvals are obtained from all the regulatory authorities.

On 24 February 2022, Russia launched an invasion of Ukraine, which has led to an on-going military conflict between the two countries. In response to this action by Russia, the UK Government and many other national governments have imposed specific sanctions on Russia and Belarus, and on a number of individuals, which, inter alia, prevent certain trading and other business activities with Russia, Belarus, and the sanctioned individuals in the current circumstances.

In this regard, the Company has reviewed its operations to confirm that it has in place the necessary controls to ensure compliance with the UK Government sanctions. Additionally, the Company has assessed the potential impact on its operational activities due to these sanctions and considers that any changes resulting from compliance with these sanctions are likely to have a minimal impact on its operational activities, taking due account of mitigation actions where appropriate.

Strategic report (continued)

For the year ended 31 December 2021

COVID-19 risk

The Directors have noted the on-going nature of the health crisis which has been caused by the COVID-19 pandemic since early 2020. Whilst it is clear that COVID-19 continued to have a significant impact for many people and organisations across the world in 2021, and continues to have an impact in 2022, the Directors consider the potential risk impacts for the Company are significantly limited by the measures the Company has taken to ensure that all office and operational sites remain as safe as possible with specific actions in place to minimise the risk of COVID-19 infections on site.

Financial risk management objectives and policies

The Company's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, and cash and short-term deposits. The main purpose of these financial instruments is to ensure the provision and management of funding 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.

The Company also enters into derivative transactions, in the form of forward currency contracts. The purpose is to manage currency risks arising from the Company's operations and its sources of finance.

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

The main risks arising from the Company's financial instruments are foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Company's accounting policies in relation to derivatives are set out in note 2.

Foreign currency risk

The Company also has transactional currency exposures. Such exposure arises from sales or purchases by the Company in currencies other than the unit's functional currency. The forward currency contracts must be in the same currency as the hedged item. It is the Company's policy not to enter into forward contracts until a firm commitment is in place.

It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Strategic report (continued)

For the year ended 31 December 2021

Credit risk

The Company's sole financial asset at 31 December 2021 is the balance receivable from its immediate parent company, Thales Ground Transportation Systems Limited, being a receivable of £15,199,000 in respect of the business transfer by the Company to its immediate parent company on 31 August 2021. Having considered the resources available to Thales Ground Transportation Systems Limited, this balance is deemed by the Directors to be recoverable at its carrying amount.

The Company trades only with recognised, creditworthy third parties. 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 ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, and certain derivative instruments, 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.

Commodity price risk

The Company's exposure to price risk is minimal.

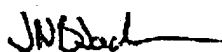
Interest rate risk

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

Liquidity risk

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

Approved by the Board on 4 August 2022 and signed on its behalf by



J Jackson, Director

350 Longwater Avenue
Green Park
Reading
Berkshire
RG2 6GF

Directors' report

for the year ended 31 December 2021

The Directors present their annual report and financial statements, together with the auditor's report, for the year ended 31 December 2021.

Matters covered in the Strategic Report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Strategic report on pages 2 to 6. These matters relate to the review and analysis of the business, development and financial performance, future prospects, research and development activities, post balance sheet events, and principal risks and uncertainties.

Principal activities

The principal activities of the Company are the sales, distribution and maintenance of transport communications equipment. The Company holds a major contract through which it provides rail signalling solutions as part of the upgrade on several London Underground lines.

Dividends

The Directors do not recommend the payment of a dividend (2020: £nil).

Going concern accounting basis

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Strategic Report on pages 2 to 6. The Company's financial risk management objectives and its exposures to credit and liquidity risk are also set out in the Strategic Report.

The Company has a net asset position of £15,199,000 at 31 December 2021 being the amount due from its parent company, Thales Ground Transportation Systems Limited, following the transfer of the Company's business to Thales Ground Transportation Systems Limited on 31 August 2021. Having considered the financial and operational resources available to Thales Ground Transportation Systems Limited, the Directors consider that the amount receivable from by the Company will be recovered for the carrying amount in the company's Statement of financial position. Accordingly the financial statements have been prepared on a going concern basis.

Directors' report (continued)

For the year ended 31 December 2021

Environmental information

Thales UK operates a comprehensive environmental policy complying with legislation, standards and best practice. We operate in a way that seeks to protect the environment, preserve biodiversity and respect natural sites. We are reducing our footprint by minimising our resources, seeking less environmentally harmful alternatives where we can, recycling and preventing pollution wherever possible. In addition, we monitor power and water consumption on all our sites and have programmes in place to reduce consumption, as well as CO₂ emissions, and move to a more sustainable business in line with the UN sustainable development goals.

The Company respects environmental legislation and standards applicable in the UK, and contributes towards the Thales Group strategy for a low carbon future. Further details of the Thales Group strategy for a low-carbon future can be found at the following address:

<https://www.thalesgroup.com/en/global/corporate-responsibility/environment/strategy-low-carbon-future>

In this strategic report the Company has provided certain information regarding energy use and emissions which is required to be reported by large UK companies under legislation introduced in 2019 by the Department for Business, Energy and Industrial Strategy (BEIS), titled the *Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018* which came into force on 1 April 2019, and apply to reporting periods commencing on or after that date. The reporting obligations introduced under this legislation, generally referred to as the Streamlined Energy and Carbon Reporting (SECR) require large UK companies to disclose for the reporting period certain energy use and Greenhouse (GHG) gas emissions, along with the methodology applied in calculating emissions as well as stating energy efficiency measures taken in the year.

