

## Thales DIS CPL UK Limited

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

Registered number 02258824



## Company Information

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OPEN

**Registered number: 02258824**

**Directors**

Dr R J Elliss  
A Mills

**Company Secretary**

M W P Seabrook

**Registered Office**

350 Longwater Avenue  
Green Park  
Reading  
Berkshire  
RG2 6GF

**Auditor**

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

## Strategic Report

The Directors present their Strategic Report for the Company for the year ended 31 December 2021.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company during the year was, and continues to be, the marketing and distribution of information security hardware products, developed by fellow group companies, including the provision of software, maintenance and related services.

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

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

	2021	2020	Change
	£000	£000	%
Turnover	38,669	46,440	-17%
Profit before tax	1,301	1,294	1%
Shareholders' funds	4,656	3,651	28%
Average monthly number of employees	170	176	-3%

The decline in turnover in 2021 by 17% was down to two reasons. Firstly, 2020 included £5,060,000 of sales for which the product has been transferred to another Thales entity in 2021. Secondly, following the merger in 2019 of Safenet and Thales e-Security to form Thales DIS CPL UK Limited, certain recurring maintenance revenues ended in 2020 and have either not been renewed or are renewed in another Thales cloud protection and licencing entity in a different country.

The increase in shareholders' funds was due to the profit for the year.

### BUSINESS MODEL

Thales DIS CPL UK Limited acts as a limited risk distributor within Thales's Cloud Protection and Licensing business line, selling certain products developed and produced by the Thales group.

The Cloud Protection and Licencing business offers solutions across three areas of Enterprise Data Protection, Identity and Access Management and Software Monetisation.

#### Enterprise Data Protection

The Enterprise Data Protection business delivers solutions to help customers protect their sensitive data. As security breaches continue with alarming regularity and compliance mandates become more stringent, companies need to discover and protect sensitive data wherever it is located, be it on-premise, hybrid or multi-cloud environments. Our portfolio of data protection products, which includes solutions for data discovery, encryption and key management, enables organisations to secure data at rest and data in motion across the entire IT eco-system and to ensure the keys to that data are always protected and controlled. This simplifies data security, improves operational efficiencies and accelerates time to compliance.

#### Identity and Access Management

Thales's Identity and Access Management solutions help streamline identity management for businesses. Businesses are facing increased needs and challenges for managing access and authentication to corporate networks and resources and cloud applications, while ensuring employees can securely work from home.

Thales's Identity and Access Management solutions enable organisations to eliminate multiple passwords for users through single sign on functionality and ensure the right user has access to the right resources at the right level of trust. Cloud-based Identity-as-a-Service architectures, such as Thales SafeNet Trusted Access, also allow organisations to extend security beyond the network perimeter and protect both on-premises applications that lack modern standards support and public cloud apps.

## Strategic Report Continued

### Software Monetisation

With over 30 years' experience, Thales's Sentinel Software Monetisation portfolio provides software companies and intelligent device vendors with software licensing, protection and entitlement management solutions which help them monetise their software and drive business growth.

### BUSINESS STRATEGY

Thales's Cloud Protection and Licensing business aims to provide security for a world powered by the cloud, data and software. The business has been organised into the three key areas of Data Protection, Identity and Access Management and Software Monetisation. The goal of this is firstly to ensure a leadership position in the area of Data Protection, Encryption and Key Management, secondly to become a leading player in the Enterprise Access Management market and thirdly, to maintain leadership in Software Monetisation.

This aligns with ensuring the Company's ongoing transformation towards a cloud environment where the portfolio for Cloud Protection and Licensing has evolved for its three business segments as follows:

- For Data Protection with historical offers such as HSM (Hardware Security Module) and HSE (High Speed Encryption) and more recent offers such as Data Protection on Demand and the CipherTrust Cloud Key Manager platform as well as the virtualisation of historical offers;
- For Authentication with historical offers such as hardware tokens for digital signature and PKI (Public Key Infrastructure) and new offers such as Enterprise Access Management as a service (STA); and
- For Software Monetisation with historical offers such as hardware keys and new offers based on software.

