

**Thales Optronics (Staines) Limited**

Annual report and accounts  
for the year ended 31 December 2013

Registered number: SC154357

THURSDAY



\*L3GNY4ZT\*

LD6

18/09/2014

#58

COMPANIES HOUSE

## Contents

	Page
Directors' report	1
Strategic report	3
Directors' responsibilities	5
Independent auditor's report	6
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	11
Statement of cash flows	12
Notes to accounts	13

## **Directors' report**

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

### **Dividends**

The Directors do not recommend the payment of a dividend (2012: £Nil).

### **Going concern accounting basis**

The Company's business activities, together with the factors likely to affect its future position are set out in the Strategic Report on page 3.

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

### **Environmental Information**

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

### **Directors**

The Directors who served during the year were as follows:

S Boulton

A Cresswell resigned 01.04.13

M Broughton appointed 01.04.13

G Blanguernon appointed 01.09.13

E A McCrorie resigned 01.10.13

### **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.

## Directors' report (continued)

### Donations

During the period to 31 December 2013 charitable donations of £nil (2012: £nil) were made.

No political donations were made during the year (2012: £nil).

### Disclosure of information to the auditors

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

### Auditors

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.

1 Linthouse Road  
Glasgow  
G51 4BZ

G Blanguernon  
Director



5 September 2014

## Strategic report

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.

### Principal activities

The principal activities of the Company continue to be the design, manufacture and sale of electro-optic equipment.

At the end of the financial year, the Company transferred all operating assets and liabilities to its immediate parent company, Thales UK Limited, along with the associated trading activities as part of a wider consolidation plan involving a number of fellow subsidiaries of Thales UK Limited. Consequently, it is intended that the on-going conduct of the transferred business will be managed and reported in the future by Thales UK Limited. The transfer of the business referred to above is described in further detail in the note 4 to these financial statements.

### Business review

The level of business and the year end financial position were as expected by the Directors.

Given the straightforward nature of the business, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. Furthermore as the company's business is managed on a group divisional basis it would not be appropriate or informative for an understanding of the business.

In order to maintain the company's position in the specialised defence market under the new operating model, the company continued to invest in Research and Development, which is seen as key in order to protect the long-term future of the company. In 2013 £959,000 (2012: £523,000) was recognised as an expense.

### Credit risk

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

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.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company's maximum exposure to credit risk is the carrying amount as disclosed in Note 11.

### Commodity price risk

The Company's exposure to price risk is minimal.

## Strategic Report (continued)

### 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.

1 Linthouse Road  
Glasgow  
G51 4BZ



G Blanguernon  
Director

5 September 2014

## Statement of Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make 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 entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **Independent auditor's report to the members of Thales Optronics (Staines) Ltd**

We have audited the financial statements of Thales Optronics (Staines) Limited for the year ended 31 December 2013 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

### **Respective responsibilities of Directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS's as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

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




## Independent auditor's report to the members of Thales Optronics (Staines) Ltd (continued)

### Matters on which we are required to report by exception

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

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



Robert Neate (Senior statutory auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

90 St Vincent Street

Glasgow

G2 5UB

12 September 2014

Statement of comprehensive income  
for the year ended 31 December 2013

	Note	2013 £000	2012 £000
<b>Revenue</b>	5	-	-
Cost of sales		2,693	-
Gross profit		2,693	-
Administrative expenses		(4,077)	(2,601)
Net loan forgiveness from fellow group undertakings	18	23,976	-
Transfer of obligation to Thales UK Ltd	15	-	3,377
<b>Operating Profit</b>		22,592	776
Finance (cost)	7	-	(292)
Finance income	7	2	2
<b>Profit before tax</b>	6	22,594	486
Income tax credit	9	121	582
<b>Total comprehensive income for the year</b>		22,715	1,068

All amounts disclosed above relate to discontinued activities following the transfer to Thales UK Limited on 31 December 2013.

The accompanying notes are an integral part of the Statement of comprehensive income.

Statement of financial position  
as at 31 December 2013

Company Registration Number SC154357

	Note	2013 £000	2012 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	10	-	12
		-	12
<b>Current assets</b>			
Trade and other receivables	4,11	619	18,959
Current tax receivables		-	620
Cash and cash equivalents	12	-	596
		619	20,175
<b>Total assets</b>		619	20,187
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	-	(35,006)
		-	(35,006)
<b>Net current liabilities</b>		619	(14,831)
<b>Non-current liabilities</b>			
Amounts owed to group companies	13	-	(7,277)
		-	(7,277)
<b>Total liabilities</b>		-	(42,283)
<b>Net assets / liabilities</b>		619	(22,096)
<b>EQUITY</b>			
Share capital	17	-	-
Retained earnings		619	(22,096)
<b>Total equity</b>		619	(22,096)

Statement of financial position (continued)

as at 31 December 2013

Company Registration Number SC154357

The accounts on pages 8 to 27 were approved by the board of directors and authorised for issue on 5 September 2014. They were signed on its behalf by:

A handwritten signature in black ink, appearing to be 'G Blanguernon', written over a horizontal line.