The mandatory disclosures comprise:

Scope 1 - Direct emissions

Fuel use from transport (where the journey begins or ends in the UK); and
Combustion of natural gas

And

Scope 2 - Indirect emissions

Electricity purchased and used for operations (not including energy sold on)

Voluntary disclosures comprise:

Wider scope 1 emissions - including other fuel use, refrigerants & manufacturing emissions

Scope 3 emissions - upstream and downstream energy use

Directors' report (continued)

For the year ended 31 December 2021

The following table states the emissions of the Company as required by the mandatory disclosures, stating emissions in tonnes of CO2 and CO2 per full time employee (FTE).

	2021	Year on year change (%)	2020
Scope 1 – Direct Emissions – Tonnes CO2	247.3	10.4%	224.0
Scope 2 – Indirect Emissions – Tonnes CO2	-	-100.0%	41.4
Total Scope 1 & 2 – Tonnes CO2	247.3	-6.8%	265.4
Intensity of Emissions			
Total Scope 1 & 2 – Tonnes CO2/FTE	1.20	68.7%	0.71
FTE (Note 8)	206	-44.8%	373

As indicated in the table above, the Company's total emissions in Tonnes CO2 reduced in the year from 265.4 Tonnes CO2 to 247.3 Tonnes CO2. However, emissions per FTE increased in the year to 0.71 Tonnes CO2/FTE from 1.20 Tonnes CO2/FTE, an increase of 68.7% year on year.

As described in the strategic report, on 31st August 2021 the Company completed the transfer to its immediate parent company, Thales Ground Transportation Systems Limited, of its assets, liabilities and trade. The emissions reported above for 2021 therefore correspond to 8 months of operations prior to the business transfer. The emissions corresponding to the period after the transfer are reporting within the statutory accounts of its parent Thales Ground Transportation Systems Limited as part of its Environmental Information report.

The main reasons for the increase in Scope 1 & reduction in Scope 2 GHG emissions are summarised below:

Scope 1 – In 2021 there was a return to normal ways of working including site activity following the disruption in 2020 during the COVID-19 pandemic. This resulted in an increase in company vehicle usage, resulting in an increase in Scope 1 CO2 emissions in 2021.

Scope 2 – The Company negotiated electricity supplies from a certified renewable energy source to meet its full demand. The renewable energy contract was implemented on 1st September 2020, and therefore all electricity consumed during 2021 was from renewable sources.

Directors' report (continued)

For the year ended 31 December 2021

Directors

The Directors who served during the year and appointed after the year-end were as follows:

H L Depree

M Garrity

P Maynard

A Bell

J Jackson

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.

Supplier payment policy

It is the Company's normal practice to make payments to suppliers promptly provided that the supplier has performed in accordance with the relevant terms and conditions.

Creditors' days are calculated at based on the aggregate of the amounts which were owed to trade payables at the relevant reporting date and the aggregate of the amounts which the Company was invoiced by suppliers during the period.

As the Company had no amounts payable at 31 December 2021, this calculation has been performed to represent the average credit period taken for trade purchases in the period from 1 January 2021 to the date of the business transfer on 31 August 2021, which results in a period of 28 days (year ended 31 December 2020 – 14 days).

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.

Disabled employees

The Company's attitude concerning the employment of disabled persons is the same as that relating to all other staff in matters of recruitment, continuity of employment, training, development and promotion. Nevertheless the Company is very conscious of the difficulties that may be experienced by the disabled and takes account sympathetically of individual circumstances.

Employee consultation

Employee involvement and commitment is the established responsibility of the Board of Directors and requires their participation. Regular contact and exchanges of information between managers and staff are maintained through departmental managers and social functions. The Company promotes the principle of team briefing on a regular and continuing basis with the aim of ensuring that all employees are personally advised of the financial and commercial progress of the Company.

Directors' report (continued)

For the year ended 31 December 2021

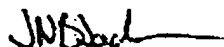
Disclosure of information to the auditors

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 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

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

Approved by the Board on 4 August 2022 and signed on its behalf by



J Jackson, Director

350 Longwater Avenue
Green Park
Reading
Berkshire
RG2 6GF

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 for that period.

In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping 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 GTS UK Limited

Opinion

We have audited the financial statements of Thales GTS UK Limited ('the Company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Thales GTS UK Limited

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 the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 the 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, 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 12, 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.

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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, Environmental Law - Streamlined Energy and Carbon Reporting (SECR) anti-bribery, corruption and fraud, money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates.

Independent auditor's report to the members of Thales GTS UK Limited

Our audit procedures in relation to fraud included but were not limited to:

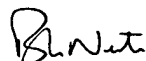
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.



