

# Thales DIS UK Limited

(Formerly Gemalto UK Limited)

## Annual Report and Financial Statements Year Ended 31 December 2020

Registered Number: 1278148



# **THALES DIS UK LIMITED**

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# THALES DIS UK LIMITED

## Strategic Report

The Directors present their Strategic Report for Thales DIS UK Limited, ("the Company"), for the year ended 31 December 2020.

### PRINCIPAL ACTIVITIES

The Company personalises and distributes smart cards and magnetic stripe cards to the banking and telecoms industries. We provide financial institutions with EMV contact and contactless cards as well as related card personalisation and issuance services such as in-brand instant issuance. Our latest innovations include pioneering payment cards with a fingerprint sensor for biometric authentication and metal cards for high-end users. We also provide a range of solutions for white label schemes allowing local customisation of the broad EMV standards as well as contactless ticketing for mass transit.

Additionally, the Company is the sole supplier of passports and driving licences to the UK Government.

### REVIEW OF THE BUSINESS

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

	2020	2019	Change
	£000	£000	%
Turnover	107,679	124,411	-13%
Profit before tax	4,308	6,082	-29%
Shareholders' funds	38,662	36,330	+6%
Average monthly number of employees	378	343	+10%

Turnover decreased during 2020 by 13% compared to the prior year due to various factors, of which the COVID-19 pandemic was partially responsible. Our banking and payments products declined on the back of an exceptional year in 2019. Our HMPO passport contract revenues were lower in 2020, partially from a drop in demand relating to COVID-19, but mainly due to set up fees being fully billed in 2019. DVLA revenue was also lower than 2019, which was driven by some COVID impact combined with the customer running down card stock levels in readiness for launching a new design in 2021. The mobile sim card business suffered a decline from a fall in demand.

A dividend was not received during the year from the Company's subsidiary Multos Limited (2019: £2,500,000).

The deficit on the defined benefit pension scheme decreased to £9,845,000 from £10,702,000 at the start of the year.

### BUSINESS MODEL

Thales DIS UK Limited acts as a Limited Risk Distributor within the Thales Digital Identity and Security business line selling products and services developed and produced by the business. The Company operates in three principal markets, Banking and Payment Systems, Telecoms and Identity and Biometric Solutions.

# **THALES DIS UK LIMITED**

## **Strategic Report continued**

### **BUSINESS STRATEGY**

Thales DIS UK Limited works across the Banking, Government and Telecoms market sectors. We offer a range of products and services that have as a common denominator, the need to protect data and individuals from fraud, and to allow third parties to easily identify their potential customers or users. Our objective is to be the leading provider of digital security.

Our aim is to consistently grow both our revenues and market shares in all the areas in which we operate, through constant innovation of our product offering.

Our products include the production of the UK passport and driving licence; providing payment cards and card reader to many UK banks and financial institutions including three of the top five UK banks; providing cloud and on premises solutions to meet the needs of PSD2 and other regulations; providing products to ensure engaging in authentication and transactions on the Web is safe and secure; and providing SIM cards and e-sims to most of the UK's mobile operators in addition to providing services to enable real time communication with handsets to enable configuration changes.

### **FUTURE OUTLOOK**

The Company has a stable customer base consisting of government agencies, banks and mobile network operators. For 2021, the business expects revenue and profit before tax to be comparable with 2020. An expected decline in demand for banking and payment readers should be offset by revenue growth in the Identity and Biometrics business.

Following the rollout of a vaccine throughout the United Kingdom and economic activity returning to more normal levels, the Company is confident it will stabilise its business and grow its market share.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's operations expose it to a variety of financial and non-financial risks that include the effects of credit risk, liquidity risk, currency risk and price risk. The board reviews and agrees policies for managing these risks. The policies remained unchanged throughout the year and are summarised below.

The risk factors mentioned below are those material risk factors of which the Company's Directors are aware. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

### **COVID-19**

The impact of COVID-19 has been relatively limited, impacting mostly the demand for passports, where demand dropped in 2020.

At the time of signing these financial statements, the Directors have not identified any impacts of COVID-19 which might require a material change to the current activities of the Company, nor which would require any adjustments to the financial amounts presented in the financial statements at 31 December 2020.

# THALES DIS UK LIMITED

## Strategic Report continued

### **Brexit risk**

Brexit is one of the most significant economic events for the UK and at the date of this report. However, to date, management has not yet identified a specific element that would lead it to believe that the economic environment in which Thales DIS UK operates would be materially affected. Therefore, it has not taken any particular decision in relation to its business or its UK subsidiaries concerning the effects of Britain exiting the European Union.

### **Credit risk**

The Company is exposed to credit related losses in the event of non-payment by its customers. The Company mitigates this exposure by ensuring adequate background on credit risk is known prior to contracting with customers and through selection of customers with suitable credit ratings. Credit limits are applied to all customer accounts and are actively reviewed and managed throughout the year.

### **Liquidity risk**

Both Brexit uncertainties and COVID-19 related impacts could adversely affect the Company's cash flow generation. Being part of the Thales group means that the Company has access to cash at short notice should it need additional funding. The risk of the Thales group not being able to provide such funding is considered low by the Directors.

### **Currency risk**

The Company has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Company's functional currency. However, given the size of the Company's operations, the costs of managing exposure to currency risk are considered to exceed any potential benefits and therefore the Company does not engage in any hedging in respect of currency risks, with hedging being managed centrally in the Thales group as part of a cash pooling arrangement to settle intercompany balances between entities.