This ongoing transformation from hardware to software and service-based solutions has become all the more important in the face of the current global challenges around the supply of hardware IT components.

### FUTURE OUTLOOK

The future outlook for the CPL business is a promising one and the Company and portfolio is well positioned to support the needs of our customers in a data-driven world where they are faced with ever-increasing security threats and compliance mandates, whilst at the same time embracing a digital transformation which is expanding the data footprint of many organisations beyond traditional on-premise data centres to hybrid and multi-cloud environments. Protecting sensitive data, operating securely in the cloud, enabling compliance with data privacy regulation and facilitating secure home working will continue to be key concerns for both UK and global organisations. As always, we face competition from new and existing competitors in the information security sector, however we are well positioned and suitably differentiated within the market to capitalise on the strong demand for secure cloud computing solutions. We have a broad customer base where we are engaged in product upgrade cycles as well as cross- and upsell business. We are also attracting significant new business.

We continue to operate against the backdrop of the Covid-19 pandemic, however the business impact is not significant. The pandemic has in fact increased the demand for solutions to enable secure home working and has accelerated the pace of digital transformation and cloud adoption in many areas of business. This in turn has increased the focus on data security, compliance and sovereign data controls, which are core to the CPL offering. We see no reason for this demand to decline at the present time.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider that the following are principal risk factors that could materially and adversely affect the Company's future operating benefits or financial position. Management and the board regularly review risks facing the Company. The list is not intended to be exhaustive.

#### Competition

Competition in the market place remains a significant risk to the business. Staying ahead of the competition is crucial to the success of our business, and having a larger organisation allows us to invest more in R&D and product development and to reduce overheads through optimising resources.

## Strategic Report Continued

### Technical risk

This is another key area of risk to the business and it's imperative that we continue to fund research and development activities to develop the next generation of products in order to maintain our competitive advantage.

### Continuity of supply

The global supply shortage of IT hardware components represents a risk to the business, as it does to all IT hardware suppliers. A component shortage would result in increased lead times for our hardware products across the CPL business. The Company is addressing this risk with strategies on several fronts, including the transition from hardware to software solutions, product engineering enhancements to increase flexibility and reduce the dependency on specific components, and procurement strategies to maximise supply.

### Liquidity risk

Cash flow risk in our business relates to the risk of customers either late paying or not paying at all. Being part of the Thales group means that the Company has access to cash at short notice should we need additional funding. The risk of the Thales group not being able to provide such funding is considered low by the Directors.

### Price risk

Fluctuations in the exchange rates between the UK pound, the US dollar and the Euro could affect the Company by negatively impacting turnover, expenses or the Company's net assets. Exchange rate risk is managed primarily through selling only to UK customers and buying predominantly from UK suppliers with the exception of our hardware products where they are bought at standard prices from a fellow subsidiary in Holland. In cases where the Company incurs overseas costs, we hedge the forex currency risk on any transaction over £100,000.

### Inflation

Inflation is rising globally. Most industries and companies are facing inflation on certain vital materials for their businesses. Increased demand leads to supply shortages and price volatility. Economies are reopening fast: demand is increasing, affecting the global supply chain, stocks and logistics. Higher energy prices are pushing up inflation, mainly due to European sanctions against Russia. Digital transformation in all sectors is causing an increase in demand for specific job profiles that are critical to Thales. This war on talent is therefore causing an increase in demand for highly sought-after profiles, as well as salaries.

Where possible, we are passing cost increases on to customers, and on 1 July 2022, we increased prices by 5% across the product range.

The impact of rising energy costs is less impactful on the business, since we are an office-based business in the UK and the proportion of energy costs in our total cost base is small.

### Brexit

The impact of Brexit on the Company has been small, as we sell only to UK based customers. Our main supplier of goods is from a fellow group company based in Holland, and these supplies have not been affected.

### COVID-19

The impact of COVID-19 has been relatively small. Digital transformation has been ongoing for many years now the Covid pandemic has if anything, accelerated the change and the demand for our products.

