

Thales e-Security Limited

Annual report and financial statements
for the year ended 31 December 2001

Registered number: 2518805



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Directors' report

For the year ended 31 December 2001

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2001.

Principal activities

The principal activities of the company comprise focusing on securing electronic payments and the secure exchange of value bearing transactions between businesses. During the last year, the company has continued its integration into a global business, supporting activities in three regions of the world; Europe, Asia, Africa and the Americas.

The subsidiary undertakings held by the company are listed in note 10 to the financial statements. Consolidated financial statements are not presented as the company takes advantage of the exemption afforded by Section 228 of the Companies Act 1985.

Business review

Thales e-Security focuses on two main business areas – network security (protecting data on communications networks) and card payment security (protecting applications used to transfer payments and other value bearing instructions between users, such as credit card users, loyalty scheme participants, or users of other banking applications).

Results for the year showed a significant growth in revenue and profits over 2000. Revenue for the year increased by 63% on a like for like basis, with an operating profit for the year of £3,459,682 compared to a loss of £41,812 reported for the nine months ended 31 December 2000.

Both network security and card payment business areas achieved strong revenue growth during the year. In network security this growth was achieved through increasing sales of its Datacryptor 2000 product range into both UK and overseas governments. In the card payments business area the Company benefited from sales of its HSM product in support of major investment projects of financial institutions. Sales in this business area were further enhanced by the increasing acceptance of its Websentry and P3 products within the market place.

The Company remains a wholly owned subsidiary of Thales SA, an international group based in Paris with sales of €10.3bn in 2001. The Company believes that, in the current market conditions, being part of a strong international group is a major advantage over many of its competitors and will give access to investment funding and markets not previously available, enhancing its future growth potential.

The conditions in the Company's chosen market segments remain good and the Company anticipates further growth in 2002.

Directors' report (continued)

Results and dividends

The audited financial statements for the year ended 31 December 2001 are set out on pages 5 to 20. The profit for the year after taxation was £3,698,250 (9 months ended 31 December 2000: £204,030).

The directors do not recommend the payment of a dividend (2000: £nil).

Directors

The directors who served during the year were as follows:

Name	Date appointed	Date resigned
J Ballard		
P Naybour		
Mrs S Selby		10 May 2001
J Hughes	10 May 2001	
J Massol		31 January 2001
R Bartlett	10 May 2001	

Directors' interests

According to the register of directors' interests, no director had any beneficial interests in the shares of the company or held the right to subscribe for shares during the year.

Supplier payment policy

It is the Company's normal practice to make payments to suppliers promptly provided that the supplier has performed in accordance with the relevant terms and conditions.

Creditor days at 31 December 2001, based on the aggregate of the amounts which were owed to trade creditors at that date and the aggregate of the amounts which the company was invoiced by suppliers during the year, amounted to 45 (2000 - 45).

Donations

During the year to 31 December 2001 charitable donations of £1,100 (2000: £705) were made.

Western Road
Bracknell
Berkshire
RG12 1RG
England

By order of the Board

M Seabrook
Secretary

24 July 2002

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 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 proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

To the shareholders of Thales e-Security Limited

We have audited the financial statements of Thales e-Security Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes numbered 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors

180 Strand
London
WC2R 1BL

24 July 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	Year ended 31 December 2001 £	9 months ended 31 December 2000 £
Turnover	1	18,381,965	8,433,288
Operating profit/(loss)	2	3,459,682	(41,812)
Interest receivable	3	281,751	301,920
Profit on ordinary activities before taxation		3,741,433	260,108
Tax on profit on ordinary activities	8	(43,183)	(56,078)
Profit on ordinary activities after taxation		3,698,250	204,030
Retained profit for the year	17,18	3,698,250	204,030

The accompanying notes are an integral part of this profit and loss account.

There were no other recognised gains or losses in either period other than the profit for that period.