### **Price risk**

The Company is exposed to commodity and other price risk as a result of its operations. However, given the size of the Company's operations and that the majority of purchases are made from other Group companies, the costs of managing exposure to commodity price risk are considered to exceed any potential benefits.

## **SECTION 172(1) STATEMENT**

The Directors have taken account of the reporting requirements as required by The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations) which apply for companies which meet certain criteria. 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) statement 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 17 for ultimate parent company details).

The Directors consider the key stakeholders of the Company to be its customers, suppliers, shareholder and employees.

### **Customers**

Customers are key to the success of our business. The Company is strongly focused on providing first class service levels and quality goods to our customers. 2020 has been a challenging year due to COVID-19. Never the less the Directors and their senior management team have been able to maintain strong customer relationships through telephone and video conference meetings throughout the year rather than site visits and face-to-face meetings.

# THALES DIS UK LIMITED

## Strategic Report continued

### Suppliers

The Company maintains close contact with its suppliers as they are a key contributor to the Company's ability to meet its customers' requirements. As a Limited Risk Distributor within the Thales Digital Identity and Security business line, the key suppliers are internal. Regular interaction takes place between Thales DIS UK Limited and its intercompany suppliers. The Directors and senior management team have regular reviews of demand and liaise with the supply chain and operations team to ensure there is sufficient capacity to meet customer demand and agreed service levels.

### Shareholder

As set out in Note 17, the Company's immediate parent company is Thales UK Limited and the ultimate parent company is Thales SA, a company registered in France.

There is a close engagement between the Company and its ultimate shareholder to ensure that the capability of the Company in delivering for its customers is supported by the wider Thales Group which provides access to specialist technical knowledge and resources. There are also formal mechanisms for reporting and reviewing both operational and financial performance of the Company, as well as for the provision of an overall governance framework within which the Company operates.

### Employees

People are the Company's greatest assets. Keeping people safe from harm and creating a healthy and safe environment wherever we operate is our number one priority. The health and well-being of the Company's people has been a particular focus for the Company throughout the global outbreak of the COVID-19 virus. During this period, we have put in place a number of measures specifically designed to ensure that employees are protected as far as possible from the risk of exposure to COVID-19 as a result of their work for the Company, including revised access and working arrangements on operational sites, and equipping our people to work from home where possible throughout the period, backed by advice and support to assist people in managing the change in working patterns and balance the impact on their home lives.

The Company's Directors and management team actively engaged in dialogue with employees through the use of various representative groups and internal communications forums which were addressed to all employees. This included an annual employee engagement survey which provided substantial feedback to the Directors and management.

The Company held regular team briefings led by local management teams to ensure that current topics, including business performance, were appropriately shared and discussed with employees, with the key matters arising reported to the Board. Additionally, the Company actively engaged with employee representative groups, such as recognised trade unions, with formal updates provided via periodic meetings.

Where the Directors were considering plans that may impact the working conditions of certain groups of employees, for example restructuring or relocation of teams, these topics were addressed directly through consultation with the employees who may have been impacted in order to accommodate as far as possible the reasonable needs of employees within the objectives of the business. Thus, wherever possible, impacted employees were encouraged and supported to be re-deployed in other work areas, or on alternative projects for which they had the appropriate skills and experience, in line with the business' needs. Consultations of this nature were carried out with the aim of enabling employees to plan for, and manage, as far as reasonably possible, the impacts that may have been involved for them.

### Ethics and compliance

The Company recognises the importance of having a strong ethics culture in terms of behaving in the right way in business to protecting its reputation and has been operating an awareness programme to ensure responsible practices and ethical conduct are applied systematically throughout the organisation. All staff are required to complete an annual ethics compliance course.

## THALES DIS UK LIMITED

### Strategic Report continued

#### Environmental information

The Company adheres to a comprehensive environmental policy within a framework operated by the Thales group. This involves complying with legislation, standards and best practice. We operate in a way that seeks to protect the environment, preserve biodiversity and respect natural sites. We are reducing our footprint by minimising our resources, seeking less environmentally harmful alternatives where we can, recycling and preventing pollution wherever possible. In addition, we monitor power and water consumption on all our sites and have programmes in place to reduce consumption, as well as CO<sub>2</sub> emissions, and move to a more sustainable business in line with the UN sustainable development goals.

#### Decision making

When considering significant business decisions, such as specific site developments or changes in activity, the Company seeks to involve the appropriate stakeholders, and has regard for the potential impacts of decisions, seeking as far as reasonably possible to balance the interests of stakeholders with the objectives of the Company.

#### UK pension scheme

The Company is the participating employer of the Gemplus Limited Staff Pension Scheme, which closed to new members in August 2004 and to all other future accrual in March 2007. The independent pension scheme trustees calculated a deficit for the UK scheme in the 31 December 2018 valuation and a recovery plan was put in place. A new schedule of contributions to be paid by the Company was signed in March 2020. Details of the pension scheme can be found in Note 19.

By order of the board



Lloyd Smith

Director

350 Longwater Avenue,  
Green Park,  
Reading RG2 6GF

30 September 2021

# THALES DIS UK LIMITED

## Directors' Report

The Directors present their report and audited financial statements for the Company for the year ended 31 December 2020.

### **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 the principal activity, business review and principal risks and uncertainties.

### **Post balance sheet events**

A summary of the impact that COVID-19 has had on the Company during the post balance sheet period and the actions management has taken are disclosed in the Strategic Report.

Management has also evaluated the potential impact of COVID-19 on the valuation of its assets and concluded that there has been no material change from the balance sheet date.