### War in Ukraine

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

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

## Strategic Report Continued

### SECTION 172(1) STATEMENT

The Directors have taken account of the reporting requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations). The Directors consider that the Company is required to provide a Section 172(1) statement in its annual report and financial statements on the basis that it meets the criterion to be classed as a large company under the Companies Act.

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

#### Customers

As the market continues to shift towards remote working, cloud computing and digital processes, and data privacy laws evolve to keep pace, the need to secure data and identities is becoming a greater priority for our customers. Concerns around Identity and Access Management, Data Protection, Digital Sovereignty and compliance with data privacy regulations are becoming increasingly relevant not only in highly regulated industries but across all enterprise sectors, including mid-market and SMEs. The role of CPL is to help our customers solve these issues and to enable them to operate securely across their entire IT environment, be it on premise, hybrid or public cloud. We engage with our customers across various functions including customer account management, customer success, professional services, client support, project and program management as well as product and marketing updates. In addition to these CPL functions, we work with our customers via a network of certified channel partners including distributors, value added resellers, system integrators and technology partners. In many cases our solutions form part of a wider IT implementation delivered by our partners in close collaboration with CPL.

#### Suppliers

The Company maintains close contact with its suppliers because they are a key contributor to the Company's ability to meet its customers' requirements. Additionally, the Company considers that it is essential to work with a range of suppliers to ensure the sustainability of the business in the medium to longer term. The Company's principal product supplier is a fellow group company based in the Netherlands called Thales DIS Technologies B.V., which acts as the sole importer and European supplier for fellow group companies for all sales across Europe. It is Thales DIS Technologies B.V. that holds the supply contract with its product manufacturer. Under the global business line operating model in which the Company operates, decisions on key suppliers are made by the business line executive committee. Less critical supplies of overheads are managed on local level by the Company directors, where they work with a range of suppliers, from group preferred suppliers to more local ones, depending on the type of supply. Using group preferred suppliers means the Company enjoys preferential pricing and access to a greater security of supply of goods, services or labour. From the suppliers viewpoint, having preferential status as Thales suppliers gives them access to a large market and comfort to invest in and grow their businesses.

#### Shareholder

As set out in Note 15, the Company's immediate parent company is Thales UK Limited and the ultimate parent company is Thales SA, a company registered in France.

The Company forms part of the strategically important Digital Identity & Security division with the Thales group. There is a close engagement between the Company and its ultimate shareholder Thales SA, to enable the Company to operate and be profitable. These include providing access to specialist technical knowledge and resources to help design and build the next generation of product, as well as providing resources to ensure our capability is maintained. Thales SA additionally provides support through the provision of a group governance framework, upon which the Company's operating model is built. Funding support is provided via the group cash pooling and treasury arrangements with Thales SA.

#### 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 in the period since the year end with 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 engage in dialogue with employees through the use of various representative groups and internal communications forums which are addressed to all employees.

## Strategic Report Continued

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

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

### **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 CO2 emissions, and move to a more sustainable business in line with the UN sustainable development goals.

### **Decision making**

The Company operates within a global business line structure within the Thales group, where resources are shared to achieve greater efficiency and profitability. As such, key decisions are made by the business line executive committee and flowed down to the Company's Directors to implement.

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.

There were no significant new decisions in 2021 as this was a year of implementing the changes decided in the previous year when Thales e-Security was merged into Safenet Limited and the Company was renamed to Thales DIS CPL UK Limited.

By order of the Board



Dr Robert Elliss

Director

27 September 2022

350 Longwater Avenue,  
Green Park,  
Reading RG2 6GF

## Directors' Report

The Directors present their report and the financial statements of the Company for the year ended 31 December 2021.

### **Matters covered in the Strategic Report**

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report. These matters relate to the principal activity, business review and principal risks and uncertainties.

### **Post balance sheet events**

There were no material post balance sheet events.

### **Going concern**

At 31 August 2022, the Company had cash and amounts deposited with the group treasury function of £17,031,000 and net assets of £8,879,000. The cash deposits with group are available on demand.

