Thales Properties Limited

Annual report and financial statements
for the year ended 31 December 2021

Registered number: 1153834

Contents

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 comprise the ownership and management of properties and land in the UK used primarily by fellow subsidiaries within the Thales Holdings UK Plc group (Thales UK group) of companies.

The Company's strategy focuses on aligning the site physical footprint to the requirements of its fellow subsidiaries within the Thales UK group of companies through consolidation at its major sites, the continuous review of its other operating sites and disposal of vacant sites. This will improve utilisation and cost effectiveness of the Company's assets.

Section 172(1) Statement
The Directors have taken account of reporting requirements in *The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations)* which apply for 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 19 for ultimate parent company details).

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

Regular site provision reviews are held with the Company's main customer, Thales UK Limited, which is also the Company's immediate parent.

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 site provision and any site development projects.

Additionally, regular reviews are held with the senior management of Thales SA, the Company's ultimate parent, to address matters such as long term site provision strategy, as well as setting priorities for short to medium term site planning and cost management.

Employees are regularly engaged through a combination of team briefings and individual consultations, as indicated in the Directors' report.

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 were made by the Directors in conjunction with the Company's immediate parent company, Thales UK Limited, to prepare and implement a series of investment projects at the Company's main operational sites to support new ways of working, providing flexible office space in line with fast evolving new working requirements following the recent COVID-19 pandemic.

This included decisions on reducing footprint on some sites, as well as decisions to dispose of sites which are no longer operational.

Business review
Throughout the year the Company continued to develop its property portfolio in line with the evolving needs of the Thales UK group.

The Company generated an operating profit of £5,885,000 for the year (2020: operating profit of £1,590,000).

In line with Government guidelines, the Company maintained a comprehensive response during the year to the on-going COVID-19 virus to ensure safe operating arrangements for all employees, contractors, suppliers and visitors to the sites it operates for the Thales UK group. Extensive risk analysis was, and continues to be, carried out, and physical adaptations to all sites are rapidly implemented or updated as necessary.

It is anticipated that a number of these measures will remain in place, and will be augmented where appropriate, for the foreseeable future, resulting in a continued reduction in site attendance, with the result that many employees of Thales UK group will perform some of their work duties from home or other remote locations. Site based activities such as manufacturing and other activities requiring specialised facilities and equipment, as well as co-working with fellow employees and external parties, are expected to continue at all sites, subject to the continued operation of COVID-19 risk analysis and safe working arrangements.

During the year, the Company completed the construction of new manufacturing facilities at its site in Templecombe to support a major customer project and provide Industry 4.0 market leading manufacturing capability.

The Company also completed the refurbishment of the Dolphin House building at its freehold site in Cheadle Heath, as well as exiting Eagle House at Cheadle site. This work was to support new ways of working as well as making improvements to the wider site infrastructure to support business growth.

Other investments were made by the Company at its sites in Belfast, Crawley, Templecombe and Glasgow to support new customer programmes and upgrade critical infrastructure.

The Company also negotiated an exit from a long term lease at Maidenhead which was a vacant site. Additionally, the Company exited properties at Chessington and Bury St Edmunds as part of its long term strategy to consolidate the Thales UK footprint on its main sites. The Company also reduced its footprint at sites in Doncaster and Bristol by around 50% to support new ways of working.

The Company also sold off surplus land to further consolidate its estate and generate cash to fund its improvement of operational sites as outlined above.

The Directors are continuing to identify opportunities to progress the Company's site consolidation and improvement strategy, and a number of initiatives are planned for 2022, and beyond.

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 sites provided by the Company to its customers remain as safe as possible with specific actions in place to minimise the risk of COVID-19 infections on site. Additionally, the Company's main customers are fellow Thales subsidiaries, and so the Company works with its customers to put in place, review and amend as necessary, safe working methods which enable safe working to continue on all office and operational sites belonging to the Company.

Financial risk management objectives and policies
The key risk area facing the Company continues to be the general economic environment for disposing of surplus leasehold or freehold property. Whilst the outlook is not predicted to improve significantly in the near future, it is noted that the Company has succeeded in the year in improving its risk profile by disposing of a number of historic surplus sites during the year, and the Board has set a realistic timetable and price expectation for the disposal of further properties. This includes an assessment of the likely change to office-based employment activities more generally in the UK as a result of the COVID-19 pandemic which has led to much greater remote working and is expected to lead to lower demand for office space in the near to medium term, and potentially in the longer term.