Balance sheet
At 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	9	659,894	473,773
Investments	10	-	595,519
		<u>659,894</u>	<u>1,069,292</u>
Current assets			
Stocks	11	1,544,237	1,307,230
Debtors			
- due within one year	12	11,092,775	10,614,429
- due after one year	12	522,094	321,371
Cash at bank and in hand		4,589,153	409,391
		<u>17,748,259</u>	<u>12,652,421</u>
Creditors: Amounts falling due within one year	13	<u>(6,709,739)</u>	<u>(5,884,294)</u>
Net current assets		<u>11,038,520</u>	<u>6,768,127</u>
Total assets less current liabilities		<u>11,698,414</u>	<u>7,837,419</u>
Creditors: Amounts falling due after more than one year	14	<u>(3,564,595)</u>	<u>(3,645,033)</u>
Provisions for liabilities and charges	15	<u>(377,496)</u>	<u>(134,313)</u>
Net assets		<u>7,756,323</u>	<u>4,058,073</u>
Capital and reserves			
Called-up share capital	16	200,095	200,095
Profit and loss account	17	<u>7,756,228</u>	<u>3,857,978</u>
Shareholders' funds	18	<u>7,756,323</u>	<u>4,058,073</u>
Shareholders' funds may be analysed as:			
Equity interests		7,556,323	3,858,073
Non-equity interests		<u>200,000</u>	<u>200,000</u>
		<u>7,756,323</u>	<u>4,058,073</u>

The financial statements on pages 1 to 20 were approved by the Board of Directors on 24th July 2002 and signed on its behalf by:

R.Bartlett

Finance Director



24th July 2002

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 December 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Thales SA, which prepares consolidated financial statements which are publicly available.

Intangible assets - research and development

Research and development expenditure is written off as incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	50 years
Short term leaseholds	the term of the lease
Plant, machinery, furniture and vehicles	3-15 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Uninvoiced research and development fully funded by customers is carried forward as work-in-progress.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Statement of accounting policies (continued)

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Pension costs

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Cash flow statements

In accordance with Financial Reporting Standard No.1 (Revised), the company is exempt from preparing a cash flow statement as its ultimate parent undertaking, Thales SA, has included a cash flow statement in its financial statements which are publicly available.

Notes to financial statements

31 December 2001

1 Segment information

Classes of business:

In the directors' opinion the only class of business during the year was industrial electronics.

	Year ended 31 December 2001 £	9 months ended 31 December 2000 £
Geographical analysis of turnover by destination:		
United Kingdom	10,226,766	5,524,925
Other European countries	4,394,777	1,214,042
Africa	745,320	166,784
The Americas	474,609	428,745
Asia and Australasia	2,540,493	1,098,792
	<u>18,381,965</u>	<u>8,433,288</u>

2 Operating profit/(loss)

	Continuing operations	
	2001 £	2000 £
Turnover	18,381,965	8,433,288
Cost of sales	<u>(5,663,488)</u>	<u>(4,645,820)</u>
Gross profit	12,718,477	3,787,468
Selling and distribution costs	(6,906,090)	(2,278,632)
Administrative expenses	(1,757,186)	(1,550,648)
Amounts written off investments (note 10)	<u>(595,519)</u>	<u>-</u>
Operating profit/(loss)	<u>3,459,682</u>	<u>(41,812)</u>

All income derives from continuing operations in both the current year and the prior period.

Administrative expenses include £168,895 (9 months ended 31 December 2000 - £nil) in respect of an exceptional bad debt charge arising in continuing operations. The corporation tax impact is estimated at a credit of £50,669.