Robert Neate (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

4 August 2022

Statement of total comprehensive income
for the year ended 31 December 2021

	Note	2021* £000	2020 £000
Discontinued operations			
Revenue	5	60,825	91,915
Cost of sales		(55,235)	(87,537)
Gross profit		<u>5,590</u>	<u>4,378</u>
Administrative expenses		(1,528)	(1,828)
Other operating expenses		(2,448)	(5,546)
Finance cost	7	-	(28)
Profit / (Loss) on ordinary activities before taxation	6	<u>1,614</u>	<u>(3,024)</u>
Tax expense	9	-	(154)
Profit / (Loss) for the financial year		<u>1,614</u>	<u>(3,178)</u>
Other comprehensive income:			
Cash flow hedges:			
Loss during the year		-	(3)
Other comprehensive loss for the year		<u>-</u>	<u>(3)</u>
Total comprehensive income / (loss) for the year		<u>1,614</u>	<u>(3,181)</u>

All operations are classed as discontinued.

Note* - The financial performance for 2021 includes all trading activities in the period from 1 January 2021 to 31 August 2021 when the Company's assets, liabilities and trade were transferred to its immediate parent company, Thales Ground Transportation Systems Limited.

The notes on pages 19 to 43 form an integral part of these financial statements

Statement of financial position
at 31 December 2021

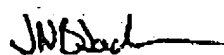
Company registered number: 05805963

	Note	2021 £000	2020 £000
ASSETS			
Fixed assets			
Tangible assets	10	-	1,533
Net deferred tax asset	18	-	950
		-	2,483
Current assets			
Stock	11	-	1
Trade and other receivables	12	15,199	13,097
Cash and cash equivalents	13	-	23,601
		15,199	36,699
Total assets		15,199	39,182
EQUITY SHARE CAPITAL AND LIABILITIES			
Share capital	19	-	-
Share premium account		43	43
Retained earnings		15,156	13,542
SHAREHOLDERS' - EQUITY		15,199	13,585
Non-current liabilities			
Amounts due under finance leases after one year	15	-	901
		15,199	14,486
Current liabilities			
Trade and other creditors	14	-	5,300
Amounts due under finance leases within one year	15	-	326
Other liabilities	16	-	19,070
		-	24,696
Total equity and liabilities		15,199	39,182

The notes on pages 19 to 43 form an integral part of these financial statements.

The accounts on pages 16 to 43 were approved by the board of Directors and authorised for issue on 4 August 2022.

They were signed on its behalf by:



J Jackson, Director

Statement of changes in equity
at 31 December 2021

	Share capital	Share premium reserve	Other components of equity	Retained earnings	Total
	£000 (note 19)	£000	£000	£000	£000
At 1 January 2020	-	43	3	16,720	16,766
Loss for the year	-	-	-	(3,178)	(3,178)
Net movement on cash flow hedges	-	-	(3)	-	(3)
Total comprehensive loss	-	-	(3)	(3,178)	(3,181)
At 31 December 2020	-	43	-	13,542	13,585
Profit for the year	-	-	-	1,614	1,614
Net movement on cash flow hedges	-	-	-	-	-
Total comprehensive profit	-	-	-	1,614	1,614
At 31 December 2021	-	43	-	15,156	15,199

The share premium reflects the amount paid by the Company's shareholder for the shares acquired which is in excess of the nominal value of shares acquired.

Other components of equity comprise the hedging reserve relating to certain derivative financial instruments which the Company uses to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions.

Retained earnings include all current and prior period retained profits and losses.

The notes on pages 19 to 43 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2021

1. Corporate Information

Thales GTS UK Limited is a private company limited by shares incorporated and domiciled in England & Wales. The address of the registered office is given on page 1. The nature of the Company's operations and principal activities are set out in the Directors' Report. Information on its ultimate parent is presented in note 22.

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 4 August 2022.

2. Accounting Policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. 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 recognition, measurement and disclosure requirements (except for certain disclosure exemptions detailed below) of International Financial Reporting Standards as adopted by the EU (EU – adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium – sized Companies and Groups Regulations 2008/410. The financial statements have been prepared on the historical cost basis, except for financial instruments which are measured in terms of IFRS 9. These financial statements present information about the company as an individual undertaking, and not about its group.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021 and have been consistently applied to all periods presented.

The Company has taken advantage of the following disclosure exemptions available under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payment*, because:

(i) the share based payment arrangement concerns the instruments of another group entity;

(b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;

(c) the requirements of paragraph 33 (c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;

(d) the requirements of IFRS 7 *Financial Instruments: Disclosures*;

Notes to the financial statements (continued)

for the year ended 31 December 2021

2. Accounting policies (continued)

(e) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;

(f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

(i) paragraph 79(a) (iv) of IAS 1 *Presentation of Financial Statements*;

(ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;

(iii) paragraph 118(e) of IAS 38 *Intangible Assets*;

(g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;

(h) the requirements of IAS 7 *Statement of Cash Flows*;

(i) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

(j) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;

(k) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ;

(l) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*;

(m) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*; and

(n) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*.

For the disclosure exemptions listed above, the equivalent disclosures are included in the consolidated financial statements of the ultimate parent Company, Thales SA, which are publicly available.

Notes to the financial statements (continued)

for the year ended 31 December 2021

2. Accounting policies (continued)

Going concern basis

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Strategic Report on pages 2 to 6. The Company's financial risk management objectives and its exposures to credit and liquidity risk are also set out in the Strategic Report.

The Company has a net asset position of £15,199,000 at 31 December 2021 being the amount due from its parent company, Thales Ground Transportation Systems Limited, following the transfer of the Company's business to Thales Ground Transportation Systems Limited on 31 August 2021. Having considered the financial and operational resources available to Thales Ground Transportation Systems Limited, the Directors consider that the amount receivable from by the Company will be recovered for the carrying amount in the company's Statement of financial position. Accordingly the financial statements have been prepared on a going concern basis.

