

Thales AFV Systems Ltd

Annual report and accounts
for the year ended 31 December 2009

Registered number 894514

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Directors' report

The directors present their annual report and financial statements, together with the auditors' report, for the year ended 31 December 2009

Principal activities

The principal activities of the Company were the design, development and manufacture of specialised optical-mechanical equipment and systems for the defence industry. The company is now non trading. No change in this situation is expected in the future.

Dividends

The directors do not recommend the payment of a dividend (2008 - Nil)

Directors

The directors who served during the year were as follows

Mr A Cresswell

Mr E McCrone

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 the auditors

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

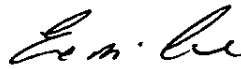
Directors' report (continued)

Auditors

In accordance with section 489 of the Companies Act 2006, the company has not elected to re-appoint its auditors annually and Mazars LLP will therefore continue in office

2 Dashwood Long Road
The Bourne Business Park
Addlestone
Nr Weybridge
Surrey
KT15 2NX

By order of the Board



E McCrorie

Director

2 August 2010

Statement of Directors' Responsibilities

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

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

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

Independent auditors report to the members of Thales AFV Systems Limited

for the year ended 31 December 2009

We have audited the financial statements of Thales AFV Systems Limited for the year ended 31 December 2009 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Mazars LLP, Chartered Accountants (Statutory Auditor)

Timothy Hudson (Senior Statutory Auditor)

90 St Vincent Street
Glasgow, G2 5UB

 August 2010

Statement of comprehensive income
for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Discontinued operations			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		-	(10)
(Loss) from operations		-	(10)
Investment income		-	-
(Loss) before taxation		-	(10)
Income tax credit	2	10	34
Profit for the period		10	24

The accompanying notes are an integral part of the statement of comprehensive income

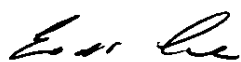
There are no recognised gains or losses in either year other than the profit or loss for that year. All operations are classed as discontinued.

Statement of financial position

At 31 December 2009

	Note	2009 £000	2008 £000
ASSETS			
Current assets			
Trade and other receivables	3	2,096	2,062
Current tax receivables		10	34
Total assets		<u>2,106</u>	<u>2,096</u>
LIABILITIES			
Current liabilities			
Trade and other payables	4	<u>(4,500)</u>	<u>(4,500)</u>
		<u>(4,500)</u>	<u>(4,500)</u>
Net current liabilities		<u>(2,394)</u>	<u>(2,404)</u>
Net liabilities		<u>(2,394)</u>	<u>(2,404)</u>
EQUITY			
Share capital	5	2,079	2,079
Share premium		152	152
Retained earnings		<u>(4,625)</u>	<u>(4,635)</u>
Total equity		<u>(2,394)</u>	<u>(2,404)</u>

The accounts on pages 5 to 13 were approved by the board of directors and authorised for issue on 2 August 2010
They were signed on its behalf by



Director

E McCrone

2 August 2010

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

Statement of changes in equity
for the year ended 31 December 2009

	Share Capital £000	Share premium account £000	Retained earnings £000	Total £000
At 1 January 2008	2,079	152	(4,659)	(2,428)
Retained profit for the year	-	-	24	24
At 31 December 2008	<u>2,079</u>	<u>152</u>	<u>(4,635)</u>	<u>(2,404)</u>
At 1 January 2009	2,079	152	(4,635)	(2,404)
Retained profit for the year	-	-	10	10
At 31 December 2009	<u>2,079</u>	<u>152</u>	<u>(4,625)</u>	<u>(2,394)</u>

Statement of cash flows
for the year ended 31 December 2009

	Note	2009 £000	2008 £000
OPERATING ACTIVITIES			
Loss from operations		-	(10)
Operating cash flows before movement in working capital		-	(10)
(Increase)/decrease in receivables	3	(34)	36
(Decrease) in other liabilities		-	(25)
Cash (absorbed in)/generated from operations		(34)	1
Income taxes received/(paid)		34	(1)
Cash (absorbed in)/generated from operations		-	-
INVESTING ACTIVITIES			
Interest received		-	-
Net cash from investing activities		-	-
Net movement in cash & cash equivalents		-	-
Cash & cash equivalents at beginning of year		-	-
Cash & cash equivalents at end of year		-	-

Notes to accounts

for the year ended 31 December 2009

General Information

The Company is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and principal activities are set out in the directors' report.

