

Thales Properties Limited

Annual report and accounts
for the year ended 31 December 2012

Registered number 1153834

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Directors' Report

The Directors present their annual report and financial statements, together with the auditor's report, for the year ended 31 December 2012

Principal activities

The principal activities of the Company continue to comprise the ownership and management of properties and land in the UK used primarily by fellow subsidiaries within the Thales Holdings UK plc group of companies.

Business review

The results for 2012 are in line with expectations. The profit reflects the current period surplus in recharged rental income to the group over the cost associated with the ownership and management of these properties in addition to the gain on disposal of 2 sites.

Events during the year

The demolition of buildings at Gatwick Road completed during the year and ongoing commercial discussions regarding the sale of this site with potential purchasers continue along with the sale of its Wells site following its approval for residential development.

The Company completed the sale of 2 surplus sites during the year realising a net gain of £520k.

The Company returned 2 surplus buildings and a further 3 buildings through consolidation to its lessors during the year in line with its strategy to improve utilisation of its property portfolio within the Thales Holdings UK plc group of companies.

The Directors do not anticipate any change in the business and activities of the Company in the foreseeable future.

Dividends

The Directors do not recommend the payment of a dividend (2011 – Nil).

Financial risk management objectives and policies

The key risk area facing the Company is the general economic environment for disposing of both surplus freehold and leasehold property. The outlook is not predicted to improve significantly in the near future and as a result the board have set a realistic timetable and price expectation for the disposal of further properties.

A key medium term uncertainty apart from the general economic outlook is the levels of under occupancy that are built into the Thales Properties Limited business model.

The Company's strategy focuses on aligning the site physical footprint to the requirements of its fellow subsidiaries within the Thales Holdings UK plc group of companies through consolidation at its major sites, the continuous review of its other operating sites and disposal of vacant sites. This will improve utilisation and cost effectiveness of the Company's assets.

Other key decisions that have been made and are to be pursued to a conclusion include the disposal of the Wells site for redevelopment.

Credit risk

The Company's principal financial assets are trade and other receivables. The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. This may also involve the negotiation of third party guarantees of customer creditworthiness. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Directors' Report (continued)

Going concern accounting basis

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 1. In addition, the notes to the accounts include the Company's objectives, policies and processes for managing its capital. The Company's financial risk management objectives and its exposures to credit risk are set out in the preceding paragraphs.

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

Environmental information

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

Directors

The Directors who served during the year were as follows:

Name

L Hammond

S Davies

B Baker

P Chamoret (resigned 1 April 2013)

P Watson (appointed 1 April 2013)

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.

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.

Creditors days at 31 December 2012, based on the aggregate of the amounts which were owed to trade payables at that date and the aggregate of the amounts which the Company was invoiced by suppliers during the year, amounted to 24 days (2011 - 16 days).

Employee matters

People are the Company's greatest assets. With growing competition, attracting and retaining quality workers from the local community is key. Therefore it makes good business sense to incorporate attractive employment policies and principles with the view to creating a skilled, happy, diverse, proud and motivated workforce. This is what the Company tries to achieve.

Donations

No political donations were made during the year (2011 - £Nil).

Directors' Report (continued)

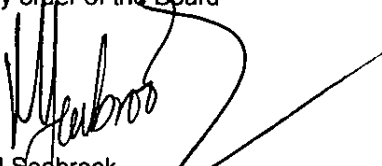
Disclosure of information to the auditors

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 Director has taken all the steps he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

By order of the Board



M Seabrook
Company Secretary

24th September 2013

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

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 have elected 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 Company's financial position and financial performance, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 auditor's report to the shareholders of Thales Properties Limited

We have audited the financial statements of Thales Properties Limited for the year ended 31 December 2012 which comprise of the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes 1 to 21. 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.

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 and express an opinion on 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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 2012 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.