### **Going concern**

The Company had net assets at 31 December 2020 represented by share capital and reserves amounting to £38,662,000 with £30,282,000 cash in the bank. The Directors have prepared updated cash flow forecasts, including consideration of the impact of COVID-19 on the business, and the Directors have a reasonable expectation that the Company has sufficient resources to meet its operating liabilities as they fall due.

The Directors have also considered the sensitivity to changes in the assumptions used in preparing the updated cash flow forecasts and the commitment of financial support from the parent company if the actual cash flows reduced to the extent that this financial support was required.

Thales UK Limited has confirmed that it will provide the necessary financial support for the foreseeable future to enable the Company to meet its liabilities as they fall due. The Directors of the Company have made appropriate enquiries of the Directors of Thales UK Limited to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis.

### **Environmental information**

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

### **Results and Dividends**

The Company's results before taxation amounted to a profit of £4,308,000 (2019: £6,082,000 profit). The Directors do not propose a dividend for the year (2019: £nil).



# **THALES DIS UK LIMITED**

## **Directors' Report continued**

### **Directors**

The following Directors held office during the year and up to the date of signing the financial statements.

H Berg  
L Smith

### **Political contributions**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2019: £nil).

### **Disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

By order of the board



Lloyd Smith

Director

30 September 2021

350 Longwater Avenue,  
Green Park,  
Reading RG2 6GF

## THALES DIS UK LIMITED

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in FRS102 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## THALES DIS UK LIMITED

### Independent Auditor's Report to the members of Thales DIS UK Limited

#### Opinion

We have audited the financial statements of Thales DIS Limited for the year ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

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

#### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

#### Other information

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

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

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

## THALES DIS UK LIMITED

### Independent Auditor's Report to the members of Thales DIS UK Limited

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

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

- adequate accounting records have not been kept 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 set out on page 10, 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 these financial statements.

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework

## THALES DIS UK LIMITED

### Independent Auditor's Report to the members of Thales DIS UK Limited

(United Kingdom Generally Accepted Accounting Practice) and the relevant tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being the General Data Protection Regulation, those laws and regulations relating health and safety and employee matters.

- We understood how the company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We corroborated our enquiries through our review of board minutes and by understanding the entity level controls implemented by those charged with governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries of management to understand where it considered there was susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We assessed the controls the Company has established to address the risks identified, or that otherwise prevent, deter or detect fraud and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk to provide reasonable assurance that the financial statements were free from error.

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

#### Use of our report

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



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

30 September 2021

Registered Number 1278148

# THALES DIS UK LIMITED

## Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Turnover</b>	<b>2</b>	<b>107,679</b>	<b>124,411</b>
<b>Cost of sales</b>		<b>(94,665)</b>	<b>(109,165)</b>
<b>Gross profit</b>		<b>13,014</b>	<b>15,246</b>
Distribution costs		(5,294)	(5,540)
Administrative expenses		(3,213)	(5,786)
<b>Operating profit</b>	<b>3</b>	<b>4,507</b>	<b>3,920</b>
Income from shares in group undertakings	10	-	2,500
Interest receivable and similar income	5	9	9
Interest payable and similar charges	6	(208)	(347)
<b>Profit before taxation</b>		<b>4,308</b>	<b>6,082</b>
<b>Tax on profit</b>	<b>7</b>	<b>(876)</b>	<b>(495)</b>
<b>Profit for the financial year</b>		<b>3,432</b>	<b>5,587</b>
<b>Other comprehensive income:</b>			
Actuarial gain on pension scheme	19	(1,151)	833
Movement in deferred tax on pension scheme		51	(320)
<b>Other comprehensive income for the year, net of tax</b>		<b>(1,100)</b>	<b>513</b>
<b>Total comprehensive Income for the year</b>		<b>2,332</b>	<b>6,100</b>

The items dealt with in the above Profit and Loss Account relate to continuing operations.

The notes on pages 17 to 42 form part of these financial statements.

# THALES DIS UK LIMITED

## Balance Sheet at 31 December 2020

Registered Number 1278148

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	8	2,696	3,304
Tangible assets	9	7,936	7,804
Investments in subsidiaries	10	-	-
		<b>10,632</b>	<b>11,108</b>
<b>Current assets</b>			
Stocks	11	12,671	9,926
Debtors	12	27,410	43,564
Cash at bank and in hand		30,282	10,628
		<b>70,363</b>	<b>64,118</b>
<b>Creditors:</b>			
Amounts falling due within one year	13	(28,747)	(24,459)
<b>Net current assets</b>		<b>41,616</b>	<b>39,659</b>
<b>Total assets less current liabilities</b>		<b>52,248</b>	<b>50,767</b>
<b>Post-retirement benefits</b>	19	<b>(9,845)</b>	<b>(10,702)</b>
<b>Provisions for liabilities</b>	14	<b>(3,741)</b>	<b>(3,735)</b>
<b>Net assets</b>		<b>38,662</b>	<b>36,330</b>
<b>Capital and reserves</b>			
Called up share capital	16	54,656	54,656
Pension reserve		(17,637)	(16,537)
Merger reserve		(7,410)	(7,410)
Retained earnings		9,053	5,621
<b>Total shareholders' funds</b>		<b>38,662</b>	<b>36,330</b>

The financial statements were approved by the board of Directors on 30 September 2021 and were signed on its behalf by:



Lloyd Smith  
Director

The accompanying notes form part of these financial statements.