Credit risk
The Company's principal financial assets are 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.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

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

Approved by the Board on 21 June 2022 and signed on its behalf by:

R.J.Norton, Director

350 Longwater Avenue
Green Park
Reading
Berkshire
RG2 6GF

Directors' Report

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. These matters relate to principal activities, business review, principal risks and uncertainties and future developments.

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

Going concern
The Company's business activities, together with the factors likely to affect its future position are set out in the Strategic Report on page 1.

In the Directors' view, as the Company's primary activity and source of future revenues is derived from the provision of operational sites to the Thales UK group of companies, which are themselves part of a substantial internationally based technology group with both diverse geographic markets and market sectors, the Company is well placed to continue to operate its business within its existing business model, and at the same time, to absorb and manage the uncertainties in the short to medium term associated with the way the Thales Group and its Customers have to continue to adapt to the potential on-going impacts of the COVID-19 pandemic.

At 31 December 2021, the Company had net current assets of £35,447,000 (2020: £24,303,000). Further, the Directors obtained a written confirmation of the intention of Thales UK Limited, the immediate parent company, to provide ongoing financial support to Thales Properties Limited, noting that Thales UK Limited is the Company's main customer. Having considered the operational and financial resources at the disposal of Thales UK Limited in respect of the written confirmation, the Directors consider that it is reasonable to place reliance on this confirmation and therefore they are confident that the Company will be able to continue to trade and meet its liabilities as they fall due for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Environmental information
The Company operates a comprehensive environmental policy complying with legislation, standards and best practice.

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

S. G. Davies
S. J. Stratton
C.W. Hindle
R.J. Norton

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.

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 experienced by the disabled and takes account of individual circumstances sympathetically.

Directors' Report (continued)

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, the staff council, trade union representatives 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.

Donations
No political donations were made during the year (2020: £Nil).

Post balance sheet events
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.

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

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

Approved by the Board on 21 June 2022 and signed on its behalf by:

R.J.Norton, Director

350 Longwater Avenue
Green Park
Reading
Berkshire
RG2 6GF

Statement of Directors' Responsibilities

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

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

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

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

Approved by the Board on 21 June 2022 and signed on its behalf by:

R.J.Norton, Director

350 Longwater Avenue
Green Park
Reading
Berkshire
RG2 6GF

Independent auditor's report to the members of Thales Properties Limited

Opinion

We have audited the financial statements of Thales Properties 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, the statement of cash flows 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 UK-adopted international accounting standards.

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; and
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Evaluating the directors' method to assess the company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern; and
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

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.

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

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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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, anti-bribery, corruption, fraud and 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.

Auditor's responsibilities for the audit of the financial statements continued

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and 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 and management bias through judgements and assumptions in significant accounting estimates.

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 our report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

J. Sean

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

21 June 2022

Statement of comprehensive income

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Continuing operations			
Revenue	4	16,555	15,244
Cost of sales		(9,044)	(12,569)
Gross profit		7,511	2,675
Profit on disposal of investment property		538	-
Administrative expenses		(2,164)	(1,085)
Operating profit	5	5,885	1,590
Finance income		440	291
Finance costs	6	(3,914)	(3,701)
Profit / (Loss) before tax from continuing operations		2,411	(1,820)
Income Tax	8	-	-
Profit / (Loss) for the year		2,411	(1,820)

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

Statement of financial position

for the year ended 31 December 2021

Company Registered number: 1153834

	Note	2021 £000	2020 £000
ASSETS			
Non-current assets			
Property right of use assets	9	118,213	126,321
Investment property	10	74,871	76,298
		193,084	202,619
Current assets			
Trade and other receivables	11	53,030	40,107
Total assets		**246,114**	**242,726**
Current liabilities			
Trade and other payables	13	(7,543)	(5,924)
Amounts due under finance leases within one year	14	(8,716)	(8,427)
Provisions	16	(1,324)	(1,453)
		(17,583)	(15,804)
Net current assets		**35,447**	**24,303**
Non-current liabilities			
Amounts due under leases after one year	14	(132,715)	(139,113)
Provisions	16	(24,990)	(19,394)
Total non-current liabilities		**(157,705)**	**(158,507)**
Total net assets		**70,826**	**68,415**
EQUITY			
Share capital	18	70,001	70,001
Retained earnings / (deficit)		825	(1,586)
Total Shareholder's funds		**70,826**	**68,415**