Independent auditor's report to the shareholders of Thales Properties Limited
(continued)

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



J I Gordon (Senior Statutory Auditor)

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

24 September 2013

Statement of comprehensive income
for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Continuing operations			
Revenue	4	17,672	18,266
Cost of sales		(14,964)	(16,353)
		<u>2,708</u>	<u>1,913</u>
Gross profit			
Profit on sale of investment properties		520	2,250
Administrative expenses		(589)	(480)
Restructuring costs		(374)	-
Impairment of investment properties		-	(1,894)
		<u>2,265</u>	<u>1,789</u>
Operating profit	5		
Finance costs	6	(1,489)	(1,577)
		<u>776</u>	<u>212</u>
Profit before tax from continuing operations			
Income tax (expense)/credit	8	(2,330)	2,141
		<u>(1,554)</u>	<u>2,353</u>
(Loss)/profit for the year			

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

Statement of financial position
for the year ended 31 December 2012

	Note	2012 £000	2011 £000
ASSETS			
Non-current assets			
Investment property	10	87,152	103,876
Deferred tax assets	15	-	468
		<u>87,152</u>	<u>104,344</u>
Current assets			
Trade and other receivables	11	7,851	15,381
		<u>7,851</u>	<u>15,381</u>
Properties held for sale		-	1,353
Total assets		<u>95,003</u>	<u>121,078</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	48,416	67,311
Provisions	14	1,805	1,686
Current tax payable		1,879	1,635
		<u>52,100</u>	<u>70,632</u>
Non-current liabilities			
Provisions	14	18,297	24,286
Total liabilities		<u>70,397</u>	<u>94,918</u>
Total net assets		<u>24,606</u>	<u>26,160</u>
EQUITY			
Share capital	16	30,001	30,001
Retained earnings	17	(5,395)	(3,841)
Total equity		<u>24,606</u>	<u>26,160</u>

The accounts on pages 1 to 25 were approved by the board of directors and authorised for issue on 24th September 2013
They were signed on its behalf by



Director

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

Statement of changes in equity
for the year ended 31 December 2012

Attributable to equity holders of the Company

	Share Capital £000 (Note 16)	Retained Earnings £000 (Note 17)	Total Equity £000
At 1 January 2011	30,001	(6,194)	23,807
Profit for the year	-	2,353	2,353
At 31 December 2011	<u>30,001</u>	<u>(3,841)</u>	<u>26,160</u>
Loss for the year	-	(1,554)	(1,554)
At 31 December 2012	<u>30,001</u>	<u>(5,395)</u>	<u>24,606</u>

Statement of cash flows
for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		776	212
Add back finance cost		1,489	1,577
Less profit on disposal of investment property		(520)	(2,250)
Profit/(loss) from operations		1,745	(461)
Depreciation & Impairment of investment property	10	8,381	9,396
Decrease in provisions	14	(6,669)	(6,119)
Working capital adjustments			
Decrease/(increase) in receivables	11	7,530	(7,915)
(Decrease)/increase in payables	13	(19,133)	13,249
Net cash flows from operations		(8,146)	8,150
Income taxes (paid)/received		(1,619)	639
Interest paid		(693)	(683)
Net cash flows from operating activities		(10,458)	8,106
INVESTING ACTIVITIES			
Purchases of investment property		(1,605)	(11,113)
Proceeds from the sale of investment property		12,063	3,007
Net cash flows received/(used) in investing activities		10,458	(8,106)
Net increase in cash & cash equivalents		-	-
Cash & cash equivalents at beginning of year	12	-	-
Cash & cash equivalents at end of year	12	-	-

Notes to accounts

for the year ended 31 December 2012

1. Corporate Information

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on September 2013. The Company is a limited company incorporated and domiciled in England & Wales. The address of the registered office is given on page 3. The nature of the Company's operations and principal activities are set out in the Directors' Report. Information on its ultimate parent is presented in note 21.

2 Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulations. The financial statements have been prepared on a historical cost basis. The financial statements are presented in pounds sterling, the currency in which the majority of the Company's transactions are denominated, and all values are rounded to the nearest thousand, (£000), except when otherwise indicated.

The principal accounting policies adopted are set out below.

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

Going concern basis

The Company has a net current liability position principally driven by amounts owed to Thales Group companies. Confirmation has been received from Thales Group Holdings UK plc that it will support the Company for 12 months from the date of these accounts. As a consequence, in the opinion of the directors, this will enable the Company to meet its debts as they fall due. Accordingly the accounts have been prepared on a going concern basis.

Investment property

Investment properties are those properties being held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Investment properties are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line / reducing balance basis over its expected useful life, as follows:

Land	Nil
Freehold buildings	20 – 50 Years
Leasehold land and buildings	Lesser of useful life or term of the lease
Machinery and fittings	3 – 10 years
Leasehold fixtures and fittings	Lesser of useful life or term of lease

Properties held for sale

Properties classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Properties are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable within one year and the property is available for immediate sale in its present condition.

Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to accounts (continued)

for the year ended 31 December 2012

Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Trade receivables

Trade receivables are carried at fair value (in the majority of cases this will equate to original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end). Bad debts are written off when identified. Long term receivables are discounted where necessary.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. From 2010 cash and cash equivalents are pooled with Thales group undertakings.

Trade payables

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

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 statement of comprehensive income 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.

- Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and derivative contracts, provisions for pensions and other post retirement benefits and tax losses carried forward, and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.
- Tax rates enacted or substantively enacted by the statement of financial position date are used to determine deferred income tax.
- 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.
- The carrying amount of the deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
- 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 assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Company and the same taxation authority.

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 statement of financial position date.

Notes to accounts (continued)

for the year ended 31 December 2012

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor activities

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Lessee activities

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue comprises rental income, service charges and other recoveries from tenants of the Company's investment properties.

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis.

Revenue from the sale of properties is recognised when the significant risks and returns have been transferred to the buyer, this is generally upon completion of the transaction or unconditional exchange.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets recognised in the financial statements are listed below.

Deferred tax recognition

Deferred tax assets are recognised for all unused tax losses to the extent that it is probably that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Further details on deferred tax asset recognition are disclosed in Note 15.

3. Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2012,

Amendments to IFRS 7 Disclosures – transfers of financial assets in the current year. The amendments enhance existing disclosure requirements for transferred financial assets that are not derecognised and require additional disclosure on an entity's continuing involvement in derecognised assets. This had no material impact on the financial position or performance of the Company in the current or prior year.

Notes to accounts (continued)

for the year ended 31 December 2012

Income Tax (IAS 12 - Amended) The amendment states that the measurement of associated deferred tax arising on investment properties that are measured using the fair value model under IAS 40 "investment properties" should reflect the presumption that the carrying amount of the underlying asset will, normally, be recovered through sale rather than use. This had no material impact on the financial position or performance of the Company in the current or prior year as the Company under IAS 40 uses the cost model rather than the fair value model.

New standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. ~~The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date.~~ The Company does not intend to adopt those standards until they become effective.

The new standards are

Presentation of Financial Statements (IAS 1) The amendment is to the presentation of other comprehensive income (OCI), those items of OCI that could be reclassified to profit or loss at a future date will be presented separately from those items that will never be reclassified to profit or loss. The amendment to IAS 1 is effective for annual periods beginning on or after 1 July 2012 and the adoption of the amendment is not expected to have a material impact on the results of the company.

Financial Instruments (IFRS 9): This standard is the first step in the process to replace IAS 39 "Financial Instruments recognition and measurement". It introduces new requirements for the classification and measurement of financial assets with all recognised financial assets that are within the scope of IAS 39 to be subsequently measured at amortised cost or fair value. In addition entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in fair value attributable to changes in credit risk is presented in other comprehensive income unless recognition would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to credit risk are not subsequently reclassified to profit or loss.

This is effective for annual periods beginning on or after 1 January 2015. The effect of adoption of IFRS 9 has not yet been evaluated.

Consolidation, joint arrangements, associates and disclosures (IFRSs 10, 11 & 12, IAS 27 & 28): In May 2011 a package of five standards on consolidation, joint arrangements, associates and disclosures was issued.

Under IFRS 10 there is only one basis for consolidation and that is control. Control has a new definition under IFRS 10 that contains three elements, power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect returns.

IFRS 11 classifies joint arrangements as either joint operations or joint ventures with joint ventures required to be accounted for using the equity method of accounting.

IFRS 12 introduces more extensive disclosure requirements than under existing standards.

Notes to accounts (continued)
for the year ended 31 December 2012

These new standards are effective for annual periods beginning on or after 1 January 2013 and the company intends to adopt them from this date. Adoption of these standards is not expected to have a significant impact on the Company.

Fair Value Measurement (IFRS 13): This new standard sets out a comprehensive framework for defining and measuring fair value and also includes additional disclosure requirements about fair value measurements. The standard does not extend the use of fair value accounting, but brings together all the requirements for how to measure and disclose information about fair value under all circumstances into this one standard. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and the company intends to adopt it from this date. The adoption of IFRS 13 is not expected to have a significant impact on the Company.

Financial Instruments: presentation (IAS 32 - Amended) & disclosure (IFRS 7 - Amended). These amendments introduce new disclosure requirements regarding the effect of offsetting financial assets and financial liabilities on the balance sheet. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and the amendments to IAS 32 effective for annual periods beginning on or after 1 January 2014. Thales intends to adopt these amendments with effect from 1 January 2013 and 1 January 2014 respectively. The evaluation of the effect of the adoption of these standards has not yet been completed.