# THALES DIS UK LIMITED

## Statement of changes in equity For the year ended 31 December 2020

Registered Number 1278148

	Note	Called up share capital £'000	Pension reserve £'000	Merger reserve £'000	Retained earnings £'000	Total shareholder funds £'000
<b>Balance as at 1 January 2019</b>	16	54,656	(17,050)	(7,410)	34	30,230
Profit for the financial year		-	-	-	5,587	5,587
Other comprehensive income:						
Actuarial gain on pension scheme	19	-	833	-	-	833
Deferred tax relating to pension liability		-	(320)	-	-	(320)
Other comprehensive income for the year, net of tax		-	513	-	-	513
Total comprehensive income for the year		-	513	-	5,587	6,100
<b>Balance as at 31 December 2019</b>	16	54,656	(16,537)	(7,410)	5,621	36,330
Profit for the financial year		-	-	-	3,432	3,432
Other comprehensive income:						
Actuarial loss on pension scheme	19	-	(1,151)	-	-	(1,151)
Deferred tax relating to pension liability		-	51	-	-	51
Other comprehensive loss for the year, net of tax		-	(1,100)	-	-	(1,100)
Total comprehensive income for the year		-	(1,100)	-	3,432	2,332
<b>Balance as at 31 December 2020</b>	16	54,656	(17,637)	(7,410)	9,053	38,662

The merger reserve was created under merger accounting principles following the acquisition of the net assets of £3,590,000 of Gemplus Limited on 1 April 2007 for consideration of £11,000,000.



# Thales DIS UK Limited

## Notes to the financial statements

### General information

Thales DIS UK Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 01278148 and the registered address is 350 Longwater Avenue, Green Park, Reading, Berkshire, England, RG2 6GF.

### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") as issued in March 2018. The presentation and functional currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Thales SA include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and  
Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other financial instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

### Group accounts not prepared

The financial statements contain information about Thales DIS UK Limited as an individual company and do not contain consolidated financial information as the parent of the group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of Thales SA, the Company's ultimate parent undertaking registered in the France.

## 1 Accounting Policies

### Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Measurement convention

## **Thales DIS UK Limited**

### **Notes to the financial statements**

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

#### **b) Going concern**

At 31 December 2020 the Company had cash balances of £30,282,000 and net assets of £38,662,000. The Directors have prepared updated cash flow forecasts, including consideration of the impact of COVID-19 on the business, and the Directors have a reasonable expectation that the Company has sufficient resources to meet its operating liabilities as they fall due.

The Directors have also considered the sensitivity to changes in the assumptions used in preparing the updated cash flow forecasts and the commitment of financial support from the parent company if the actual cash flows reduced to the extent that this financial support was required.

Thales UK Limited has confirmed that it will provide the necessary financial support for the foreseeable future to enable the Company to meet its liabilities as they fall due. The Directors of the Company have made appropriate enquiries of the Directors of Thales UK Limited to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis.

#### **c) Foreign currency**

##### *Functional and presentation currency*

The Company's functional and presentational currency is the pound sterling.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

# Thales DIS UK Limited

## Notes to the financial statements

### 1 Accounting Policies (continued)

#### d) Turnover

Turnover represents amounts receivable (excluding VAT) for sales of products and for the supply of related services. Turnover is recognised upon delivery of products and services to customers and when the appropriate terms and conditions of sale have been met. Where sales invoices have been presented, but the Company still holds the related products under instruction from the customer ("bill and hold sales"), turnover is only recognised where evidence is held that the risk and full reward of ownership has transferred to the customer.

Certain turnover is recognised using the percentage of completion method as services are provided (according to criteria applied on a consistent basis). These services include the provision of specific software platforms. Under the percentage of completion method, the extent of progress towards completion is measured based on actual costs incurred to total estimated costs. Losses on contracts are recognised during the period in which the loss first becomes probable and can be reasonably estimated.

Where the sales price of a contract includes an element of maintenance and support, an amount equal to the average selling price of the maintenance and support is attributed to this element of the turnover and deferred over the relevant period. Income deferred in this way is classified as deferred income, which is a deferral of profit, not a financial liability.

For software contracts the Company recognises turnover on the elements when there is persuasive evidence of an arrangement with customers with a fixed fee that is collectable and when delivery has occurred. The total turnover from such contracts is allocated to the elements of the arrangement based upon the relative fair value of each element. If a fair value method does not exist for all delivered elements, all turnover from the arrangement is further deferred until all elements of the arrangement have been delivered.

For contracts with multiple-element arrangements, the Company recognises turnover when the entity transfers control of goods or services to the customer. Turnover for products within these contracts is recognised at a point in time, including but not limited to, when the goods are delivered, significant risks and rewards of the ownership of the products have been transferred to the customer, when the Company has a present right to a payment and the collectability is reasonably assured. Turnover for services is recognised over time when the customer simultaneously receives and consumes the benefits of services or when the Company creates or enhances an asset that the customer controls as the asset is being created or enhanced or when the Company has no alternative use for the delivered asset and the Company has an enforceable right to payment for performance completed to date, in case the customer terminates the contract for convenience.

The Company accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundle package and the customer can benefit from it. The stand-alone selling prices are determined on the list price at which the Company sells the products or services separately. For items that are not sold separately and therefore not distinct, the Group estimates stand-alone selling prices using the cost plus approach.