Tangible assets

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land, buildings, fixtures and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line/reducing balance basis over its expected useful life, as follows:

Computer equipment	3 – 7 years
Furniture, fixtures and fittings	3 – 10 years
Data transmission, networks and related equipment	3 – 12 years

Residual value is calculated on prices prevailing at the date of acquisition and is revised annually.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of total comprehensive income when the asset is derecognised.

Interest costs incurred in bringing assets to a state where they are ready to be used are capitalised as part of the costs of the asset.

Right of use assets represent the rights acquired under lease agreements, and are subject to an annual amortisation charge in the statement of total comprehensive income which will amortise on a straight line basis the initial value recognised for each right of use asset over the shorter of its economic life and the lease period, less any guaranteed termination sum to be received by the Company on expiry of the lease term.

Further detail on right of use assets is provided in the accounting policy below on Leases.

Notes to the financial statements (continued)
for the year ended 31 December 2021

2. Accounting policies (continued)

Impairment of tangible assets

At each reporting date the Company reviews the carrying amounts of its property, plant and equipment 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

Impairment of other non-financial assets

The Company assesses annually whether there is any indication that any of the assets have been impaired. If such indication exists, the assets' recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, we use the recoverable amount of the cash-generating unit to which the asset is now allocated.

If the recoverable amount of the asset is less than its carrying value, the impairment loss is recognised immediately in the profit and loss unless the asset is carried at a revalued amount in which case the impairment loss is recognised as a revaluation decrease.

Intangible assets are stated at their historical cost and amortised over their expected useful lives, which usually varies from 3 to 5 years. However, for intangible assets that have an indefinite life, and intangible assets not yet available for use, the recoverable amount is estimated annually at the end of each reporting period.

Notes to the financial statements (continued)

for the year ended 31 December 2021

2. Accounting policies (continued)

Financial instruments

(i) Initial recognition

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.

All financial assets and financial liabilities are initially recognised on the date that the Company becomes a party to the contractual provisions of the instrument at fair value plus, in the case of financial assets and financial liabilities not held at fair value through profit or loss, directly attributable transaction costs.

Derivatives embedded in host finance liability contracts are accounted for separately from the host when their risks and characteristics are not closely related to the host.

Subsequent measurement

Derivatives

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions.

The use of financial derivatives is in line with Group policy which provides written principles on the use of financial derivatives consistent with the Company's risk management strategy.

The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. The Company's policy with respect to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Notes to the financial statements (continued)

for the year ended 31 December 2021

2. Accounting policies (continued)

Financial instruments (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Trade and similar receivables

Trade receivables are subsequently measured at transaction amount (which approximates to fair value). Where material, a separate loss allowance is recognised based on lifetime expected credit losses.

Other debt instruments

Other debt instruments held within a business model, whose objective is to collect contractual cash flows, on specified dates that are solely payments of principal and interest on the principal amount outstanding. Such financial instruments are subsequently measured at amortised cost using the effective interest rate method. Where material a loss allowance is calculated based on (i) 12-month expected credit for such debt assets that have not experienced a significant increase in credit risk since initial recognition, or (ii) lifetime expected credit losses which have experienced a significant increase in credit risk since initial recognition.

Debt instruments held within a mixed business model of held to collect and sell, and whose contractual cash flows are solely payments of principal and interest are measured at fair value. Amounts recognised in profit and loss are the same as those measured at amortised cost, with the difference between amortised cost measurement and fair value recognised in other comprehensive income.

All other debt instruments are accounted for at fair value through profit or loss.

Notes to the financial statements (continued)
for the year ended 31 December 2021

2. Accounting policies (continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

(ii) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows expire (e.g. debtor pays or the asset is sold outright) or the asset is transferred in a manner that qualifies for derecognition.

Financial liabilities are derecognised when extinguished, i.e. the obligation specified in the contract is discharged, cancelled or expires.

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.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see below).

Notes to the financial statements (continued)
for the year ended 31 December 2021

2. Accounting policies (continued)

Trade creditors

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

Research and development government credits

The company claims research and development government credits in the UK. These are judged to have characteristics more akin to grants than income taxes and are offset against the relevant expenditure. Credits are recognised to the extent there is reasonable assurance they will be received.

Stocks

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the first-in-first-out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Un-invoiced research and development fully funded by customers is carried forward as work in progress.

Contract assets and liabilities

The cumulated amount of revenue accounted for, less progress payments and accounts receivable (presented on a dedicated line of the statement of financial position) is determined on a contract-by-contract basis. If this amount is positive, the balance is recognised under "contract assets" in the statement of financial position. If it is negative, the balance is recognised under "contract liabilities".

Taxation

The tax charge comprises current and deferred tax. Income tax expense is recognised in the statement of total comprehensive income 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 on the profit 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 statement of financial position 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 statement of financial position 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 the financial statements (continued)

for the year ended 31 December 2021

2. Accounting policies (continued)

Leases

The Company has in place lease agreements in respect of property and vehicles.

