

Thales Optronics (Holdings) Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2017

Registration number: 2156725

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Thales Optronics (Holdings) Limited

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Thales Optronics (Holdings) Limited

Company Information

Directors

E McCrorie
M W P Seabrook

Company secretary

M W P Seabrook

Registered office

350 Longwater Avenue
Green Park
Reading
RG2 6GF

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Thales Optronics (Holdings) Limited

Directors' Report

The Directors present their annual report and the financial statements, together with the auditor's report, for Thales Optronics (Holdings) Limited for the year ended 31 December 2017.

Dividends

The Directors declared a final dividend of £61,451,000 (2016: £nil).

Going concern

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

Environmental information

The Thales Group in the UK has implemented an Environmental Policy to conduct its current and future business in a way that protects the environment. This is achieved through development and implementation of Environmental Management Systems against which it reports 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. Current Environmental Programmes include reducing the Thales UK Group's carbon footprint and implementing a Green Purchasing programme.

Directors of the Company

The Directors who served during the year were as follows:

E McCrorie	Appointed – 22 March 2017
M W P Seabrook	Appointed – 22 March 2017
G M E Blanguernon	Resigned - 22 March 2017
S M Boulton	Resigned - 22 March 2017

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.

Donations

During the period to 31 December 2017 no political donations were made (2016: £nil).

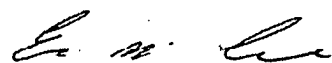
Disclosure of information to the auditor

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

Auditors

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

Approved by the Board on 3rd August 2018 and signed on its behalf by:



E McCrorie
Director

350 Longwater Avenue
Green Park
Reading RG2 6GF

Thales Optronics (Holdings) Limited

Strategic Report for the Year Ended 31 December 2017

Principal activity

The Company did not trade during the current or preceding year. No change is currently envisaged in the Company's activities. As indicated in the Business review, the Company participated in a legal entity restructuring programme along with fellow Thales subsidiaries in the UK.

Business review

The Company participated in a substantial UK-wide legal entity restructuring programme aimed at simplifying the Group and intercompany balances structure in the UK. The effects of this on the Company were as follows; the receipt of a dividend of £43,657,000 from its subsidiary, the payment of a dividend of £61,451,000, and the elimination of intercompany loans receivable totalling £60,838,000 and the elimination of intercompany loans payable of £43,044,000. Additionally, the Company recognised an impairment charge of £32,663,000 against its investment in its wholly owned subsidiary.

The audited financial statements for the year ended 31 December 2017 are set out on pages 10 to 18.

The Company made a profit after taxation for the year of £10,990,000 (2016: £39,000).

Financial risk management objectives and policies

The Company has no trade receivables and no trade payables.

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

The Company therefore has no exposure to credit risk or liquidity risk.

Approved by the Board on 3rd August 2018 and signed on its behalf by:



E McCrorie
Director

350 Longwater Avenue
Green Park
Reading
RG2 6GF

Thales Optronics (Holdings) Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and 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;
- 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.

Thales Optronics (Holdings) Limited

Independent Auditor's Report to the Members of Thales Optronics (Holdings) Limited

Opinion

We have audited the financial statements of Thales Optronics (Holdings) Limited for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Thales Optronics (Holdings) Limited

Independent Auditor's Report to the Members of Thales Optronics (Holdings) Limited continued

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Thales Optronics (Holdings) Limited

Independent Auditor's Report to the Members of Thales Optronics (Holdings) Limited continued

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.

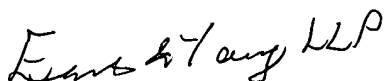
Auditor's responsibilities for the audit of the financial statements

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 these financial statements.