The financial statements on pages 10 to 28 were approved by the Board of Directors and authorised for issue on 21 June 2022. They were signed on its behalf by:

R.J.Norton, Director

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

Statement of changes in equity
for the year ended 31 December 2021

	Attributable to equity holders of the Company		
	Share capital	Retained Earnings/ (Deficit)	Total Shareholder's funds
	£000 (Note 18)	£000	£000
At 1 January 2020	70,001	234	70,235
Loss for the year	-	(1,820)	(1,820)
At 31 December 2020	70,001	(1,586)	68,415
Profit for the year	-	2,411	2,411
At 31 December 2021	70,001	825	70,826

The retained earnings relate to the performance of the business.

Statement of cash flows

for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
OPERATING ACTIVITIES			
Profit / (Loss) before tax from continuing operations		2,411	(1,820)
Add back finance costs	6	3,914	3,701
Less finance income		(440)	(291)
Operating profit		**5,885**	**1,590**
Amortisation of right of use assets	9	11,037	11,138
Impairment charge for right of use assets	9	558	558
Depreciation of investment property	10	14,063	16,842
Profit on disposal of investment property	10	(538)	-
Increase/(Decrease) in provisions	16	5,467	(1,355)
Dilapidations assets and other asset movements (non-cash)		(8,621)	169
Working capital adjustments:			
(Increase)/Decrease in receivables	11	(12,924)	1,938
Increase/(Decrease) in payables	13	1,465	(3,461)
Net cash flow from operations		**16,392**	**27,419**
Interest paid including on leases		(3,914)	(3,701)
Interest received		440	291
Net cash flow from operating activities		**12,918**	**24,009**
INVESTING ACTIVITIES			
Repayments of lease liabilities for right of use assets		(9,550)	(6,170)
Purchases of investment property		(5,748)	(17,839)
Proceeds of sale of investment property		2,380	-
Net cash flow used in investing activities		**(12,918)**	**(24,009)**
Net increase in cash & cash equivalents		-	-
Cash & cash equivalents at beginning of year	12	-	-
Cash & cash equivalents at end of year	12	-	-

Notes to financial statements
for the year ended 31 December 2021

1. Corporate information

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 21 June 2022. The Company is a limited company incorporated and domiciled in England & Wales. The address of the registered office is given on page 3. The nature of the Company's operations and principal activities are set out in the Strategic Report on page 1. Information on its ultimate parent is presented in note 19.

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 United Kingdom. The financial statements have been prepared on a historical cost basis. The financial statements are presented in pounds sterling, the currency in which the majority of the Company's transactions are denominated, and all values are rounded to the nearest thousand, (£000), except when otherwise indicated.

The principal accounting policies adopted are set out below:

Going concern basis
As indicated in the Directors' Report, in the Directors' view, as the Company's primary activity and source of future revenues is derived from the provision of operational sites to the Thales UK group of companies, which are themselves part of a substantial internationally based technology group with both diverse geographic markets and market sectors, the Company is well placed to continue to operate its business within its existing business model, and at the same time, to absorb and manage the uncertainties in the short to medium term associated with the way the Thales Group and its Customers have to continue to adapt to the potential on-going impacts of the COVID-19 pandemic.

At 31 December 2021, the Company had net current assets of £35,447,000 (2020: £24,303,000). Further, the Directors obtained a written confirmation of the intention of Thales UK Limited, the immediate parent company, to provide ongoing financial support to Thales Properties Limited, noting that Thales UK Limited is the Company's main customer. Having considered the operational and financial resources at the disposal of Thales UK Limited in respect of the written confirmation, the Directors consider that it is reasonable to place reliance on this confirmation and therefore they are confident that the Company will be able to continue to trade and meet its liabilities as they fall due for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Property right of use assets under lease
Right of use assets represent the rights acquired under lease agreements, and are subject to an annual amortisation charge in the statement of 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 leased assets is provided in the accounting policy below on Leases.