# Thales DIS UK Limited

## Notes to the financial statements

### 1 Accounting Policies (continued)

#### e) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

##### *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### *Defined contribution pension plans and other long term employee benefits*

The Company operates a defined contribution plan for its employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Defined benefit pension plans*

Thales DIS UK Limited operates a defined benefit pension scheme covering certain ex-Gemplus Limited employees, which was transferred in April 2007 as part of the merger with Gemplus Limited. The defined benefit scheme was closed to new entrants in August 2004 and closed to future benefit accruals in March 2007. Current employees were transferred to a defined contribution scheme from April 2007.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans and other long term employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method.

The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

# Thales DIS UK Limited

## Notes to the financial statements

### 1 Accounting Policies (continued)

#### *Share-based payments*

Where the Company participates in a share-based payment arrangement established by a fellow group company the Company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The Company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity. Where the Company is charged for the cost of share-based payments arrangements the amounts are treated as a reduction in the capital contribution. If the amount charged is in excess of the share-based payment charge the Company treats the excess as a notional distribution and charges this to retained earnings.

The Company has taken advantage of the transition exemption under paragraph 35.10(b) of FRS 102 to continue to value the equity instruments that were granted before the date of transition to FRS 102 using the previous framework and not to apply Section 26 of FRS 102 at the date of transition.

#### **f) Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit or loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is also recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

# Thales DIS UK Limited

## Notes to the financial statements

### 1 Accounting Policies (continued)

#### g) Intangible fixed assets

Goodwill, representing the excess of the purchase consideration over the fair value of the net separable assets acquired, is capitalised and amortised through the profit and loss account over 20 years (historic goodwill) and 10 years (new goodwill) which is the period over which the Directors estimate that the value of the underlying businesses are expected to exceed the value of underlying assets. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

The Company has taken advantage of the exemptions under paragraph 35.10(a) of FRS 102 and elected not to apply Section 14 Business Combinations and Goodwill to business combinations that were completed before the date of transition.

Customer relationships have a definite useful life and are carried at cost less accumulated amortisation, except for intangible assets acquired through a business combination. The fair value of these assets, when acquired upon business combinations, is determined by discounting estimated future net cash flows generated by the asset. The use of different assumptions for the expected future cash flows and the discounting rate used would materially change the valuation of the asset.

Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of between five and nine years.

#### h) Tangible fixed assets

Tangible fixed assets are stated at their purchase cost, together with any incidental costs of acquisition, less accumulated depreciation and accumulated impairment losses. Depreciation is provided for on a straight-line basis over the expected useful lives of each category of tangible fixed assets at the following rates:

Office equipment	- 20% per annum on cost
Fixtures and fittings	- 20% per annum on cost
Plant and machinery	- 10% to 33% per annum on cost
Short Leasehold improvements	- 7 - 10% per annum on cost or over the life of the leasehold if shorter
Computer equipment	- 33% per annum on cost

Assets in the course of construction are not depreciated until brought into operational use.

# Thales DIS UK Limited

## Notes to the financial statements

### 1 Accounting Policies (continued)

The assets' useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

#### i) Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### *Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the profit and loss over the term of the lease as an integral part of the total lease expense.

#### j) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss.

# **Thales DIS UK Limited**

## **Notes to the financial statements**

### **1 Accounting Policies (continued)**

#### **k) Interest receivable and Interest payable**

Interest income and interest payable are recognised in the profit and loss account as they accrue, using the effective interest method.

#### **l) Dividend income**

Dividend income is recognised in the profit and loss account on the date the Company's right to receive payment is established.

#### **m) Investments in subsidiaries**

Investments in subsidiary companies are held at cost less accumulated impairment losses.

#### **n) Stocks**

Stocks are valued at the lower of cost and estimated selling price less cost to complete and sell. Cost is based on the weighted average principal and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Standard costs which approximate to actual costs are used to value stocks. Cost includes all relevant inward freight costs, import duty charges and labour where applicable.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit or loss. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit or loss.

#### **o) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### **p) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made.



# Thales DIS UK Limited

## Notes to the financial statements

### 1 Accounting Policies (continued)

#### q) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### i) *Financial assets*

Basic financial assets, including trade and other debtors, cash and bank balances and loans to fellow group companies, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite have retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### ii) *Financial liabilities*

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company does not hold or issue derivative financial instruments.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

# Thales DIS UK Limited

## Notes to the financial statements

### 1 Accounting Policies (continued)

#### q) Financial instruments (continued)

##### iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

#### r) Related party disclosures

The Company has taken the exemptions under paragraph 33.1A of FRS 102 as a wholly owned subsidiary of Thales SA not to disclose transactions with other 100% owned Group entities.

#### s) Accounting estimates and judgements and key sources of estimation uncertainty

##### i) Key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *Defined benefit pension scheme*

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 19 for the disclosures relating to the defined benefit pension scheme.

## Thales DIS UK Limited

### Notes to the financial statements

## 2 Turnover

Analysis of turnover by destination:

	2020 £'000	2019 £'000
United Kingdom	96,866	118,333
Europe	5,370	5,578
Rest of World	5,443	500
Total	107,679	124,411

All turnover relates to the sale of goods and services with all sales originating in the United Kingdom, principally for the supply and distribution of digital security solutions including banking cards, authentication products/software and government ID products.