Improvements to IFRSs (Issued in May 2012)

The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2013 and include:

- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 32 Financial Instruments Presentation

Amendments to IAS 16. The amendments clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Directors do not anticipate that the amendments to IAS 16 will have a significant impact on the Company's financial statements.

Amendments to IAS 32. The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 "Income Taxes". The Directors do not anticipate that the amendments to IAS 32 will have any impact on the Company's financial statements.

4. Revenue

An analysis of the Company's revenue is as follows:

	2012 £000	2011 £000
Property rental income	17,672	18,266
Revenue per statement of comprehensive income	17,672	18,266
Revenue as defined in IAS18	17,672	18,266

Notes to accounts (continued)

for the year ended 31 December 2012

5. Profit from operations

Profit from operations is stated after charging/(crediting)

	2012 £000	2011 £000
Depreciation of investment property	8,381	7,502
Impairment of investment properties	-	1,894
Direct operating expenses (including repairs and maintenance) of rented properties	14,722	14,867
Direct operating expenses (including repairs and maintenance) of vacant properties	242	1,486
Cost of disposal of Investment Property	11,557	757
Staff costs	760	633
Auditor's remuneration for audit services	15	15

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were
£ Nil (2011 - £ Nil)

6. Finance costs

	2012 £000	2011 £000
Interest on bank loans and overdrafts	91	83
Interest on intercompany loans	602	600
Unwinding on discounts on provisions	796	894
Total borrowing costs	1,489	1,577

Notes to accounts (continued)

for the year ended 31 December 2012

7 Staff costs

The average monthly number of employees (including executive Directors) was

	2012 Number	2011 Number
Administration	9	8

	2012 £000	2011 £000
Their aggregate remuneration comprised		
Wages and salaries	673	510
Social security costs	44	54
Other pension costs	-	27
Other payroll costs	43	42
	<u>760</u>	<u>633</u>

Directors' Emoluments

	2012 £000	2011 £000
Remuneration of directors	238	222
Gains made on the exercise of share options	-	4
Pension scheme contributions	83	77
	<u></u>	<u></u>
Amounts relating to the highest paid Director		
Remuneration	124	113
Pension Scheme Contributions	48	44
	<u></u>	<u></u>
	Number	Number
Numbers relating to the highest paid Director		
Share options under long term incentive schemes	220	200
	<u></u>	<u></u>
	Number	Number
During the period the following number of Directors		
Accrued benefits under defined benefit pension schemes	3	3
Exercised share options	-	1
Received share options under long term incentive schemes	2	3
	<u></u>	<u></u>

Certain of the Directors are remunerated by other Thales group companies and the disclosures reflect remuneration in respect of their qualifying services to Thales Properties Limited

Notes to accounts (continued)
for the year ended 31 December 2012

8 Tax expense

	2012 £000	2011 £000
Current tax:		
UK Corporation tax	1,879	1,635
Adjustments in respect of prior years	(17)	(77)
Total current tax	<u>1,862</u>	<u>1,558</u>
Deferred tax		
Ongination and reversal of temporary differences charge/(credit)	468	(3,699)
Total deferred tax	<u>468</u>	<u>(3,699)</u>
Total tax charge/(credit) for the year	<u>2,330</u>	<u>(2,141)</u>

The Finance Act 2012 reduced the main rate of UK corporation tax to 23% with effect from 1 April 2013. As this rate has been substantively enacted at the balance sheet date, the deferred tax figures within these accounts have been calculated at this rate.

The Chancellor announced in the UK Budget that the full rate of UK corporation tax would reduce each 1 April thereafter until the rate reaches 21% with effect from 1 April 2014 followed by a further one percent to 20% from 1 April 2015. The effect of these subsequent rate reductions on deferred tax balances has not been reflected in these accounts due to the relevant legislation not having been substantively enacted at the balance sheet date.