Leases are accounted for in accordance with the requirements of IFRS 16. Where the Company has a contract with another party which meets the qualifying criteria as set out in IFRS 16, the Company recognises in its statement of financial position a right of use asset and a corresponding lease liability to the third party (the lessor).

The lease liability represents the Company's obligation to make future lease payments to the lessor, including the amount of any optional increases or reductions in lease period which the Directors consider to be reasonably certain, less any lease incentives receivable. The lease liability incurs interest at a rate which is determined based on the inherent rate of interest in the lease, or if this cannot be determined, at a lease specific incremental borrowing rate, and the interest incurred using this rate is charged in the statement of total comprehensive income, and the amount of any lease payments made by the Company to the lessor, after adding interest to the lease liability, is used to amortise the carrying value of the lease liability in the statement of financial position.

Future lease commitments to be paid are disclosed in the financial statements and notes after making a deduction for interest which will arise in future accounting periods, such that the lease principal which remains outstanding at each reporting date is allocated between amounts due within less than twelve months and amounts due after more than twelve months. These are then presented in the statement of financial position under Current Liabilities and Non-current Liabilities, respectively. Leases of low-value assets or short-term leases are immediately expensed in profit or loss.

Revenue

Unbundling of multiple performance obligations within a single contract

Some contracts include the supply to the customer of distinct goods and services (for instance contracts combining building of assets, followed by operation and maintenance). In such situations, the contract must be segmented into several components ("performance obligations"), each component being accounted for separately, with its own revenue recognition method and margin rate.

The contract price is allocated to each performance obligation in proportion to the specific selling price of the underlying goods and services. This allocation should reflect the share of the price to which Thales expects to be entitled in exchange for the supply of these goods or services. The contract price is the total financial consideration which the Company expects to be paid for undertaking the performance obligations in the contract with the customer. Further details are set out below.

Options notified by the customer for the supply of distinct additional goods or services are generally accounted for separately from the initial contract.

Notes to the financial statements (continued)

for the year ended 31 December 2021

2. Accounting policies (continued)

Evaluation of revenue allocated to performance obligations

Variable considerations included in the selling price are taken into account only to the extent that it is highly probable that a significant reversal in the amount of revenue already recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Penalties for late delivery or for the improper execution of a performance obligation are recognised as a deduction from revenue.

If the financing component is deemed significant, the selling price is adjusted to reflect a "cash" selling price for the goods and services provided. A financing component exists when parties have agreed to set up a financing to the advantage of one of them, through contractual terms.

Revenue includes income from claims only when it is highly probable that such claims will be accepted by the customer.

Contractual amendments negotiated with customers are included in the selling price only when they become legally enforceable.

Recognition of revenue over time or at a point in time

Revenue associated with each performance obligation identified within a contract is recognised when the obligation is satisfied, i.e., when the control of the promised goods or services is transferred to the customer.

To demonstrate that the transfer of goods is progressive and recognise revenue over time, the following cumulative criteria are required:

- The goods sold have no alternative use, and
- The Company has an irrevocable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date, in the event of termination for reasons other than Thales' failure to perform as promised.

Revenue from the sale of goods with an alternative use, and/or for which the Company has no enforceable right to payment in case of termination for convenience by the customer, is recognised when the goods are delivered to the customer. This essentially concerns equipment (mainly in civil avionics) and spare parts.

Revenue from service contracts is generally recognised over time, as the customer simultaneously receives and consumes the benefits of these services provided by Thales.

Notes to the financial statements (continued)

for the year ended 31 December 2021

2. Accounting policies (continued)

Percentage of completion method

The percentage of completion method generally used by the Company is expense-based: revenue is recognised based on costs incurred to date in relation to all the costs expected upon completion.

Margin recognition

Expected losses on contracts are fully recognised as soon as they are identified, pursuant to the provisions of IAS 37 on onerous contracts.

Retirement benefit costs

The Company participates in certain retirement benefit schemes which are managed by Thales UK Limited for the benefit of employees and former employees of the Thales Group in the UK.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The Company participates in the Thales UK Pension Scheme (TUPS) which is a defined benefit retirement benefit scheme, and in one of the sections in the Railways Pension Scheme sponsored by Thales Ground Transportation Systems Ltd. These schemes are subject to UK legislation including the payment of levies to the pension protection fund as set out in the Pension Act 2004. The annual cost of contributions associated with employees who are members of these schemes is borne by the Company as an expense in the statement of total comprehensive income and there is no impact retained in the statement of financial position. The impact for 2021 in these financial statements is shown in note 17.

Full details and disclosures of the Thales UK Pension Scheme and of the section of the Railways Pension Scheme mentioned above are reported in the financial statements of Thales UK Limited and Thales Ground Transportation Systems Ltd, respectively.

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 re-translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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.

In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts and options (see above for details of the Company's accounting policies in respect of such derivative financial instruments).

Notes to the financial statements (continued)

for the year ended 31 December 2021

2. Accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Provisions

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

Significant accounting judgements, estimates and assumptions

Critical judgements in applying the Company's accounting policies

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

Key sources of estimation uncertainty

Deferred tax

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 18.

Recognition of revenue over time

A very significant part of the company's revenue and current operating income stems from contracts recognised according to the percentage of completion method. These contracts often span several financial years. In the accounting closing process, the recognition of revenue and operating margin relating to these contracts depends mainly:

- on estimates of revenue and margin at completion, including provisions for technical and commercial risks; and
- on costs incurred to date compared to the total costs expected at completion.