Notes to financial statements (continued)

3 Interest receivable

	Year ended 31 December 2001 £	9 months ended 31 December 2000 £
Interest receivable and similar income	<u>281,751</u>	<u>301,920</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2001 £	9 months ended 31 December 2000 £
Depreciation and amounts written off owned tangible fixed assets	209,022	215,745
Operating lease rentals:		
- plant and machinery	182,223	139,012
- other	179,958	137,309
Auditors' remuneration for audit services	<u>18,200</u>	<u>17,500</u>

Notes to financial statements (continued)

5 Staff costs

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

	Year ended 31 December 2001 Number	9 months ended 31 December 2000 Number
Distribution and engineering	64	61
Sales and marketing	21	20
Administration	10	9
	<u>95</u>	<u>90</u>

	Year ended 31 December 2001 £	9 months ended 31 December 2000 £
Their aggregate remuneration comprised:		
Wages and salaries	4,250,377	2,684,778
Social security costs	413,618	251,656
Other pension costs (see note 7)	339,538	199,493
	<u>5,003,533</u>	<u>3,135,927</u>

Notes to financial statements (continued)

6 Directors' remuneration and transactions

Remuneration

The remuneration of the directors was as follows:

	Year ended 31 December 2001 £	9 months ended 31 December 2000 £
Emoluments	375,547	240,947
Company pension contributions	101,043	65,710
	<u>476,590</u>	<u>306,657</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. None of the directors exercised share options in the year (9 months ended 31 December 2000 - one) and no shares were received by any of the directors or are receivable at the year-end under long-term incentive schemes (9 months ended 31 December 2000 - none).

Pensions

The number of directors who were members of pension schemes was as follows:

	Year ended 31 December 2001 Number	9 months ended 31 December 2000 Number
Defined benefit schemes	<u>5</u>	<u>5</u>

Highest-paid director

The above amounts for remuneration includes the following in respect of the highest paid director.

	Year ended 31 December 2001 £	9 months ended 31 December 2000 £
Emoluments	<u>162,889</u>	<u>128,935</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2001 was £3,973 (9 months ended 31 December 2000 - £8,498).

Notes to financial statements (continued)

7 Pension schemes

The company has continued to account for pensions in accordance with SSAP 24 and the disclosures given in a) are those required by the standard. FRS 17 "Retirement Benefits" was issued in November 2000 but will not be mandatory for the company until the year ended 31 December 2003. The transitional disclosures, to the extent that they are not given in a) are set out in b) below.

a) *Statement of Standard Accounting Practice "Accounting for Pension Costs" (SSAP 24)*

The company participates in a number of pension schemes, operated by the Thales Group, which cover the majority of its directors and employees. The schemes are defined benefit arrangements and are operated on a pre-funded basis.

Actuarial assessments covering expenses and contributions are carried out by independent qualified actuaries.

At 31 December 2001, a prepayment of £522,094 is included in prepayments due in more than one year (31 December 2000 - £321,371). This represents the excess of the amounts funded over the accumulated pensions costs.

The last valuations of the schemes were carried out at 31 March 2001 for the Racal schemes, 6 April 1999 for the Thomson Retirement Benefit Plan and 1 June 1999 for the Thomson Pension Plan. The results of these valuations and details of the main actuarial assumptions adopted for this purpose are given in the financial statements of Thales Plc, the intermediate parent company.

b) *Financial Reporting Standard 17 "Retirement Benefits" (FRS 17)*

The company participates in a number of funded group defined benefit schemes. It is not possible to identify the company's share of assets and liabilities in the schemes on a consistent and reasonable basis. Therefore, in accordance with FRS17 para 9 (b) (multi-employer exemption), the schemes are accounted for as if they were defined contributions schemes.

The pension cost charge for the year amounted to £339,538 (9 months ended 31 December 2000 - £199,493).

In order to provide information about the existence of a surplus or deficit on the schemes, separate valuations of the schemes as at 31 December 2001, using the projected unit basis required by FRS17, have been obtained. The valuations of the group schemes show the following deficits:

Racal Staff Scheme	£45,818,000
Racal EM & SM Scheme	£18,724,000
Racal EPP Scheme	£3,175,000

For the purposes of these financial statements, these figures are illustrative only and do not impact on the results or the balance sheet of the company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other group companies which also participate in the schemes. It has not been possible to identify the share of the deficit which relates solely to Thales e-Security Limited.