The Directors have prepared updated cash flow forecasts for the period ending 31 December 2023 and are satisfied 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.

### **Dividends**

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

### **Directors**

The Directors who held office during the year and up to the date of this report were as follows:

Dr R J Elliss  
V Lyon  
A Mills

Resigned 31 August 2021  
Appointed 31 August 2021

## Directors' Report continued

### **Political contributions**

The Company made no political donations during the year (2020: £Nil).

### **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.

### **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.

By order of the Board



Dr Robert Elliss

Director

350 Longwater Avenue,  
Green Park,  
Reading RG2 6GF

27 September 2022

## 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; 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.

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

### Opinion

We have audited the financial statements of Thales DIS CPL UK Limited for the year ended 31 December 2021 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and the related notes<sup>1</sup> to 16, 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 2021 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.

We have nothing to report in this regard.

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

### **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 the Directors' Report.

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

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

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, 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 (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 and those laws and regulations relating to health and safety and employee matters.

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

- 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.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and legal counsel; and journal entry testing with a focus on manual journals or unusual transactions based on our understanding of the business.

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.

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

27 September 2022

**Profit and loss account and other comprehensive income**  
for the year ended 31 December 2021

	<b>Note</b>	<b>2021 £000</b>	<b>2020 £000</b>
<b>Turnover</b>	2	38,669	46,440
Cost of sales		(34,234)	(41,471)
<b>Gross profit</b>		<b>4,435</b>	<b>4,969</b>
Administrative expenses		(3,135)	(3,684)
<b>Operating profit</b>	3	<b>1,300</b>	<b>1,285</b>
Interest receivable and similar income	5	1	9
<b>Profit before taxation</b>		<b>1,301</b>	<b>1,294</b>
Taxation	6	(296)	(5)
<b>Profit for the financial year</b>		<b>1,005</b>	<b>1,289</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>1,005</b>	<b>1,289</b>

The results relate to continuing activities.

# Balance Sheet

At 31 December 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Goodwill	7	483	771
Tangible assets	8	149	269
Investments	9	1	1
		<u>633</u>	<u>1,041</u>
<b>Current assets</b>			
Debtors (including £3,733,000) (2020: £2,583,000) due after more than one year	10	48,986	43,289
Cash at bank and in hand		-	1,145
		<u>48,986</u>	<u>44,434</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(34,274)</u>	<u>(35,472)</u>
<b>Net current assets</b>		14,712	8,962
<b>Total assets less current liabilities</b>		<u>15,345</u>	<u>10,003</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(10,547)	(6,352)
<b>Provisions for liabilities and charges</b>	12	(142)	-
<b>Net assets</b>		<u><u>4,656</u></u>	<u><u>3,651</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	50	50
Profit and loss account		4,606	3,601
<b>Equity shareholders' funds</b>		<u><u>4,656</u></u>	<u><u>3,651</u></u>

These financial statements were approved by the Board of Directors on 27 September 2022 and were signed on its behalf by:



Dr Rob Elliss  
Director

Company registered number: 02258824

The accompanying notes form part of the financial statements.

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

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 January 2020	<u>50</u>	<u>2,312</u>	<u>2,362</u>
Profit for the year	-	1,289	1,289
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,289	1,289
Balance at 31 December 2020	<u>50</u>	<u>3,601</u>	<u>3,651</u>
Profit for the year	-	1,005	1,005
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>1,005</u>	<u>1,005</u>
<b>Balance at 31 December 2021</b>	<u><b>50</b></u>	<u><b>4,606</b></u>	<u><b>4,656</b></u>

The accompanying notes form part of the financial statements.

## Notes to the financial statements

### 1 Accounting policies

Thales DIS CPL UK Limited is a private company incorporated, domiciled and registered in England and Wales. Its registered number is 02258824 and its registered address is given on page 3.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000, unless otherwise stated.