## 3 Operating profit

Operating profit is stated after charging the following items:

	2020 £'000	2019 £'000
Staff costs (note 4)	22,102	22,465
Amortisation of intangible fixed assets	608	607
Depreciation of tangible fixed assets	1,456	1,260
Operating lease rentals	1,127	1,068
Exchange loss	157	375
Loss on the disposal of tangible fixed assets	6	34
Auditor's remuneration for audit service	55	55

# Thales DIS UK Limited

## Notes to the financial statements

### 4 Information regarding employees and Directors

	2020 £'000	2019 £'000
Wages and salaries	18,839	17,490
Social security costs	2,010	3,665
Other pension costs – defined contribution plans (note 19)	1,248	1,310
Share award costs	5	-
	<b>22,102</b>	<b>22,465</b>

The average monthly number of persons (including Directors) employed by the Company during the year was:

By activity	2020 Number	2019 Number
Production	241	197
Selling and distribution	93	97
Administration	44	49
	<b>378</b>	<b>343</b>

#### Directors' emoluments

	2020 £'000	2019 £'000
Aggregate emoluments	352	936
Pension contributions paid during the year	29	40
	<b>381</b>	<b>976</b>

No Directors exercised share options in the year (2019: None).

#### Emoluments of the highest paid Director

	2020 £'000	2019 £'000
Aggregate emoluments	227	440
Pension contributions paid during the year	14	11
	<b>241</b>	<b>451</b>

# Thales DIS UK Limited

## Notes to the financial statements

### 5 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable on amounts due from fellow Group undertakings	9	9

### 6 Interest payable and similar charges

	2020 £'000	2019 £'000
Bank interest	2	3
Interest payable on amounts due from fellow Group undertakings	14	-
Net interest expense on post-employment benefits (note 19)	192	344
	208	347

### 7 Tax expense

#### a) Tax expense included in profit or loss

	2020 £'000	2019 £'000
<b>Analysis of the charge in the year:</b>		
UK corporation tax	494	430
Adjustments in respect of prior years	-	(66)
Current tax charge	494	364
Deferred taxation charge current year (note 12)	382	131
<b>Tax on profit</b>	<b>876</b>	<b>495</b>

The tax charge for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

# Thales DIS UK Limited

## Notes to the financial statements

### 7 Tax expense (continued)

The differences are explained below:

	2020 £'000	2019 £'000
Profit before taxation	4,308	6,082
Tax on profit at standard UK corporation tax rate of 19.00% (2019: 19.00%)	818	1,156
Effects of:		
Expenses not deductible for tax	230	287
Income not deductible for tax	-	(475)
Tax rate changes	(25)	(54)
Effects of group relief / other reliefs	-	(21)
Share options	235	-
Pension in OCI	(382)	(398)
<b>Total tax charge for the year</b>	<b>876</b>	<b>495</b>

#### b) Tax credit / (charge) included in other comprehensive income

	2020 £'000	2019 £'000
Current tax	-	-
Deferred tax charge/(credit)	(51)	320
<b>Total tax charge/(credit) included in other comprehensive income</b>	<b>(51)</b>	<b>320</b>

#### c) Deferred tax

	2020 £'000	2019 £'000
Deferred tax charge		
Origination and reversal of timing differences	407	517
Adjustments in respect of prior years	-	(332)
Effect of changes in tax rates	(25)	(54)
<b>Total deferred tax charge</b>	<b>382</b>	<b>131</b>

#### d) Tax rate changes

The UK corporation tax rate was 19% (2019: 19%). The deferred tax on temporary differences at 31 December 2020 was calculated at the rate applicable to the year in which the temporary differences are expected to reverse. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end.

# Thales DIS UK Limited

## Notes to the financial statements

### 8 Intangible assets

	Customer Relationships	Goodwill	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2020	1,213	25,975	27,188
At 31 December 2020	1,213	25,975	27,188
<b>Accumulated amortisation</b>			
At 1 January 2020	395	23,489	23,884
Amortisation for the period	149	459	608
At 31 December 2020	544	23,948	24,492
<b>Net book value</b>			
At 31 December 2020	669	2,027	2,696
At 31 December 2019	818	2,486	3,304

Goodwill includes the purchase of another card manufacturing business in 2002 and is being amortised over its useful life of 20 years, the remaining useful economic life being two years. It also includes the acquired customer relationships and goodwill relating to a business acquisition in 2017 which are being amortised over period of between five and nine years for customer relationships and 10 years for goodwill. The amortisation is recognised in administration expenses in the profit and loss account.

# Thales DIS UK Limited

## Notes to the financial statements

### 9 Tangible fixed assets

	Fixtures, fittings and office equipment £'000	Short Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £000	Total £000
<b>Cost</b>					
At 1 January 2020	690	14,235	10,854	1,286	27,065
Additions	51	100	750	694	1,595
Disposals	-	-	(81)	-	(81)
<b>At 31 December 2020</b>	<b>741</b>	<b>14,335</b>	<b>11,523</b>	<b>1,980</b>	<b>28,579</b>
<b>Accumulated depreciation</b>					
At 1 January 2020	414	9,224	8,506	1,117	19,261
Charge for the year	83	679	401	293	1,456
Disposals	-	-	(74)	-	(74)
<b>At 31 December 2020</b>	<b>497</b>	<b>9,903</b>	<b>8,833</b>	<b>1,410</b>	<b>20,643</b>
<b>Net book value at 31 December 2020</b>	<b>244</b>	<b>4,432</b>	<b>2,690</b>	<b>570</b>	<b>7,936</b>
<b>At 31 December 2019</b>	<b>276</b>	<b>5,011</b>	<b>2,348</b>	<b>169</b>	<b>7,804</b>

Additions to plant and machinery include work in progress amounted to £1,299,000 (2019: £643,000).