Notes to financial statements (continued)

7 Pension schemes (continued)

b) Financial Reporting Standard 17 "Retirement Benefits" (FRS 17) (continued)

The measurement bases required by FRS17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension schemes' assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the schemes, which are recommended by the independent actuaries based on the expected long term rate of return on the schemes' assets.

8 Tax on profit on ordinary activities

The tax charge comprises:

	Year ended 31 December 2001 £	9 months ended 31 December 2000 £
UK Corporation tax	-	-
Deferred tax	43,686	51,247
	<u>43,686</u>	<u>51,247</u>
Adjustments in respect of prior years		
- Deferred tax	(503)	4,831
	<u>43,183</u>	<u>56,078</u>

9 Tangible fixed assets

	Short leasehold land and buildings £	Plant, machinery, furniture and vehicles £	Total £
Cost			
At 1 January 2001	162,543	1,076,744	1,239,287
Additions	18,032	386,382	404,414
Disposals	-	(18,071)	(18,071)
At 31 December 2001	<u>180,575</u>	<u>1,445,055</u>	<u>1,625,630</u>
Depreciation			
At 1 January 2001	54,804	710,710	765,514
Charge for the year	11,545	197,477	209,022
Disposals	-	(8,800)	(8,800)
At 31 December 2001	<u>66,349</u>	<u>899,387</u>	<u>965,736</u>
Net book value			
At 31 December 2001	<u>114,226</u>	<u>545,668</u>	<u>659,894</u>
At 1 January 2001	<u>107,739</u>	<u>366,034</u>	<u>473,773</u>

Notes to financial statements (continued)

10 Fixed asset investments

	2001 £	2000 £
Subsidiary undertakings	-	595,519

Subsidiary undertakings

Consolidated financial statements have not been prepared as Thales e-Security is itself a wholly owned subsidiary. Consequently these financial statements present information about the company rather than the group. Fixed asset investments are carried at cost less any provision for impairment value.

The company has investments in the following subsidiary undertakings, all of which are incorporated in the United Kingdom.

	Holding	%
Airtech Computer Security Limited	17,130,820 5p ordinary	100
Airtech Syncresys Limited	2,000 5p ordinary	
Software Forge Limited	21,500 £1 ordinary	100
Racal Asia Limited	7,807,884 \$10 HK ordinary	100
<i>Subsidiary undertaking of Software Forge Limited</i>		
The Hardware Forge Limited	99 £1 ordinary	100
<i>Subsidiary undertakings of Airtech Computer Security Limited</i>		
Computer Security Limited	52 £1 ordinary	100
Airtech Security Limited	2 £1 ordinary	100

Notes to financial statements (continued)

10 Fixed asset investments (continued)

	Shares in group undertakings £
Cost	
At 1 January 2001	6,894,519
Additions	-
At 31 December 2001	<u>6,894,519</u>
Amounts written off	
At 1 January 2001	6,299,000
Written off	595,519
At 31 December 2001	<u>6,894,519</u>
Net book value	
At 31 December 2000	<u>595,519</u>
At 31 December 2001	<u>-</u>

11 Stocks

	2001 £	2000 £
Raw materials and consumables	682,099	749,552
Work-in-progress	284,294	61,383
Finished goods and goods for resale	577,844	496,295
	<u>1,544,237</u>	<u>1,307,230</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes to financial statements (continued)

12 Debtors

	2001 £	2000 £
Amounts falling due within one year:		
Trade debtors	3,435,462	3,227,955
Amounts owed by group undertakings	7,084,337	7,116,755
Other debtors	439,467	100,630
Prepayments and accrued income	133,509	169,089
	<u>11,092,775</u>	<u>10,614,429</u>
Amounts falling due after more than one year:		
Pension prepayments		
- defined benefit schemes	522,094	321,371
	<u>11,614,869</u>	<u>10,935,800</u>