Monitoring of costs incurred to date and estimates of figures at completion are based, for each contract, on the company's internal systems and procedures, with project managers playing a key role. These estimates are reviewed regularly by the Operations and Finance departments, under the supervision of the Company's corporate management, particularly at each period-end reporting.

Notes to the financial statements (continued)

for the year ended 31 December 2021

2. Accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

Right of use assets

Right of Use Assets are recognised as required by IFRS 16. The value attributed to each Right of Use Asset is calculated by reference to relevant assumptions regarding the expected future costs of continuing to occupy specific leased sites, and it is assumed that current levels of site occupation, duration and the costs of carrying out projected dilapidations work prior to handing leased properties back to the landlord on lease termination will be in line with current estimates. It is assumed that the current interest rate assumptions will continue to apply. A significant change in projected outcomes versus the assumptions currently made might require a revised value for the Right of Use Assets to be recognised.

3. New standards, amendments and IFRIC interpretations

The accounting policies adopted for the year are consistent with those applied for the year ended 31 December 2020. None of the standards, interpretations and amendments which are effective for accounting periods beginning after 1 January 2021, and which have not been adopted early, are expected to have a material effect on the financial statements.

Notes to the financial statements (continued)

for the year ended 31 December 2021

4. Financial impacts of combination of businesses under common control

On 31 August 2021, the Company transferred its assets, liabilities and trade to its immediate parent company, Thales Ground Transportation Systems Limited. Consequently, the on-going conduct of the transferred business will be managed and reported in the future by Thales Ground Transportation Systems Limited.

As there were no changes to the shareholder group at the time of this transaction, this transaction did not classify as a business combination as defined under IFRS 3 'Business Combinations', but as a combination of businesses under common control. The value of assets and liabilities transferred was recognised at the balance sheet carrying value at the transfer date to determine the consideration receivable by the Company from Thales Ground Transportation Systems Limited. The financial position and results of the transferred business will be reflected in the acquiror's financial statements from the date on which the combination occurred.

Details of the financial impacts of this intra-group transfer are set out below.

	Note	£000
Fixed assets		
Tangible assets	10	234
		<u>234</u>
Current assets		
Trade and other receivables		19,284
Amount receivable from Thales Holdings UK Plc		27,460
		<u>46,744</u>
Total assets		<u>46,978</u>
Creditors: amounts falling due within one year		
Creditors		<u>(31,779)</u>
Net assets		<u>15,199</u>
Net assets transferred at 31 August 2021 by the Company to Thales Ground Transportation Systems Limited		<u>15,199</u>
Represented by amount receivable by the Company from Thales Ground Transportation Systems Limited	12	<u>15,199</u>

Notes to the financial statements (continued)
for the year ended 31 December 2021

5. Revenue

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

	2021 £000	2020 £000
Revenue from contracts with customers	60,825	91,915
Total revenue	<u>60,825</u>	<u>91,915</u>

All revenue is derived from activities within the UK transportation market.

6. Profit on ordinary activities before taxation

Profit before taxation is stated after charging / (crediting):

	2021 £000	2020 £000
Staff costs (note 8)	19,509	26,044
Auditors' remuneration for audit services	35	35
R&D costs and Tax credit	(1,859)	(2,247)
Depreciation of tangible fixed assets (note 10)	115	170
Amortisation of right of use assets (note 10)	-	452
	<u> </u>	<u> </u>

Amounts payable by the Company to Mazars LLP and their associates in respect of non-audit services were £nil (2020: £nil).

Notes to the financial statements (continued)
for the year ended 31 December 2021

7. Finance cost

	2021 £000	2020 £000
Interest on leases	-	32
Other finance income	-	(4)
Total finance expense	<u>-</u>	<u>28</u>

8. Staff costs

The average monthly number of employees (including executive Directors) is set out below.

The table below has been prepared to include the impact of employees who were transferred from the business on 31 August 2021, when the Company transferred its assets, liabilities and trade to its immediate parent Thales Ground Transportation Systems Limited (Note 4), resulting in a decrease to the average monthly number of employees. From 31 August 2021, these employees were recorded in the financial statements of Thales Ground Transportation Systems Limited for the year ended 31 December 2021.

	2021 Number	2020 Number
Production	189	341
Sales	5	11
Administration	12	21
	<u>206</u>	<u>373</u>

	2021 £000	2020 £000
Their aggregate remuneration comprised:		
Wages and salaries	16,429	22,064
Social security costs	2,317	2,972
Other pension costs	763	1,008
	<u>19,509</u>	<u>26,044</u>

The following table shows the average monthly number of employees excluding the impact of the transfer of assets, liabilities and trade to Thales Ground Transportation Systems Limited, representing an 8-month average number of employees until the transfer on 31 August 2021.

	2021 Number	2020 Number
Production	283	341
Sales	7	11
Administration	18	21
	<u>308</u>	<u>373</u>

Notes to the financial statements (continued)
for the year ended 31 December 2021

8 Staff costs (continued)

Directors' emoluments

Remuneration	2021 £000	2020 £000
Remuneration of directors	305	452
Pension scheme contributions	46	69
Total emoluments	351	521

Number of directors accruing benefits under the following schemes:

	2021 Number	2020 Number
Money purchase schemes	4	4
Defined benefit schemes	1	1
The number of directors who exercised share options	-	-
The number of directors who received share based units under the long term incentive scheme	3	4

Details of the highest paid director

	2021 £000	2020 £000
Remuneration of director	80	141
Pension scheme contributions	11	17

The highest paid director received share based units under the Thales Group long term incentive scheme.