Investment property
Investment properties are those properties being held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs.

Investment properties are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Depreciation is provided 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:

Land	Nil
Freehold buildings	20 – 50 years
Leasehold land and buildings	Lesser of useful life or term of the lease
Machinery and fittings	3 – 10 years
Leasehold fixtures and fittings	Lesser of useful life or term of lease

Properties held for sale
Properties classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Properties are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable within one year and the property is available for immediate sale in its present condition.

Impairment
The carrying amounts of the Company's non-financial assets and right of use lease assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Provisions
A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

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

Trade receivables
Trade receivables are carried at fair value, with a simplified approach to determining expected credit losses in line with IFRS 9. In the majority of cases, fair value will equate to the 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. Cash and cash equivalents are pooled with Thales group undertakings.

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

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

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

Leases
The Company has in place lease agreements in respect of property.

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. 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 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 recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is comprised of rental income from tenants of the Company's investment properties.

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis.

Revenue from the sale of properties is recognised when the significant risks and returns have been transferred to the buyer, which is generally upon completion of the transaction or unconditional exchange.

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.

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:

Investment property valuation
Investment property is stated at cost net of accumulated depreciation and accumulated impairment losses. The assessment for impairment involves comparing the book value of an asset with its recoverable value, being the higher of value in use and fair value less costs to sell. Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and discount rate involve estimation uncertainty. The key assumptions used to determine the fair value of investment property are disclosed in note 10.

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.

Deferred tax recognition
Deferred tax assets are recognised for all unused tax losses to the extent that it is probably 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 8.

Notes to financial statements (continued)

for the year ended 31 December 2021

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

New standards issued but not yet effective

In the Directors' view, there are no IFRS that are applicable to the Company but are not yet effective.

4 Revenue

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

	2021 £000	2020 £000
Property rental income	15,823	14,567
Intercompany management fee income	732	677
Revenue per statement of comprehensive income	16,555	15,244

5 Operating profit

Operating profit is stated after charging / (crediting):

	2021 £000	2020 £000
Amortisation of right of use leased assets (Note 9)	11,037	11,138
Impairment charge for right of use lease assets (Note 9)	558	558
Depreciation of investment property (Note 10)	14,063	16,842
Project costs re-charged to fellow subsidiary	(4,329)	(9,861)
Gain on Disposal of investment property	(538)	-
Direct expenses (including repairs and maintenance) of occupied properties	4,458	6,796
Direct expenses (including repairs and maintenance) of vacant properties	1,311	424
Rates rebate	(4,524)	-
Payments under short term and low value service arrangements	-	17
Staff costs	1,211	1,148
Auditor's remuneration for audit services	10	10

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

6 Finance costs

	2021 £000	2020 £000
Interest on leases	3,438	3,569
Unwinding on discounts on provisions	476	132
Total finance costs	3,914	3,701

7 Staff costs

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

	2021 Number	2020 Number
Administration	6	10
Facilities Management	6	5

Their aggregate remuneration comprised:	2021 £000	2020 £000
Wages and salaries	988	934
Social security costs	102	91
Other payroll costs	40	45
Other pension costs	81	78
	1,211	1,148

Directors' emoluments

The total remuneration of Directors in the year in respect of services performed on behalf of the Company is set out below:

	2021 £000	2020 £000
Remuneration of directors	121	120
Pension scheme contributions	13	9
Amounts relating to the highest paid Director:		
Remuneration	121	120
Pension scheme contributions	13	9

	Number	Number
During the period the following number of Directors accrued benefits under the following schemes:		
• Defined benefit pension schemes	-	-
• Money purchase schemes	1	1
The number of Directors who exercised share options	-	-
The number of Directors who received share options or shares under long term incentive schemes	1	1

8 Income tax

	2021 £000	2020 £000
Current tax:		
UK Corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences charge	1,021	529
Adjustments in respect of prior years	(1,021)	(529)
Total deferred tax	-	-
Total tax credit for the year	-	-