# Thales DIS UK Limited

## Notes to the financial statements

### 10 Investments

The Company has the following investments in subsidiaries:

Subsidiary Undertakings	Registered office address	Class of shares Held	Ownership 2020 %	Ownership 2019 %
Multos Limited	350 Longwater Avenue, Green Park, Reading, Berkshire, England, RG2 6GF	Ordinary shares	100	100
Maosco Limited*	350 Longwater Avenue, Green Park, Reading, Berkshire, England, RG2 6GF	Ordinary shares	100	100

\* Indirectly held investment

Investments in these trading subsidiaries are held at net cost which is nil at 2020 and 2019.

#### Income from subsidiaries

	2020 £'000	2019 £'000
Dividend income from subsidiaries	-	2,500

No dividends were received during the year from Multos Limited (2019: £2,500,000).

# Thales DIS UK Limited

## Notes to the financial statements

### 11 Stocks

	2020 £'000	2019 £'000
Raw materials	275	386
Work in progress	11,422	8,294
Finished goods	974	1,246
	<b>12,671</b>	<b>9,926</b>

The amount of stocks recognised as an expense during the year was £71,823,069 (2019: £60,737,000). There is no material difference between the carrying amount of inventory and the replacement cost. Inventory provisions at year end amounted to £2,433,000 (2019: £2,563,000).

### 12 Debtors

	2020 £'000	2019 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	17,130	20,990
Amounts owed by Group undertakings	22	3,622
Prepayments	786	614
Corporation tax	209	34
Accrued income	6,422	14,416
Other debtors	298	78
<b>Sub total</b>	<b>24,867</b>	<b>39,754</b>
<b>Amounts due after one year</b>		
Accrued income	835	1,771
Deferred tax asset (see below)	1,708	2,039
<b>Total debtors</b>	<b>27,410</b>	<b>43,564</b>

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

# Thales DIS UK Limited

## Notes to the financial statements

### 12 Debtors (continued)

#### Deferred tax

	Deferred taxation £'000
At 1 January 2020	2,039
Deferred tax charge to profit and loss for period	(382)
Deferred tax charge in OCI for period	51
<b>At 31 December 2020</b>	<b>1,708</b>

Deferred taxation is comprised as follows:

	2020 £'000	2019 £'000
Capital allowances in advance of depreciation	(171)	(24)
Other timing differences	9	244
Deferred tax asset on pension deficit	1,870	1,819
<b>Total deferred tax asset</b>	<b>1,708</b>	<b>2,039</b>
Deferred tax asset recognised	1,708	2,039
Deferred tax asset unrecognised	968	866

The unrecognised deferred tax asset is in relation to capital losses brought forward.

#### Deferred tax asset relating to pension deficit

	£'000
At 1 January 2020	1,819
Deferred tax charge in statement of other comprehensive income	51
<b>At 31 December 2020</b>	<b>1,870</b>

The deferred tax asset is recognised to the extent that there is persuasive and reliable evidence that it can be realised. Operating budgets are used for deferred tax asset recognition purposes.

## Thales DIS UK Limited

### Notes to the financial statements

#### 13 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	193	2,245
Amounts owed to Group undertakings	15,948	13,894
Other taxation and social security	18	562
Other creditors	5,300	3,007
Accruals	2,775	3,583
Deferred income	4,513	1,168
	<b>28,747</b>	<b>24,459</b>

Amounts owed by Group undertakings are unsecured trading balances. These balances are interest free and repayable on demand.

#### 14 Provisions for liabilities

	Customer rebates £'000	Dilapidations £'000	Total £'000
At 1 January 2020	65	3,670	3,735
Additions during the year	68	-	68
Utilised during the year	(62)	-	(62)
<b>At 31 December 2020</b>	<b>71</b>	<b>3,670</b>	<b>3,741</b>

##### Dilapidations

The dilapidation provision relates to the Company's leased premises at Fareham, Rochdale and the Nest site in Havant. The provisions are for refurbishment costs that will be incurred at the end of the respective leases when the buildings have to be returned to their original condition.

The customer rebates provision reflects the Directors' best estimate of expected rebates to be made to customers as at the balance sheet date.

## Thales DIS UK Limited

### Notes to the financial statements

#### 15 Leasing commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020 £'000	2019 £'000
<b>Payments due</b>		
Not later than one year	431	1,102
Later than one year and not later than five years	946	1,094
Later than five years	988	1,216
	<b>2,365</b>	<b>3,412</b>

#### 16 Called up share capital

	2020 £'000	2019 £'000
<b>Allotted, called up, issued and fully paid</b>		
54,656,227 ordinary shares of £1 each (2019: 54,656,227 shares)	<b>54,656</b>	<b>54,656</b>

There is a single class of ordinary shares. The holders of ordinary shares are entitled to receive dividends as disclosed from time to time and are entitled to one vote per share at meetings of the Company.

#### 17 Ultimate parent company and parent company of larger group

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.

#### 18 Capital commitments

The Company had capital commitments at 31 December 2020 of £233,000 (2019: £312,000).

# Thales DIS UK Limited

## Notes to the financial statements

### 19 Pension costs

#### Defined contribution scheme

Thales DIS UK Limited operates a defined contribution scheme. The amount of contributions payable to the defined contribution pension scheme in respect of the accounting year and charged to the statement of comprehensive income was £1,248,000 (2019: £1,207,000). Accrued pensions not yet paid amounted to £Nil (2019: £171,000) as at the balance sheet date.

#### Defined benefit scheme

On 1 April 2007, Thales DIS UK Limited acquired the assets and liabilities of Gemplus Limited which included a liability for a defined benefit pension scheme.