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

	2012 £000	2011 £000
Profit on ordinary activities before tax	776	212
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	190	56
Tax effect of:		
Expenses not deductible for tax purposes	420	(379)
Movement in unrecognised deferred tax	1,965	-
Deferred tax rate change impact movement	145	1
Adjustments to prior year (current tax)	(17)	(77)
Adjustments to prior year (deferred tax)	(373)	(1,742)
Total tax charge/(credit)	<u>2,330</u>	<u>(2,141)</u>

Notes to accounts (continued)
for the year ended 31 December 2012

9. Investment in subsidiaries

The Company investment in the following subsidiary undertaking was as follows

	Country of incorporation or principal business address	% Holding		Principal activity
		2012	2011	
Thales Properties (Leasing) Ltd	United Kingdom	Nil	100%	2012 -Dissolved (2011 -Dormant)
				Total £
Cost				
At 1 January 2012				100
Disposals				(100)
At 31 December 2012				<hr/> -
				<hr/>
Net book value				
At 31 December 2012				-
At 31 December 2011				100
At 1 January 2011				100

Notes to accounts (continued)
for the year ended 31 December 2012

10. Investment property

	2012 £000	2011 £000
Cost		
Balance at beginning of year	161,489	152,410
Additions	1,433	2,544
Creation of Dilapidations Asset	-	292
Assets under construction	417	8,502
Transfer to fellow subsidiary	(12,470)	-
Transfer to Current Assets Held for Resale	-	(1,400)
Disposals/Retirements	(9,130)	(859)
Balance at end of year	<u>141,739</u>	<u>161,489</u>
	2012 £000	2011 £000
Accumulated depreciation and impairment		
Balance at beginning of year	57,613	48,380
Transfer to fellow subsidiary	(2,307)	-
Transfer to Current Assets Held for Resale	-	(47)
Disposals/Retirements	(9,100)	(116)
Charge for the year	8,381	7,502
Impairment of Investment Property	-	1,894
Balance at end of year	<u>54,587</u>	<u>57,613</u>
Carrying Amount		
As at 31 December 2012		87,152
As at 31 December 2011		<u>103,876</u>
As at 1 January 2011		<u>104,030</u>

Revenue in the accounts is as a result of rental income derived from investment properties and the sale of investment properties. The rental charges to the lessees are reviewed periodically.

The Company's investment properties comprise the ownership and management of properties and land in the UK used primarily by fellow subsidiaries within the Thales Holdings UK plc group of companies. The Company has adopted the cost method in valuing its properties and has a net book value of £87m.

The fair value of the investment properties was assessed by the Company as at 31 December 2012 to be £103m. The Company used both internal and external valuations for the purposes of determining fair value. The internal valuations are based on an assessment of the future rental potential of the properties. In the Directors' opinion, the Company will recover through future rental streams at least the current net book value of the properties that are used by fellow group companies and which have not been subject to an external valuation.

The majority of the Company's investment properties are occupied by fellow group companies and it is expected that they will be continued to be used by the group for the foreseeable future. For the property at Glasgow, the internal valuation was based on a comparison to a recent disposal of land.

In determining the fair value, the Company also considered external valuations of its property interests in Crawley and Wells. These valuations were provided by Jones Lang LeSalle on the basis of recent arm's length offers. £8.2m of the net book value represents the discounted contractual obligations for property dilapidations.

Notes to accounts (continued)
for the year ended 31 December 2012

11. Trade and other receivables

	2012 £000	2011 £000
Trade receivables	666	508
Amounts owed by group undertakings	527	9,162
Prepayments	5,306	4,841
Other debtors	1,352	870
	<u>7,851</u>	<u>15,381</u>

An allowance has been made for estimated irrecoverable amounts from the rental income and services provided, determined by reference to past default experience. The table below shows the movement in this allowance during the year

	2012 £000	2011 £000
At 1 January	55	55
Utilised in year	(17)	-
At 31 December	<u>38</u>	<u>55</u>

The Directors consider that the carrying amount of trade and other receivables approximates their fair value

At 31 December the aged trade receivables analysis is as follows

	Total £000	Neither past due nor impaired £000	Overdue less than 3 months £000	Overdue 3 to 6 months £000	Overdue more than 6 months £000
2012					
Amounts receivable	<u>666</u>	<u>537</u>	<u>123</u>	<u>6</u>	<u>-</u>
2011					
Amounts receivable	<u>508</u>	<u>283</u>	<u>196</u>	<u>6</u>	<u>23</u>

12. Cash and cash equivalents

Bank balances and cash are pooled with fellow Thales group undertakings

13. Trade and other payables

	2012 £000	2011 £000
Trade payables and accruals	5,588	5,588
Amounts owed to group undertakings	42,828	61,723
	<u>48,416</u>	<u>67,311</u>