G Blanguernon  
Director

5 September 2014

The accompanying notes are an integral part of the Statement of financial position.

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

**Attributable to equity holders of the Company**

	Retained earnings £000	Total equity £000
<b>At 1 January 2012</b>	(23,164)	(23,164)
Retained profit for the year	1,068	1,068
<b>At 31 December 2012</b>	<u>(22,096)</u>	<u>(22,096)</u>
<b>At 1 January 2013</b>	(22,096)	(22,096)
Retained profit for the year	22,715	22,715
<b>At 31 December 2013</b>	<u>619</u>	<u>619</u>

**Statement of cash flows**  
for the year ended 31 December 2013

	Note	2013 £000	2012 £000
<b>OPERATING ACTIVITIES</b>			
Profit from operations		22,592	484
Non cash adjustment to reconcile operating profit to net cash flows:			
Depreciation of property, plant & equipment	6	10	132
(Decrease) in retirement benefit obligations		-	(3,033)
Working capital adjustments net of effects from business transfer:			
Decrease / (Increase) in receivables	11	17,075	(4,382)
(Decrease) / Increase in payables	13	(40,545)	5,265
		(868)	(1,534)
Income taxes recovered		741	2,302
<b>Net cash (used in)/from operating activities</b>		<b>(127)</b>	<b>768</b>
<b>INVESTING ACTIVITIES</b>			
Interest received	7	2	2
Net cash disposed on disposal	4	(471)	-
<b>Net cash (used in)/from investing activities</b>		<b>(469)</b>	<b>2</b>
<b>Net (decrease) / increase in cash &amp; cash equivalents</b>		<b>(596)</b>	<b>770</b>
<b>Cash &amp; cash equivalents at beginning of year</b>		<b>596</b>	<b>(174)</b>
<b>Cash &amp; cash equivalents at end of year</b>		<b>-</b>	<b>596</b>

## Notes to accounts

for the year ended 31 December 2013

### 1. Corporate Information

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 31 July 2014. The Company is a limited Company incorporated and domiciled in Scotland. The address of the registered office is given on page 2. The nature of the Company's operations and principal activities are set out in the Directors' report. Information on its ultimate parent is presented in note 18.

### 2. Accounting Policies

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) adopted for use in the European Union. The financial statements have been prepared on a historical cost basis (except for derivative financial instruments that have been measured at fair value). The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. 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:

#### Going concern basis

At the end of the financial year ended 31 December 2013, the Company transferred all operating assets and liabilities to its immediate parent company, Thales UK Limited, along with the associated trading activities as part of a wider consolidation plan involving a number of fellow subsidiaries of Thales UK Limited.

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

#### Intangible fixed assets

##### *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.

Notes to accounts (continued)  
for the year ended 31 December 2013

*Patents and trademarks*

Patents and trademarks are measured initially at purchase cost and amortised on a straight line basis over their estimated useful lives.

**Software**

Software is measured initially at purchase cost and amortised on a straight line basis over its estimated useful life.

**Property, plant and equipment**

Plant and machinery are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery	20% to 50% per annum
---------------------	----------------------

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

**Impairment of property, plant and equipment and intangible assets excluding goodwill**

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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.



Notes to accounts (continued)  
for the year ended 31 December 2013

**Financial instruments**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

**Trade receivables**

Trade receivables are carried at fair value (in the majority of cases this will equate to original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end). Bad debts are written off when identified. Long term receivables are discounted where necessary.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Financial liabilities and equity**

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

**Bank borrowings**

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

**Trade payables**

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

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and a 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.

**Notes to accounts (continued)**  
for the year ended 31 December 2013

**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.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

**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 are recognised insofar as the transaction has been completed on the balance sheet date.

Revenue from construction contracts is recognised in accordance with the company's accounting policy on construction contracts as previously detailed in this note.

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

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

**Notes to accounts (continued)**  
for the year ended 31 December 2013

**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. 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 2013 in these financial statements is shown in note 15.

Full details and disclosures of the Thales UK Pension Scheme are reported in the financial statements of Thales UK Limited.

**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.

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).