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	2,411	(1,820)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	458	(346)
Tax effect of:		
Income not chargeable for tax purposes	(1,673)	2,243
Movement in unrecognised deferred tax	5,957	(262)
Deferred tax rate change impact movement	(2,128)	-
Group relief gain/(received) for nil payment	-	(1,106)
Adjustments to prior year (deferred tax)	(1,021)	(529)
R&D tax credit claim from Thales UK Group for no consideration	(1,593)	-
Total tax charge	-	-

Following the March budget 2021 it was decided to maintain the corporation tax rate at 19% from 1 April 2021 and also 1 April 2022 .The Finance Act 2021 provides 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 24 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

A deferred tax asset of £8,668,000 (2020: £2,911,000) has not been recognised in relation to fixed asset temporary differences. These assets may be recovered if sufficient taxable profits are made in the future.

9 Property right of use assets

The Company leases certain buildings and sites from third party landlords for the purpose of providing suitable operating facilities under short term – medium service agreements to fellow subsidiaries of the Thales UK group.

A re-charge is made to the occupant of these buildings and sites.

	Right of Use Lease Assets Leased Properties £000
Cost	
At 1 January 2020	**149,693**
Additions	348
Disposals	(1,422)
At 31 December 2020	**148,619**
Additions	6,469
Disposals	(5,575)
At 31 December 2021	**149,513**
Amortisation and Impairment	
At 1 January 2020	**11,530**
Amortisation charge for the year	11,138
Impairment charge for the year	558
Disposals	(928)
At 31 December 2020	**22,298**
Amortisation charge for the year	11,037
Impairment charge for the year	558
Disposals	(2,593)
At 31 December 2021	**31,300**
Carrying Amount	
At 1 January 2020	**138,163**
At 31 December 2020	**126,321**
At 31 December 2021	**118,213**

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.

10 Investment property

	2021	2020
	£000	£000
Cost		
Balance at beginning of year	185,319	167,616
Additions in year	14,459	17,703
Disposals in year	(5,555)	-
Balance at end of year	**194,223**	**185,319**

	2021	2020
	£000	£000
Accumulated depreciation and impairment		
Balance at beginning of year	109,020	92,178
Depreciation charged in year	14,063	16,842
Disposals in year	(3,731)	-
Balance at end of year	**119,352**	**109,020**
Carrying Amount		
As at 31 December	**74,871**	**76,299**

The Company's investment properties comprise the ownership and management of properties and land in the UK used primarily by fellow subsidiaries within the Thales Holdings UK Plc group of companies. The Company has adopted the cost method in valuing its properties at £74,871,000 (2020: £76,299,000).

The Directors have assessed the fair value of the investment properties and consider that the fair value is equal to, or greater than, their carrying value. As part of their assessment the Directors took into account freehold property values based on an independent external valuation report which was prepared for the Company in 2019.

The updated analysis of freehold property confirms that the net book value of each of the Company's freehold properties at 31 December 2021 is lower than the respective building valuation in the independent report, and consequently no impairment is deemed necessary. In the Directors' opinion, the Company will recover through future rental streams at least the current net book value of the properties which are all used by fellow group companies and it is anticipated that these sites will continue to be used by the group for the foreseeable future.

Included in the investment property balance above are £10,898,000 (2020: £12,101,000) of assets under construction, that are not depreciated as at 31 December 2021.

£8,067,000 of the net book value represents the discounted contractual obligations for property dilapidations (2020: £6,677,000).

At 31 December 2021, amounts contracted for but not provided in the financial statements for the acquisition of investment property amounted to £2,882,000, (2020: £18,505,000).

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

11 Trade and other receivables

	2021 £000	2020 £000
Trade receivables	-	332
Amounts owed by group undertakings	48,524	35,460
Prepayments	4,506	4,315
	53,030	40,107

Trade receivables are amounts due from external and intra-group customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. The Directors consider that due to the materiality value and aging of the trade debtors that no impairment is required as at 31 December 2021.

In line with the Company's approach to determining expected credit losses per IFRS 9, the Directors consider that, based on the past good experience of its recovery of Trade receivables, there is no significant exposure for which an expected credit loss provision should be made. This takes due account of the low exposure to third party Trade receivables, with the most significant balance receivable being from fellow group companies.

Consequently, the Directors consider that Trade receivable balances stated above represent the fair value of these receivables.