The Company is considered to be a qualifying entity (for the purposes of FRS 102) 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 102.11 (basic financial instruments) and FRS 102.12 (other financial instrument issues).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated as regards goodwill and provision for bad debts and are based on historical experience and other factors including expectations of future events that are believed to be reasonable in the circumstances. The accounting treatment of goodwill and debtors are disclosed in the respective policies in note 1.

#### 1.3 Going concern

At 31 August 2022, the Company had cash and amounts deposited with the group treasury function of £17,031,000 and net assets of £8,879,000.

The Directors have prepared updated cash flow forecasts for the period ending 31 December 2023 and are satisfied 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.

## Notes to the financial statements continued

### 1 Accounting policies (Continued)

#### 1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency of sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.5 Basic financial instruments

##### *Fixed asset investments*

Fixed asset investments are carried at cost less impairment.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at the transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at the market rate of a similar debt instrument.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

#### 1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Leasehold improvements – shorter of the life of the lease or 5 years
- Furniture and office equipment – 4 years
- Computer equipment – 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern according to which the Company expects to consume an asset's future economic benefits.

#### 1.7 Goodwill

Goodwill is stated at cost less any accumulated amortisation. Goodwill is allocated to the cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Goodwill is amortised on a straight line basis over its useful life and has no residual value. The finite useful life of goodwill is estimated to be 10 years. The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill is tested for impairment in accordance with FRS 102.27 (impairment of assets) when there is an indication that goodwill may be impaired.

## Notes to the financial statements continued

**1 Accounting policies (Continued)****1.8 Business combinations**

On acquisitions of a business from a company under common control, the Company uses the merger accounting method under FRS 102 s19.27. The assets and liabilities of the business are recognised at their previous carrying amounts at the date of acquisition and any excess of the cost of the acquisition over the carrying values of the net assets acquired is recognised directly in equity.

**1.9 Employee benefits***Defined contribution plans and other long term employee benefits*

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.

**1.10 Turnover**

The Company derives revenue from product sales, software and technology licences, subscriptions, maintenance (post-contract customer support), and professional services. Sales transactions may contain multiple elements, including products, licences, maintenance or other services. Revenue is recognised in accordance with FRS102, Revenue Contracts with Customers.

*Product sales*

The Company sells hardware and related encryption products. The majority of hardware appliances contain software components that function together to provide the essential functionality of the product. Our revenue arrangements generally include only a general right of return relative to delivered products. Revenue is recognised at the point of sale.

*Software licence sales*

Licence revenue is comprised of perpetual and time-based licence fees, which are derived from arrangements with end users, original equipment manufacturers and resellers or partners. The Company recognises licence revenue based on the standalone selling price (SSP). Some term licences are invoiced to the customer annually. The licence performance obligation is fulfilled upon execution of an agreement and the licenced technology is made available to the customer.

*Cloud licence subscriptions*

Where the Company's performance obligation is the grant of a right to continuously access to a cloud offering for a certain term, revenue is recognised based on the time elapsed over the contract term.

*Maintenance and other services*

Maintenance revenue is derived from support arrangements. Maintenance arrangements provide technical customer support and the right to unspecified upgrades on an if-and-when-available basis. Maintenance terms are typically one or three years in duration. Maintenance revenue is recognised rateably over the maintenance term. Unrecognised maintenance fees are included in deferred income on the balance sheet.

Revenue from services consists primarily of hosted services, consulting and training services. Revenue from hosted services is recognised as the services are delivered, generally over a one to three year period. Consulting and training services, when provided on a stand-alone basis, are recognised as the services are provided to the customer.

## Notes to the financial statements continued

### 1 Accounting policies (continued)

#### 1.11 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.

#### 1.12 Interest receivable

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

#### 1.13 Interest payable

Interest payable is recognised in profit or loss as it becomes due, using the effective interest method.

#### 1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is 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 adjustment 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 the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### 1.15 Impairment excluding tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows from that asset which can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit or loss.