**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 balance sheet date, and are discounted to present value where the effect is material.

Notes to accounts (continued)  
for the year ended 31 December 2013

**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 16.

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

**New and amended standards and interpretations:**

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2013;

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

**New standards issued but not yet effective**

Further standards have been issued but were not yet effective up to the date of the Company's financial statements. Following the transfer of the Company's assets and liabilities to Thales UK Limited on 31 December 2013, the Directors do not expect these future changes to affect the Company's financial statements.

Notes to accounts (continued)  
for the year ended 31 December 2013

**4. Business Transfer**

On 31 December 2013, the Company participated in a plan to consolidate certain operating activities conducted by Thales Group subsidiaries in the UK into Thales UK Limited, a company which is also the immediate parent of the Company.

Under this plan, the Company transferred all operating assets and liabilities to Thales UK Limited, along with the associated trading activities (the Transfer). Consequently, it is intended that the on-going conduct of the transferred business will be managed and reported in the future by Thales UK Limited. In exchange for the net assets transferred, the Company recognised an amount receivable from Thales UK Limited. This amount represents the net book value of the separable net assets and liabilities transferred to Thales UK Limited. The following table summarises the separable net assets and liabilities transferred to Thales UK Ltd on 31 December 2013:

**Assets & liabilities transferred to Thales UK Limited at 31 December 2013**

	Note	2013 £000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	10	2
<b>Current assets</b>		
Current tax receivables		209
Trade and other receivables		1,675
Cash and cash equivalents	12	471
		<u>2,355</u>
<b>Total assets</b>		<u>2,357</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables		<u>(1,738)</u>
		<u>(1,738)</u>
<b>Net assets transferred at 31 December 2013 to Thales UK Limited</b>		<u>619</u>
<b>Represented by amount receivable from Thales UK Limited</b>		<u>619</u>

Notes to accounts (continued)  
for the year ended 31 December 2013

**5. Revenue**

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

	2013 £000	2012 £000
Sale of goods	-	-
Revenue per statement of comprehensive income	-	-
Finance income	2	2
Revenue as defined in IAS18	2	2

**6. Profit from operations**

Profit from operations is stated after charging:

	2013 £000	2012 £000
Research and development costs	959	523
Research and development tax credit	(209)	-
Depreciation of property, plant and equipment	10	132
Staff costs (note 8)	5,084	5,200

Amounts payable to Mazars LLP and their associates by the Company in respect of audit services were borne by the immediate parent company.

Amounts payable to Mazars LLP and their associates by the Company in respect of non-audit services were £nil (2012: £nil).

Notes to accounts (continued)  
for the year ended 31 December 2013

**7. Finance Income/(Cost)**

	2013 £000	2012 £000
Pension financing component	-	(292)
Interest on bank deposits	2	2
Finance income / (cost)	2	(290)

**8. Staff costs**

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

	2013 Number	2012 Number
Production	58	61
Sales	9	14
Administration	12	2
	79	77

	2013 £000	2012 £000
Their aggregate remuneration comprised:		
Wages and salaries	4,396	4,258
Social security costs	424	507
Other pension costs	264	435
	5,084	5,200

The cost of directors is borne by the immediate parent company, Thales Optronics Limited.

Notes to accounts (continued)  
for the year ended 31 December 2013

9. Income tax credit

	2013 £000	2012 £000
<b>Current tax:</b>		
Current income tax credit	-	(742)
Adjustments in respect of current income tax of previous years	(121)	160
<b>Total current tax (credit) for the year</b>	<b>(121)</b>	<b>(582)</b>
Deferred tax	-	-
<b>Total tax (credit) for the year</b>	<b>(121)</b>	<b>(582)</b>

Corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable loss for the year.

The rate of corporation tax reduced from 26% to 24% effective from 1 April 2012 and to 23% effective from 1 April 2013. A reduction to 21%, effective from 1 April 2014 and a reduction to 20%, effective from 1 April 2015, were included in the Finance Act 2013 which was enacted on 17 July 2013. The deferred tax balances as at 31 December 2013 have been restated at a rate of 20% as this is the rate at which deferred tax is expected to reverse.