12 Cash and cash equivalents

Bank balances and cash are pooled with fellow Thales group undertakings.

13 Trade and other payables

	2021 £000	2020 £000
Trade payables and accruals	7,543	5,924
	7,543	5,924

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

14 Lease liabilities

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 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	12,637	(3,921)	8,716
Lease payments due between 12 months and 5 years	51,799	(10,490)	41,309
Lease payments due after 5 years	101,144	(9,738)	91,406
Total lease payments due	**165,580**	**(24,149)**	**141,431**
Amounts shown in Current Liabilities			8,716
Amounts shown in Non-current Liabilities			132,715
Total lease payments due			**141,431**

At 31 December 2020

	Gross Payments £000	Interest not yet incurred £000	Net obligation £000
Lease payments due in less than 12 months	11,796	(3,369)	8,427
Lease payments due between 12 months and 5 years	49,223	(11,386)	37,837
Lease payments due after 5 years	114,543	(13,267)	101,276
Total lease payments due	**175,562**	**(28,022)**	**147,540**
Amounts shown in Current Liabilities			8,427
Amounts shown in Non-current Liabilities			139,113
Total lease payments due			**147,540**

The total cash outflow during the year in relation to the above leases was £12,998,000 (2020: £9,739,000).

15 Financial Instruments

Categories of financial instruments

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial assets:				
Trade and other receivables (Note 11)	-	-	332	332
Amounts owed by Group Companies (Note 11)	48,524	48,524	35,460	35,460
Financial liabilities:				
Trade and other payables (Note 13)	7,543	7,543	5,924	5,924
Amounts due under finance leases (Note 14)	141,431	141,431	147,540	147,540

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

Fair value hierarchy

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

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

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

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

16 Provisions

	Dilapidations £000	Total £000
At 1 January 2021	20,847	20,847
Additional provision in the year	2,664	2,664
Transfer from other entity	2,832	2,832
Utilisation of provision	(120)	(120)
Unused amounts reversed	(385)	(385)
Unwinding of discount	476	476
At 31 December 2021	26,314	26,314

	2021 £000	2020 £000
Amounts shown in Current Liabilities	1,324	1,453
Amounts shown in Non-current Liabilities	24,990	19,394
	26,314	20,847

The dilapidations provision relates to leased properties where restoration costs are contractually required at the end of the lease. Where such costs arise as a result of capital expenditure on the leased asset, the restoration costs are also capitalised. This provision will be fully utilised by December 2035.

17 Payments under short term and low value service arrangements

At the date of the statement of financial position the Company had outstanding commitments under short term and low value service arrangements which fall due as follows:

	2021	2020
	£000	£000
Lease payments due in less than 12 months	-	9
Lease payments due after 12 months	4	29
	4	38

The total cash outflow during the year in relation to short term leases was £Nil (2020: £17,000).

The total cash outflow during the year in relation to low value leases was £100 (2020: £100).

18 Share capital

	2021	2020
	£000	£000
Authorised		
70,001,000 ordinary shares of £1 each (2020: 70,001,000 ordinary shares)	70,001	70,001
Allotted, called-up and fully-paid		
70,001,000 ordinary shares of £1 each (2020: 70,001,000 ordinary shares)	70,001	70,001

Capital management

The objective of the Company's capital management is to ensure that it maintains an adequate credit rating and sufficient 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 ended 31 December 2021.

Notes to financial statements (continued)

for the year ended 31 December 2021

19 Related party transactions

The immediate parent company is Thales UK 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 Tour Carpe Diem, 31 place des Corolles, 92098 Paris La Defense Cedex, France.

Trading transactions

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

	Rental income		Purchases		Amounts owed by related parties		Amounts owed to related parties	
	2021	2020	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000	£000	£000
Immediate parent	3,249	3,008	31	-	45,680	35,402	-	-
Fellow subsidiaries	11,687	10,540	18	54	2,844	58	-	-
Total	14,936	13,548	49	54	48,524	35,460	-	-

Provisions for doubtful debts relating to related parties were £Nil (2020: £Nil). The expense recognised in the year in respect of bad and doubtful debts due from related parties was £Nil (2020: £Nil).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

20 Events after the reporting period

In the Directors' view, other than as disclosed in the Directors' Report, 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.