There was no exercise of share options during the year by the highest paid director.

The directors are deemed to be the key management personnel.

The information provided above incorporates the remuneration of Directors attributable to the period up to 31 August 2021 when the Company's activities were acquired by its parent company, Thales Ground Transportation Systems Limited.

Notes to the financial statements (continued)
for the year ended 31 December 2021

9. Taxation

	2021 £000	2020 £000
Current tax:		
UK Corporation tax	-	427
Adjustments in respect of prior years	-	-
Total current tax	-	427
Deferred tax:		
Origination and reversal of temporary differences	-	(32)
Adjustments in respect of prior year	-	(241)
Total deferred tax	-	(273)
Total tax charge for the year	-	154

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

	2021 £000	2020 £000
Profit / (loss) on ordinary activities before tax	1,614	(3,024)
Profit (loss) multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	307	(575)
Tax effect of:		
Adjustment for disallowable items	8	12
Movement in unrecognised deferred tax	-	-
Deferred tax rate change impact movement	-	-
Adjustments to prior year deferred tax	-	(241)
Group relief surrendered for nil payment	(168)	531
RDEC surrendered for nil payment	-	427
Transfer of TWDV S 948 CTA 2010	(147)	-
Total tax charge for the year	-	154

Following the March budget 2021 it was decided to maintain the corporation tax rate at 19% for the year 1 April 2021 and also 1 April 2022. Finance Act 2021 provided for an increase of the current corporation tax rate to 25% from 1 April 2023. The higher rate has been substantially enacted following the third reading of the Finance Bill 2021 on 24th of May 2021 and it has received Royal Assent in June 2021.

The deferred tax balances as at 31 December 2021 have been calculated at 25% as this is the rate that has been substantially enacted at the Balance Sheet Date.

Notes to the financial statements (continued)
for the year ended 31 December 2021

10. Tangible assets

	Right of Use Assets Vehicles £000	Right of Use Assets Buildings £000	Computer equipment, furniture fixtures & fittings £000	Data transmission networks and related equipment £000	Total £000
Cost					
At 31 December 2020	396	1,575	140	864	2,975
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Disposal to fellow Group company in year (Note 4)	(396)	(1,575)	(140)	(864)	(2,975)
At 31 December 2021	-	-	-	-	-
Amortisation and impairment					
At 31 December 2020	(279)	(508)	(140)	(515)	(1,442)
Charge for the year	-	-	-	(115)	(115)
Disposals	-	-	-	-	-
Disposal to fellow Group company in year (Note 4)	(279)	(508)	(140)	(630)	(1,557)
At 31 December 2021	-	-	-	-	-
Carrying amount					
At 31 December 2020	277	1,321	-	519	2,117
At 31 December 2021	-	-	-	-	-

Right of use assets represent the rights acquired under lease agreements which meet the qualifying criteria of IFRS 16 'Leases', and are stated net of accumulated amortisation and impairment charges.

The disposal of right of use assets in the year took place on 1 January 2021 when the Company transferred these right of use assets to its immediate parent company, Thales Ground Transportation Systems Limited, in anticipation of the business transfer which was concluded on 31 August 2021 (Note 4).

The disposal of other tangible assets took place on 31 August 2021 when the company transferred its assets, liabilities and trade to its immediate parent company, Thales Ground Transportation Systems Limited. (Note 4).

Notes to the financial statements (continued)
for the year ended 31 December 2021

11. Stock

	2021 £000	2020 £000
Finished goods and goods for resale	-	1
	<u>-</u>	<u>1</u>

There is no material difference between the carrying value of stock and its replacement cost.

The amount of write down of stocks recognised as an expense is £nil (2020: £nil).

12. Trade and other receivables

	2021 £000	2020 £000
Trade receivables	-	7,610
Amount receivable from Thales Ground Transportation Systems Limited	15,199	-
Other receivables	-	1,821
Prepayments and accrued income	-	530
Contract assets	-	3,136
	<u>-</u>	<u>13,097</u>

The amount receivable from Thales Ground Transportation Systems Limited is in respect of the transfer of the Company's assets, liabilities and trade to Thales Ground Transportation Systems Limited on 31 August 2021.

In the Directors' view the carrying amount represents the recoverable amount which approximates the fair value.

Notes to the financial statements (continued)
for the year ended 31 December 2021

12. Trade and other receivables (continued)

At 31 December 2021 the aged trade receivables analysis is as follows:

	Total	Neither past due nor impaired	Overdue less than 3 months	Overdue more than 3 months
	£000	£000	£000	£000
2021: Amounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2020: Amounts receivable	<u>7,610</u>	<u>7,544</u>	<u>66</u>	<u>-</u>

13. 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 approximates their fair value.

14. Trade and other creditors

	2021 £000	2020 £000
Trade creditors	-	3,383
Accruals	<u>-</u>	<u>1,917</u>
	<u>-</u>	<u>5,300</u>

The Directors consider that the carrying amount of trade creditors approximates their fair value. The average credit period taken for trade purchases in the period from 1 January 2021 to the date of the business transfer on 31 August 2021 was 28 days (2020: 14 days).