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

Use of our report

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



JI Gordon (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

3 August 2018

Thales Optronics (Holdings) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £000	2016 £000
Revenue		-	-
Operating profit		<u>-</u>	<u>-</u>
Finance income	3	43,657	39
Finance costs	3	(4)	
Impairment of investment in subsidiary	7	<u>(32,663)</u>	<u>-</u>
Profit before tax		10,990	39
Income tax charge	6	<u>-</u>	<u>-</u>
Profit after tax		10,990	39
Total comprehensive income for the year		10,990	39

The accompanying notes are an integral part of these financial statements.

Thales Optronics (Holdings) Limited

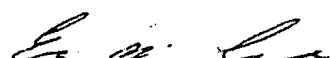
(Registration number: 2156725)

Statement of Financial Position as at 31 December 2017

	Note	2017 £000	2016 £000
Non-current assets			
Investments in subsidiaries	7	-	32,663
Current assets			
Trade and other receivables	8	-	60,842
Total assets		<u>-</u>	<u>93,505</u>
Current liabilities			
Trade and other payables	9	-	43,044
Total liabilities		<u>-</u>	<u>43,044</u>
Net assets		<u>-</u>	<u>50,461</u>
Equity			
Share capital	10	-	31,295
Share premium	10	-	8,366
Retained earnings		-	10,800
Total equity		<u>-</u>	<u>50,461</u>

The financial statements on pages 10 to 18 were approved by the Board of Directors and authorised for issue on 3rd August 2018.

They were signed on its behalf by:



E McCrorie
Director

The accompanying notes are an integral part of these financial statements.

Thales Optronics (Holdings) Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share Capital £000 (note 10)	Share Premium £000 (note 10)	Retained earnings £000	Total £000
At 31 December 2015	31,295	8,366	10,761	50,422
Profit for the year	-	-	39	39
Total comprehensive income	-	-	39	39
At 31 December 2016	31,295	8,366	10,800	50,461
Profit for the year	-	-	10,990	10,990
Total comprehensive income	-	-	10,990	10,990
Capital reduction	(31,295)	(8,366)	39,661	-
Dividends	-	-	(61,451)	(61,451)
At 31 December 2017	-	-	-	-

The accompanying notes are an integral part of these financial statements.

Thales Optronics (Holdings) Limited

Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		10,990	39
Adjustment for non-cash items			
Finance income	3	(43,657)	(39)
Finance costs		4	-
Impairment of investment in subsidiary	7	32,663	-
		<u>-</u>	<u>-</u>
Working capital adjustments			
Increase in trade and other receivables		-	(39)
Decrease in trade and other payables		-	-
Net cash flow from operating activities		<u>-</u>	<u>(39)</u>
Cash flows from investing activities			
Interest received		<u>-</u>	<u>39</u>
Cash flows from financing activities			
Interest paid		-	-
Dividends paid		-	-
Net cash from financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Thales Optronics (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The Company is a private Company limited by share capital, incorporated and domiciled in England and Wales. The address of its registered office is:

350 Longwater Avenue
Green Park
Reading
RG2 6GF

These financial statements were authorised for issue by the Board on 3rd August 2018.

2 Accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the European Union ("IFRSs").

Summary of significant accounting policies and key accounting estimates

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.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) adopted for use in the European Union. The financial statements have been prepared on a historical cost basis. The financial statements are presented in pounds sterling, the currency in which the Company's transactions are denominated, and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

These financial statements contain information about Thales Optronics (Holdings) Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Thales SA, which prepares consolidated accounts which are publicly available.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2017 have had a material effect on the financial statements.

None of the standards, interpretations and amendments which are effective for accounting periods beginning after 1 January 2018, and which have not been adopted early, are expected to have a material effect on the financial statements.

Going concern

After making enquiries, 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.

Investments

Investments in subsidiaries, associates and joint ventures are accounted for at cost less any provision for impairment. An impairment loss is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Thales Optronics (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 continued

Trade receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Directors.

Financial assets and liabilities

Classification

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

Recognition and measurement

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.

Taxation

The tax charge/(credit) comprises current and deferred tax. Income tax expense/(credit) is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity. Current tax is the expected tax payable/(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.