13 Creditors: Amounts falling due within one year

	2001 £	2000 £
Trade creditors	1,837,207	1,262,190
Amounts owed to group undertakings	2,284,874	2,265,117
UK corporation tax	2,191	360,279
Other taxes and social security costs	462,506	330,345
Accruals and deferred income	2,122,961	1,666,363
	<u>6,709,739</u>	<u>5,884,294</u>

14 Creditors: Amounts falling due after more than one year

	2001 £	2000 £
Amounts owed to group undertakings	3,564,595	3,564,595
Accruals and deferred income	-	80,438
	<u>3,564,595</u>	<u>3,645,033</u>

Notes to financial statements (continued)

15 Provisions for liabilities and charges

	Deferred taxation £	Post-sale rectification and support costs £	Total £
At 1 January 2001	59,313	75,000	134,313
Charged to profit and loss account	43,183	200,000	243,183
At 31 December 2001	<u>102,496</u>	<u>275,000</u>	<u>377,496</u>

The provision for post-sale rectification and support costs relates to anticipated costs to be borne by the company in respect of rectification and support of products already delivered to customers.

Deferred taxation provided and deferred taxation not provided are as follows:

	Provided		Not provided	
	2001 £	2000 £	2001 £	2000 £
Accelerated capital allowances	-	-	(74,400)	(99,600)
Other timing differences	102,496	59,313	-	-
	<u>102,496</u>	<u>59,313</u>	<u>(74,400)</u>	<u>(99,600)</u>

16 Called-up share capital

	2001 £	2000 £
<i>Authorised, called-up and fully paid</i>		
1,900 ordinary shares of 5p each	<u>95</u>	<u>95</u>
<i>Authorised, called-up, allotted and fully-paid</i>		
200,000 cumulative redeemable preference shares of £1 each	<u>200,000</u>	<u>200,000</u>

The cumulative preference shares of £1 each entitle the holder to the right to a return of capital plus a premium of 0.1p for each £1 of paid up capital at either a winding up or a repayment of capital. The preference shares do not entitle the holders to receive any cumulative preferential dividend, nor to any further rights or other participation in the profits or assets of the company nor do they carry any voting rights.

Notes to financial statements (continued)

17 Reserves

	Profit and loss account £
At 1 January 2001	3,857,978
Retained profit for the year	3,698,250
At 31 December 2001	<u>7,556,228</u>

18 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2001 £	9 months ended 31 December 2000 £
Profit for the financial year	3,698,250	204,030
Opening shareholders' funds	4,058,073	3,854,043
Closing shareholders' funds	<u>7,756,323</u>	<u>4,058,073</u>

19 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	-	23,441	37,458	-
- between two and five years	-	140,038	-	185,349
- after five years	297,395	-	145,620	-
	<u>297,395</u>	<u>163,479</u>	<u>183,078</u>	<u>185,349</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

20 Contingent liabilities

At 31 December 2001 Thales e-Security Limited was part of a Thales Group cross guarantee scheme to secure fellow subsidiaries' overdrafts and group banking facilities under a 'mass' bank account arrangement. There are contingent liabilities in the event of any claim for breach or non-performance of the terms of overseas contracts against which bank guarantees have been issued amounting to £60,000 (2000 - £60,000).

21 Ultimate controlling party

The directors regard Thales SA, a company incorporated in France, as the ultimate parent company and the ultimate controlling party.

Thales SA is the parent of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from 173 Boulevard Haussmann, 75415 Paris Cedex 08, France.

As a subsidiary undertaking of Thales SA, the company has taken advantage of the exemption in FRS8 "Related party disclosures" from disclosing transactions with other members of the group headed by Thales SA.