The Directors consider that the carrying amount of trade payables approximates their fair value
The average credit period taken for trade purchases is 24 days (2011 16 days)

Notes to accounts (continued)
for the year ended 31 December 2012

14. Provisions

	Restructuring £000	Onerous leases & contracts £000	Dilapidations £000	Total £000
At 1 January 2012	-	7,335	18,637	25,972
Additional provision in the year	260	608	-	868
Utilisation of provision	-	(3,505)	(230)	(3,735)
Unused amounts reversed	-	(2,442)	(1,357)	(3,799)
Unwinding of discount	-	203	593	796
At 31 December 2012	260	2,199	17,643	20,102
			2012 £000	2011 £000
Included in current liabilities			1,805	1,686
Included in non-current liabilities			18,297	24,286
			20,102	25,972

The provision for onerous leases relates to the net anticipated rental commitments under the terms of the leases of properties currently not required by group companies. This provision will be fully utilised by June 2066. The dilapidations provision relates to leased properties where restoration costs are contractually required at the end of the lease. Where such costs arise as a result of capital expenditure on the leased asset, the restoration costs are also capitalised. This provision will be fully utilised by June 2066.

Notes to accounts (continued)
for the year ended 31 December 2012

15. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting period

Deferred tax asset	Capital Allowances £'000	Total £'000
As at 1 January 2011	-	-
Charged to statement of comprehensive income	468	468
As at 31 December 2011	468	468
Charged to statement of comprehensive income	(468)	(468)
As at 31 December 2012	-	-
	Accelerated tax depreciation £'000	Total £'000
Deferred tax liability:		
As at 1 January 2011	(3,231)	(3,231)
Charged to statement of comprehensive income	3,231	3,231
As at 31 December 2011	-	-
Charged to statement of comprehensive income	-	-
As at 31 December 2012	-	-
Net deferred tax asset / (liability):	2012 £000	2011 £000
Deferred tax asset	-	468
Deferred tax (liability)	-	-
Net deferred tax asset / (liability)	-	468

A deferred tax asset has not been recognised on timing differences of £8.5m (2011: nil). These assets may be recovered if sufficient taxable profits are made in the future.

Notes to accounts (continued)
for the year ended 31 December 2012

16. Share capital

	2012 £000	2011 £000
<i>Authorised</i>		
30,001,000 ordinary shares of £1 each	30,001	30,001
<i>Allotted, called-up and fully-paid</i>		
30,001,000 ordinary shares of £1 each	<u>30,001</u>	<u>30,001</u>

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2012 and 31 December 2011.

17. Reserves

	Retained Earnings £000
As at 1 January 2011	(6,194)
Profit for year	2,353
As at 31 December 2011	<u>(3,841)</u>
Loss for year	(1,554)
As at 31 December 2012	<u>(5,395)</u>

18 Capital commitments

At 31 December 2012, amounts contracted for but not provided in the financial statements for the acquisition of investment property amounted to £360k (2011 £446k)

Notes to accounts (continued)
for the year ended 31 December 2012

19. Operating lease arrangements

The Company as lessee

	2012 £000	2011 £000
Minimum lease payments under operating leases charged to expense for the year	14,631	16,500

At the date of the statement of financial position the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows

	2012 £000	2011 £000
- Within one year	14,434	14,396
- In the second to fifth years inclusive	46,031	54,179
- After five years	61,561	81,852
	<u>122,026</u>	<u>150,427</u>

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of 10 years and rentals are fixed for an average of 5 years

The Company as lessor

Property rental income earned during the year was £17,672k (2011 £18,266k)

At the date of the statement of financial position, the Company has contracted with tenants for the following future minimum lease payments

	2012 £000	2011 £000
- Within one year	17,693	17,836

20. Events after the reporting period

On 5 September 2013, following the relocation of operations by a fellow subsidiary, the Company completed the sale of its Leicester site realising sale proceeds of £3.3m and a net gain of £0.4m

21 Related party transactions

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 45 rue de Villiers, 92526 Neuilly sur Seine Cedex, France

Trading transactions

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

	Rental income		Purchases		Amounts owed by related parties		Amounts owed to related parties	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fellow subsidiaries	16,624	17,370	-	-	527	8,714	42,857	61,723

Provisions for doubtful debts relating to related parties were £ Nil (2011 £ Nil). The expense recognised in the year in respect of bad and doubtful debts due from related parties was £ Nil (2011 £ Nil).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received