3 Finance income and costs

	2017	2016
	£000	£000
Finance income		
Interest income	-	39
Dividend received from subsidiary	43,657	-
Finance income	43,657	39
Finance Costs		
Interest Expense	4	-
Finance Costs	4	-

4 Auditor's remuneration

The Company incurred audit fees in the year of £1,705 (2016: £4,000). This cost was borne by the Company's immediate parent Company, Thales UK Limited, in the year and the previous year.

Thales Optronics (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 continued

5 Employment costs

The Company had no employees during the year (2016: none) and did not incur any employment costs during the year (2016: £nil).

None of the Directors received any remuneration from the Company during the year in respect of services to the Company (2016: £nil). The Directors' costs are borne by Thales UK Limited.

6 Income tax charge

	2017 £000	2016 £000
Total tax charge for the year:	-	-
Profit before tax	10,990	39
Profit multiplied by standard corporation tax at 19.25% (2016: 20%)	2,115	8
Effects of:		
Dividends	(8,404)	-
Investment impairments	6,288	-
Group relief surrendered for nil payment	1	(8)
Total tax charge for the year	-	-

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

7 Investment in subsidiary

	£000
Carrying value of investment in subsidiary at 31 December 2015	32,663
Carrying value of investment in subsidiary at 31 December 2016	32,663
Impairment in year ended 31 December 2017	(32,663)
Carrying value of investment in subsidiary net of impairment at 31 December 2017	-

Details of the subsidiary as at 31 December 2017 are as follows:

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held	
		2017	2016
Thales Optronics Limited	Dormant	100%	100%

The subsidiary is incorporated in Scotland and has its registered office at:
1 Linthouse Road, Govan, Glasgow, G51 4BZ.

The Company impaired its investment in Thales Optronics Limited by £32,663,000 following a dividend of £43,657,000 being received from Thales Optronics Limited.

On the 19 April 2018 Thales Optronics (Holdings) Limited sold its shares in Thales Optronics Limited for £1 to Thales UK Limited.

Thales Optronics (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 continued

8 Trade and other receivables

	2017 £000	2016 £000
Other receivables	-	4
Amounts receivable from group undertakings	-	60,838
	<u>-</u>	<u>60,842</u>

9 Trade and other payables

	2017 £000	2016 £000
Amounts due to group undertakings	<u>-</u>	<u>43,044</u>

10 Share capital and reserves

	2017		2016	
	No.	£000	No.	£000
Ordinary shares of £1.00 each	1	-	31,295,358	31,295

As part of the Thales UK Group simplification project carried out in the year, the Company redeemed and cancelled 31,295,357 ordinary shares of £1.00 each, and transferred the value of £31,295,357 to retained earnings.

The Company then transferred the balance standing on the share premium account of £8,366,000 to retained earnings.

11 Fair value measurement

In the Directors' opinion, there is no difference between amounts of assets and liabilities presented in the financial statements and their fair values.

12 Dividends

	2017 £000	2016 £000
Dividends paid	<u>61,451</u>	<u>-</u>

As stated in the Directors' Report, the Directors declared a final dividend of £61,451,000 during the year (2016: £nil).

Thales Optronics (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 continued

13 Related party transactions

	Amounts owed by		Amounts owed to		Transactions in the year	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Thales Holdings (UK) Plc	-	7,786	-	-	-	-
Thales UK Limited	-	53,052	-	43,009	(61,451)	-
Thales Optronics Limited	-	-	-	35	43,657	39

The transactions in the year comprised a dividend of £61,451,000 paid to the Company's immediate parent, Thales UK Limited (2016: £nil), and a dividend of £43,657,000 received from its subsidiary, Thales Optronics Limited (2016: £nil).

14 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Thales UK Limited a Company incorporated in England and Wales.

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 accounts are prepared. Copies of the group accounts of Thales SA are available from Tour Carpe Diem, 31 place des Corolles, 92098 Paris La Défense, France.