## Notes to the financial statements continued

**2 Turnover**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>By product/service type</b>		
Product sales	9,567	13,172
Software licence sales	10,190	8,585
Cloud licence subscriptions	4,092	3,566
Maintenance	14,098	20,301
Other services	722	816
	<u>38,669</u>	<u>46,440</u>
<b>By geographical market</b>		
United Kingdom	38,200	43,515
Rest of the world	469	2,925
	<u>38,669</u>	<u>46,440</u>

**3 Operating profit**

Operating profit is stated after charging:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Depreciation of fixed assets	128	155
Amortisation of goodwill	288	288
Other rental charges	11	217
<b>Auditor's remuneration</b>		
Amounts receivable by the Company's auditor and its associates in respect of:		
- Audit of the financial statements	<u>56</u>	<u>61</u>

**4 Staff numbers and costs**

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
Distribution and marketing	145	145
Office and management	25	31
	<u>170</u>	<u>176</u>

Staff numbers and costs:

The aggregate payroll costs of these persons were as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	18,607	14,280
Social security costs	2,178	1,863
Contributions to defined contribution plans	667	714
	<u>21,452</u>	<u>16,857</u>

## Notes to the financial statements continued

**Note 4 continued****Directors' remuneration**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Directors' remuneration	1,067	1,007
Payment for loss of office	86	-
Company contributions to money purchase pension plans	18	22

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £981,000 (2020: £710,000) and Company pension contributions of £12,000 (2020: £9,000) were made to a money purchase scheme on the Director's behalf.

The number of Directors receiving contributions to money purchase plans in the year was 2 (2020: 3).

**5 Interest receivable and similar income**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Interest on corporation tax recoverable	1	-
Interest on Thales group loan	-	9
<b>Total interest receivable and similar income</b>	<b>1</b>	<b>9</b>

## Notes to the financial statements continued

**6 Taxation**

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<i>Current tax</i>		
UK Corporation tax at 19% (2020:19%)	365	141
Adjustments in respect of prior years	-	(145)
Foreign tax paid	-	144
Effect of double taxation relief	-	(141)
<b>Total current tax charge / (credit)</b>	<b>365</b>	<b>(1)</b>
<i>Deferred tax (see note 13)</i>		
Origination and reversal of timing differences	(43)	5
Adjustments in respect of prior periods	-	1
Effect of tax rate change on opening balance	(26)	-
<b>Total deferred tax (credit) / charge</b>	<b>(69)</b>	<b>6</b>
<b>Tax on profit on ordinary activities</b>	<b>296</b>	<b>5</b>

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Profit before taxation	1,301	1,294
Tax using the UK corporation tax rate of 19.0% (2020:19.0%)	247	246
<i>Effects of:</i>		
Current tax adjustment in respect of prior period	-	(146)
Deferred tax adjustment in respect of prior period	-	1
Foreign tax credits	-	3
Other tax adjustments	-	21
Group relief claimed	-	(13)
Non-deductible expenses	31	3
Utilisation of redundancy provision	-	(165)
Effect of tax rate change on opening balance	(26)	-
Other permanent differences	44	55
<b>Total tax expense included in profit or loss</b>	<b>296</b>	<b>5</b>

Factors affecting future tax charge:

The Finance Act 2021 provided for an increase of the current corporation tax rate to 25% from 1 April 2023. The higher rate was substantially enacted following the third reading of the finance bill 2021 on 24 May 2021 and it received Royal Assent in June 2021.

The deferred tax balances as at 31 December 2021 have been calculated at the rate corresponding to the expected years of reversal.

## Notes to the financial statements continued

**7 Goodwill**

	<b>£000</b>
<b>Cost</b>	
Balance at 1 January 2021	2,884
Balance at 31 December 2021	<u>2,884</u>
<b>Amortisation</b>	
Balance at 1 January 2021	(2,113)
Amortisation for the year	(288)
Balance at 31 December 2021	<u>(2,401)</u>
<b>Net book value</b>	
<b>At 31 December 2021</b>	<u><b>483</b></u>
At 31 December 2020	<u>771</u>

The goodwill arose on the acquisition by the Company of the assets of Cryptocard Europe Limited in December 2013. The technology acquired from the Cryptocard business transaction forms the basis of the identity and access management service offering provided by the Company. This goodwill is being amortised over a ten year period, with the cost recognised in administrative expenses in the profit and loss account.