The financial statements are presented in pounds sterling, the currency in which the majority of the Company's transactions are denominated.

1. Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulations.

The principal accounting policies adopted are set out below.

Going concern basis

The Directors have obtained written confirmation of the intention of the ultimate parent to provide ongoing financial support to Thales AFV Systems Limited and are confident that the Company will be able to continue to trade and meet its liabilities as they fall due for the foreseeable future.

Adoption of new and revised standards

As the company is dormant, there is no impact on the company from new and amended International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRC) interpretations issued by the International Accounting Standards Boards.

Financial liabilities and equity

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

- Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Notes to accounts (continued)

for the year ended 31 December 2009

- Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised
- Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies management considers that it has not made any judgements that will have a significant effect on the amounts recognised in the financial statements

Notes to accounts (continued)
for the year ended 31 December 2009

2 Income tax credit

	2009 £000	2008 £000
Current tax.		
UK Corporation tax	(10)	(34)
Adjustments in respect of prior years	-	-
Total tax (credit) for the year	<u>(10)</u>	<u>(34)</u>
Deferred tax		
Origination and reversal of temporary differences charge/(credit)	-	-
Adjustments in respect of prior years	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax (credit) on loss on ordinary activities	<u>(10)</u>	<u>(34)</u>

Corporation tax is calculated at 28% (2008 – 28.5%) of the estimated assessable profit for the year

The tax (credit) for the year can be reconciled to the Statement of comprehensive income as follows

	2009 £000	2008 £000
(Loss) on ordinary activities before tax	<u>-</u>	<u>(10)</u>
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%)	-	(3)
Tax effect of Transfer pricing adjustment	<u>(10)</u>	<u>(31)</u>
Total tax (credit)	<u>(10)</u>	<u>(34)</u>

Notes to accounts (continued)
for the year ended 31 December 2009

3 Trade and other receivables

	2009 £000	2008 £000
Intercompany receivables	2,096	2,062
	<u>2,096</u>	<u>2,062</u>

4 Trade and other payables

	2009 £000	2008 £000
Intercompany creditors	4,500	4,500
	<u>4,500</u>	<u>4,500</u>

5 Share capital

	2009 £000	2008 £000
<i>Allotted, called-up and fully-paid</i>		
200,000 ordinary shares of £1 each	200	200
5,844,000 ordinary shares of \$1 each	1,879	1,879
	<u>2,079</u>	<u>2,079</u>

Notes to accounts (continued)
for the year ended 31 December 2009

6 Related party transactions

The immediate parent company is Thales Optronics 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 45 rue de Villiers, 92526 Neuilly sur Seine Cedex, France.

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

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Parent company	-	-	-	-	-	-	4,500	4,500
Fellow subsidiaries	-	-	-	-	2,096	2,062	-	-

Provisions for doubtful debts relating to related parties were £nil (2008: £nil). The expense recognised in the year in respect of bad and doubtful debts due from related parties was £nil (2008: £nil).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

7 Events after the reporting period

The following changes were announced in the UK Budget on 22 June 2010:

the full rate of corporation tax will reduce to 27% with effect from 1 April 2011, and will decrease by a further 1% each 1 April thereafter until reaching 24% with effect from 1 April 2014,

the rate of annual writing down allowances on qualifying plant and machinery will reduce by 2%, to 18% for the general capital allowance pool and to 8% for the integral features pool, with effect from 1 April 2012.

As this legislation was not substantially enacted by the balance sheet date, the figures within these accounts are calculated in accordance with the existing rates.