Notes to the financial statements (continued)
for the year ended 31 December 2021

15. Lease liabilities

At the year end the Company had the following liability to make future lease payments. These are presented as the aggregate gross amount of payments committed under each lease with an allowance calculated to exclude future interest at the applicable rate for each lease.

At 31 December 2021

	Gross Payments £000	Interest not yet incurred £000	Net obligation £000
Lease payments due in less than 12 months	-	-	-
Lease payments due between 12 months and 5 years	-	-	-
Lease payments due after 5 years	-	-	-
Total lease payments due	-	-	-
Amounts shown in Current liabilities			-
Amounts shown in Non-current liabilities			-
Total lease payments due			-

There was no cash outflow during the year in relation to leases as defined in IFRS 16 because all leases were transferred to the Company's immediate parent, Thales Ground Transportation Systems Limited, on 1 January 2021 (See note 10).

At 31 December 2020

	Gross Payments £000	Interest not yet incurred £000	Net obligation £000
Lease payments due in less than 12 months	332	(6)	326
Lease payments due between 12 months and 5 years	958	(57)	901
Lease payments due after 5 years	-	-	-
Total lease payments due	1,290	(63)	1,227
Amounts shown in Current liabilities			326
Amounts shown in Non-current liabilities			901
Total lease payments due			1,227

The total cash outflow during the year in relation to the above leases was £467,000.

Notes to the financial statements (continued)
for the year ended 31 December 2021

16. Other liabilities

	2021	2020
	£000	£000
Contract liabilities	-	19,070
	<hr/>	<hr/>
	-	19,070
	<hr/>	<hr/>

17. Retirement benefit schemes

The Thales Group operates a number of retirement benefit schemes within the UK for the benefit of employees and former employees of the Group. As indicated in the Accounting Policy (see note 2), the full details of the Thales UK Pension Scheme, which is a defined benefit scheme, and the full details of the section of the Railways Pension Scheme which is sponsored by the Company's immediate parent, Thales Ground Transportation Systems Limited, are reported in the financial statements of the respective sponsoring employer. The disclosure in the financial statements of the respective sponsoring employer includes the considerations of risks and reconciliation of balances relating to the defined benefit scheme, as well as a description of actuarial assumptions and information relating to the amounts, timing and certainty of future cash flows. The Company recognized 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 benefit schemes

The total cost charged to income in relation to defined benefit schemes amounted to £nil (2020: £28k).

Defined contribution schemes

The total cost charged to income in relation to defined contribution schemes amounted to £762k (2020: £980k) representing contributions payable to the schemes by the Company at rates specified in the rules of the plan.

Notes to the financial statements (continued)
for the year ended 31 December 2021

18. 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 assets have been recognised based on future budgets.

Deferred tax asset	Capital allowances £000	Tax losses £000	Total £000
As at 1 January 2021	113	837	950
Charged to the Statement of comprehensive income	-	-	-
Balance transferred to Thales Ground Transportation Systems Limited	(113)	(837)	(950)
As at 31 December 2021	-	-	-

Deferred tax liability	Accelerated tax Depreciation £000	Cash flow hedges £000	Total £000
As at 1 January	-	-	-
Deferred tax charged to equity	-	-	-
As at 31 December 2021	-	-	-

Net deferred tax asset	2021 £000	2020 £000
Deferred tax asset	-	950
Deferred tax liability	-	-
Net deferred tax asset	-	950

There was no deferred tax asset / liability recognised by the Company at the end of the year as the Company ceased trading on 31 August 2021 (2020: deferred tax asset of £950,000).

Notes to the financial statements (continued)
for the year ended 31 December 2021

19. Share capital

	2021 £000	2020 £000
<i>Allotted, called-up and fully-paid</i>		
2 ordinary shares of £1 each	-	-

The share capital represents the nominal value of the shares that have been allotted in 2007. All shares rank equally, and carry the right to vote at meetings of the Company's shareholders as well as the right to receive dividends and share in the residual proceeds of the Company's assets on a winding up.

20. Contingent liabilities

The Company has no contingent liabilities at 31 December 2021 following the transfer of the Company's assets, liabilities and trade to Thales Ground Transportation Systems Limited on 31 August 2021. (2020: £nil).

21. Related party transactions

The company has taken advantage of the exemptions under IAS24, as a wholly owned subsidiary, not to disclose its details of transactions with other group companies.

In addition to the above, Thales UK Corporate Services and Thales Rail Signalling Solutions SA performed certain administrative services for the Company, for which a management fee of £1,216k (2020: £1,838k) was charged, being an appropriate allocation of costs incurred by relevant administrative departments.

22. Parent and ultimate parent undertaking

The immediate parent Company is Thales Ground Transportation Systems Limited. 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 – CS 20001, 92098 Paris La Defense Cedex, France.

23. Events after the reporting period

Apart from the Thales GTS Sale and Purchase Agreement signed with Hitachi on 10 February 2022, as indicated in the Strategic Report on page 4, in the Directors' view, there are no events which have occurred since the balance sheet date which require disclosure in these financial statements, or which require any of the financial amounts as recorded at 31 December 2021 to be adjusted.