**8 Tangible fixed assets**

	<b>Leasehold improvements £000</b>	<b>Furniture and office equipment £000</b>	<b>Computer equipment £000</b>	<b>Total £000</b>
<b>Cost</b>				
Balance at 1 January 2021	592	425	1,420	2,437
Additions	-	38	30	68
Disposals	-	(60)	-	(60)
Balance at 31 December 2021	<u>592</u>	<u>403</u>	<u>1,450</u>	<u>2,445</u>
<b>Depreciation</b>				
Balance at 1 January 2021	(592)	(321)	(1,255)	(2,168)
Depreciation charge for the year	-	(19)	(109)	(128)
Balance at 31 December 2021	<u>(592)</u>	<u>(340)</u>	<u>(1,364)</u>	<u>(2,296)</u>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<u>-</u>	<u>63</u>	<u>86</u>	<u>149</u>
At 31 December 2020	<u>-</u>	<u>104</u>	<u>165</u>	<u>269</u>

## Notes to the financial statements continued

**9 Investments**

The Company owns 0.05% (2020: 0.05%) of the equity of Thales DIS Technology India Pvt Ltd, a fellow subsidiary undertaking incorporated in India. The cost and net book value of the investment is £1,000 (2020: £1,000).

	<b>Aggregate of capital and reserves</b>	<b>Profit for the year</b>	<b>Registered office address</b>	<b>Class of shares held</b>	<b>Ownership 2021</b>	<b>Ownership 2020</b>
	<b>£000</b>	<b>£000</b>			<b>%</b>	<b>%</b>
SafeNet InfoTech Pvt Ltd	11,094	2,530	L-47, LGF Lajpat Nagar II New Delhi 110024	Ordinary	0.05	0.05

**10 Debtors**

	<b>2021 £000</b>	<b>2020 £000</b>
Trade debtors	12,932	14,759
Amounts owed by group undertakings	27,669	23,434
Deferred tax asset (see note 13)	152	83
Corporation tax	-	424
Prepayments and accrued income	8,233	4,589
	<u>48,986</u>	<u>43,289</u>
Due within one year	45,253	40,706
Due after more than one year	3,733	2,583
	<u>48,986</u>	<u>43,289</u>

Prepayments and accrued income includes capitalised sales commission costs of £3,733,000 (2020: £2,583,000) due after more than one year. The commission is incurred to secure non-cancellable contracts with customers. This commission is amortised over the contract period in line with the revenue earned from these customers.

## Notes to the financial statements continued

**11 Creditors: amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	729	315
Amounts owed to group undertakings	10,707	14,896
Taxation and social security	3,496	2,619
Corporation tax	185	-
Accruals and deferred income	19,157	17,642
	<u>34,274</u>	<u>35,472</u>

**Creditors: amounts falling due after more than one year**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Accruals and deferred income	<u>10,547</u>	<u>6,352</u>

**12 Provisions for liabilities and charges**

	<b>Restructuring costs £000</b>
<b>At 31 December 2020</b>	-
Provision made in the year	142
<b>At 31 December 2021</b>	<u>142</u>

The restructuring provision was associated with staff redundancy and will be utilised in 2022.

## Notes to the financial statements continued

**13 Deferred tax**

Deferred tax assets are attributable to the following:

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
Capital allowances	141	75
Other	11	8
	<u>152</u>	<u>83</u>

Movement in deferred tax assets during the year	<b>1 January</b> <b>2021</b> <b>£000</b>	<b>Recognised</b> <b>in income</b> <b>£000</b>	<b>31 December</b> <b>2021</b> <b>£000</b>
Capital allowances	75	66	141
Other	8	3	11
	<u>83</u>	<u>69</u>	<u>152</u>

**14 Share capital**

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b><i>Allotted, called up and fully paid</i></b>		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**15 Ultimate parent company**

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.

**16 Related parties**

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