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

	2013 £000	2012 £000
Profit before tax	22,594	486
Profit multiplied by standard rate of corporation tax in the UK of 23.25% (2012 24.5%)	5,253	119
Tax effect of:		
Debt forgiveness received from fellow subsidiary	(5,576)	-
Expenses not deductible for tax purposes	-	(27)
Research & Development tax credit	(59)	(123)
Movement in unrecognised deferred tax	(67)	-
Non-taxable income (release of pension scheme liability)	-	(742)
Deferred tax rate change impact movement	69	-
Temporary difference	-	31
Adjustments to prior year (current tax)	(121)	160
Group relief surrendered for nil payment	380	-
	<b>(121)</b>	<b>(582)</b>



Notes to accounts (continued)  
for the year ended 31 December 2013

10. Property plant & equipment

	Plant and machinery £000	Total £000
<b>Cost</b>		
At 1 January 2013	1,127	1,127
Transfer to Thales UK Limited	(1,127)	(1,127)
At 31 December 2013	-	-
<b>Accumulated depreciation and impairment</b>		
At 1 January 2013	1,115	1,115
Charge for the year	10	10
Transfer to Thales UK Limited	(1,125)	(1,125)
At 31 December 2013	-	-
<b>Carrying amount</b>		
At 31 December 2013	-	-
At 31 December 2012	12	12

Notes to accounts (continued)  
for the year ended 31 December 2013

**11. Trade and other receivables**

	2013 £000	2012 £000
Trade and other receivables:		
Amounts receivable from the sale of goods	-	1,638
Less: Provision for the impairment of receivables	-	-
Amounts receivable from the sale of goods - net	-	1,638
Amounts owed by group undertakings	619	17,313
Prepayments	-	8
	<u>619</u>	<u>18,959</u>

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

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

	Total	Neither past due nor impaired	Overdue less than 3 months	Overdue 3 to 6 months	Overdue more than 6 months
	£000	£000	£000	£000	£000
2013:					
Amounts receivable from the sale of goods	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2012:					
Amounts receivable from the sale of goods	<u>1,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,638</u>

**12. 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.

Notes to accounts (continued)  
for the year ended 31 December 2013

**13. Trade and other payables**

	2013 £000	2012 £000
Trade & other creditors	-	11
Accruals & deferred income	-	1,674
Amounts owed to group undertakings due within one year	-	33,321
	<u>-</u>	<u>35,006</u>
Amounts owed to group undertakings due outwith 1 year	-	7,277
	<u>-</u>	<u>42,283</u>

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

The average credit period taken for trade purchases is 5 days (2012: 15 days)

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

	Timing of cash flows		Total £000
	Within one year £000	More than five years £000	
<b>At 31 December 2013</b>			
Trade creditors	-	-	-
Other payables	-	-	-
Amounts owed to group undertakings outwith 1 year	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 31 December 2012</b>			
Trade creditors	11	-	11
Other payables	34,995	-	34,995
Amounts owed to group undertakings outwith 1 year	-	7,277	7,277
	<u>35,006</u>	<u>7,277</u>	<u>42,283</u>

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

Notes to accounts (continued)  
for the year ended 31 December 2013

**14. Financial instruments**

**Fair value**

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

As at 31 December 2013 the Company held the following financial instruments:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
<b>Financial Assets</b>				
Cash	-	-	596	596
Trade and other receivables	619	619	18,959	18,959
<b>Financial Liabilities:</b>				
Trade and other payables	-	-	42,283	42,283

The carrying amount of the assets above represents the Company's maximum exposure to credit risk.

**15. 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 1), 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 charged to income in relation to defined contribution schemes amounted to £nil (2012: £77,486) 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 £264,483 (2012: £357,713).

**16. Deferred tax**

The company has £462,000 (2012: £529,000) of unrecognised deferred tax assets. These have not been recognised due to the uncertainty over the availability of sufficient taxable profits in the future.

Notes to accounts (continued)  
for the year ended 31 December 2013

**17. Share capital**

	2013 £000	2012 £000
<i>Allotted, called-up and fully-paid</i>		
2 ordinary shares of £1 each	-	-

**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 year end 31 December 2013:

**18. Related party transactions**

The immediate parent company is Thales Optronics Limited, a company incorporated in the UK. The ultimate parent company is Thales SA a company incorporated in France. This is also both the largest and smallest group which includes the company and for which consolidated financial statements are prepared. Copies of the group financial statements of Thales SA are available from 45 rue de Villiers, 92526 Neuilly sur Seine Cedex, France.

**Trading transactions**

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

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Parent company	-	-	-	-	619	17,302	-	33,533
Fellow subsidiaries	-	-	-	-	-	10	-	7,065

In advance of the company simplification project the decision was taken to forgive all intercompany trading balances within the Optronics companies. These were generated due to the recognition of revenue through Glasgow with the associated costs recognised within the source company. For Optronics as a whole this is a nil effect but had a large impact on the financials for the Staines entity.

Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

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.

**19. Compensation of key management personnel**

All remuneration of directors and other members during the year was made by Thales Optronics Ltd.