The defined benefit pension scheme provides benefits based on final pensionable pay. The assets of the scheme are held in a separate trust fund and administered by professional investment managers. Contributions to the scheme are charged to the statement of comprehensive income so as to spread the cost of pensions over employees' working lives with the Company. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation was at 31 December 2018. The deficit as at 31 December 2018 was £13,388,000 and additional contributions of £156,000 per month have been agreed for a period of five years and 11 months from January 2020 to November 2025. The scheme was closed to new members in August 2004 and closed to future benefit accrual on 31 March 2007. The current employees were transferred to a defined contribution scheme from April 2007.

#### Section 28 of FRS 102

The present value of the scheme as at 31 December 2020 has been measured by the scheme actuary in accordance with the requirements of section 28 of FRS 102.

<b>Net pension liability:</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation	(59,048)	(52,902)
Plan assets	49,203	42,200
Net pension liability	(9,845)	(10,702)

#### Analysis of the amount charged to other finance income:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest expense (note 6)	192	344

# Thales DIS UK Limited

## Notes to the financial statements

### 19 Pension costs (continued)

#### Analysis of amount recognised in other comprehensive income:

	2020 £'000	2019 £'000
Actual return less interest income for pension scheme assets	5,183	2,045
Actuarial loss relating to the pension scheme	(6,334)	(1,212)
<i>Actuarial (loss)/ gain recognised in other comprehensive income</i>	<i>(1,151)</i>	<i>833</i>

#### Reconciliation of the net deficit in the scheme:

Deficit in scheme at start of year	(10,702)	(13,388)
<b>Movement in year:</b>		
Contributions	2,200	2,197
Other finance expense	(192)	(344)
Actuarial (loss)/gain	(1,151)	833
<b>Net deficit in scheme at year end</b>	<b>(9,845)</b>	<b>(10,702)</b>

#### Movement in fair value of plan assets

Assets at beginning of year	42,200	38,126
Employer contributions	2,200	2,197
Benefits paid	(1,234)	(1,249)
Interest income	854	1,081
Return on plan assets excluding interest income	5,183	2,045
<b>Assets at end of year</b>	<b>49,203</b>	<b>42,200</b>

The actual return on scheme assets was £6,037,000 (2019: £3,126,000).

#### Movement in present value of defined benefit obligation

Liabilities at beginning of year	(52,902)	(51,514)
Interest expenses	(1,046)	(1,425)
Benefits paid	1,234	1,249
Actuarial loss	(6,334)	(1,212)
<b>Liabilities at end of year</b>	<b>(59,048)</b>	<b>(52,902)</b>

# Thales DIS UK Limited

## Notes to the financial statements

### 19 Pension costs (continued)

A breakdown of the scheme assets at the balance sheet date were:

	Market value 31 December 2020 £'000	Market value 31 December 2019 £'000
Diversified growth funds	33,889	31,400
Government gilts	14,263	10,800
Cash	1,051	-
Total market value of assets	49,203	42,200

The major assumptions used by the actuary in measuring the present value of the scheme liabilities were:

	2020 n/a	2019 n/a
Rate of increase in salaries		
Increases for pensions in payment		
• Accrued prior to 6 April 1997	3.00%	3.00%
• Accrued prior to 1 July 2005	2.85%	2.90%
• Accrued on or after 1 July 2005	2.15%	2.15%
Liability discount rate	1.35%	2.00%
Inflation assumption RPI	2.85%	2.95%
Inflation assumption CPI	2.15%	2.25%
Revaluation of deferred pensions	2.15%	2.25%
Cash commutation rate	80%	80%



## Thales DIS UK Limited

### Notes to the financial statements

#### 19 Pension costs (continued)

In valuing the liabilities of the pension fund at 31 December 2020, mortality assumptions have been made as indicated below:

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for number of years as follows:

- Current pensioner aged 65: 22.2 years (male), 24.9 years (female)
- Future retiree upon reaching 65: 23.5 years (male), 25.5 years (female)

On 26 October 2018, the High Court ruled that pensions provided to members who had contracted-out of their scheme must be recalculated to ensure payments reflect the equalisation of state pension ages in the 1990s.

In 2018, based on an actuarial calculation, management estimated the effect of the Guaranteed Minimum Pension (GMP) equalisation of £457,000 and recognised this under Past service cost recognised in that period.

#### 20 Events after the balance sheet date

In preparing the financial statements for the year ended 31 December 2020, the Directors have considered those events which have occurred since that date which might impact upon the Company's ability to continue to operate its current activities, or which might impact the financial values as stated in the statement of financial position at 31 December 2020.

COVID-19 continues to provide an element of uncertainty on how demand for products and services may be impacted. However the high level of vaccinations given in the UK allows some hope of stability in the future. Currently it is not possible to evaluate all the potential implications to the Thales UK group and its trade, customers, suppliers and the wider economy.

Overall the business continues to remain stable. It is anticipated that Identity revenue will increase during 2021 through increased demand for passports combined with new business opportunities in the Identity market place. This will be offset by lower Banking and Payment revenue due to a decline in demand for readers. Mobile Connectivity revenue is expected to remain stable.

The Directors do not see the overall picture changing significantly, as digital security is considered an essential product for all markets these days. The Banking and Payments business can anticipate a growth in software based solutions replacing hardware authentication during the next few years. The business has been investing in product development in these markets to provide the market with the latest technology.

## **Thales DIS UK Limited**

### **Notes to the financial statements**

#### **21 Related party**

The Company has taken the exemptions in FRS102 from disclosing transactions with other members of the Thales group.