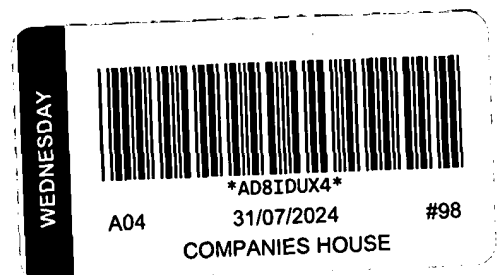


Thales DIS UK Limited

Annual Report and Financial Statements
Year Ended 31 December 2023

Registered Number: 01278148



THALES DIS UK LIMITED

Contents

	Pages
Company Information	3
Strategic Report	4-8
Directors' Report	9-11
Statement of Directors' responsibilities	12
Independent auditor's report to the members of Thales DIS UK Limited	13-16
Profit and loss account and statement of other comprehensive income	17
Balance sheet	18
Statement of changes in equity	19
Notes to the financial statements	20-45

THALES DIS UK LIMITED

Company Information

Registered number: 01278148

Directors

L Smith
A Cresswell

Company Secretary

M W P Seabrook

Registered Office

350 Longwater Avenue
Green Park
Reading
Berkshire
RG2 6GF

Auditor

Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

THALES DIS UK LIMITED

Strategic Report

The Directors present their Strategic Report for Thales DIS UK Limited, ("the Company"), for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company distributes digital, identity and security products and services to financial institutions, mobile network operators and government agencies. We provide financial institutions with EMV (Europay, Mastercard and Visa) contact and contactless cards as well as related card personalisation and issuance services such as in-brand instant issuance. Our latest innovations include pioneering payment cards with a fingerprint sensor for biometric authentication and metal cards for high-end users. We also provide a range of solutions for white label schemes allowing local customisation of the broad EMV standards as well as contactless ticketing for mass transit.

Additionally, the Company is the sole supplier of passports and driving licences to the UK Government.

REVIEW OF THE BUSINESS

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

	2023	2022	Change
	£000	£000	%
Turnover	132,604	138,304	(4.1) %
Profit before tax (Excluding Dividends Received)	6,232	7,794	(20.0) %
Shareholders' funds	63,157	57,797	9.3 %
Average monthly number of employees	389	394	(1.3) %

The 4.1% decrease in turnover was due to an exceptional order for innovative cards in the prior year and has been partially offset by an increased demand for identity and authentication products and services during 2023.

In the current year the Company did not receive a dividend (2022: £8m) from its subsidiary undertaking, Multos Limited.

The deficit on the Company's defined benefit pension scheme decreased to £2,227,000 from £3,515,000 at the start of the year. This is mainly due to Employer contributions of £2,200,000, partially offset by the actuarial movement.

BUSINESS MODEL

Thales DIS UK Limited acts as a Limited Risk Distributor within the Thales Digital Identity and Security business line selling products and services developed and produced by the business. The Company operates in three principal markets, Banking and Payment Systems, Telecoms and Identity and Biometric Solutions.

THALES DIS UK LIMITED

Strategic Report (Continued)

BUSINESS STRATEGY

Thales DIS UK Limited works across the Banking, Government and Telecoms market sectors. We offer a range of products and services that have as a common denominator, the need to protect data and individuals from fraud, and to allow third parties to easily identify their potential customers or users. Our objective is to be the leading provider of digital security.

Our aim is to consistently grow both our revenues and market shares in all the areas in which we operate, through constant innovation of our product offering.

Our products include the production of the UK passport and driving licence; providing payment cards and card readers to many UK banks and financial institutions providing cloud and on premises solutions to meet the needs of Payment Services Directive 2 and other regulations; providing products to ensure engaging in authentication and transactions on the Web is safe and secure; and providing SIM cards and e-sims to many of the UK's mobile operators in addition to providing services to enable real time communication with handsets to enable configuration changes.

FUTURE OUTLOOK

The Company has a stable customer base consisting of government agencies, banks and mobile network operators. Revenue and profit before tax is likely to remain steady over the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's operations expose it to a variety of financial and non-financial risks that include the effects of competition, technical risk, continuity of supply, credit risk, liquidity risk, currency risk and price risk. The board reviews and agrees policies for managing these risks. The policies remained unchanged throughout the year and are summarised below.

The risk factors mentioned below are those material risk factors of which the Company's Directors are aware. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

Competition

Competition in the marketplace remains a significant risk to the business. Staying ahead of the competition is crucial to the success of our business. We continually review and develop our product portfolio based on customer demand. Recent examples include metal bank cards and flat printed bank cards.

The UK market has seen many changes in market share amongst the major competitors and this could lead to challenges in current pricing methodology.

Technical risk

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

Continuity of supply

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

Credit risk

The Company is exposed to credit related losses in the event of non-payment by its customers. The Company mitigates this exposure by ensuring adequate background on credit risk is known prior to contracting with customers and through selection of customers with suitable credit ratings. Credit limits are applied to all customer accounts and are actively reviewed and managed throughout the year.

THALES DIS UK LIMITED

Strategic Report (Continued)

Liquidity risk

Being part of the Thales group means that the Company has access to cash at short notice should it need additional funding. The risk of the Thales Group not being able to provide such funding is considered low by the Directors.

Currency risk

The Company has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Company's functional currency. However, given the size of the Company's operations, the costs of managing exposure to currency risk are considered to exceed any potential benefits and therefore the Company does not engage in any hedging in respect of currency risks, with hedging being managed centrally in the Thales group as part of a cash pooling arrangement to settle intercompany balances between entities.

Price risk

The Company is exposed to commodity and other price risk as a result of its operations. However, given the size of the Company's operations and that many purchases are made from other Group companies, the costs of managing exposure to commodity price risk are considered to exceed any potential benefits. The Company is aware that any further uncertainty in world economics such as the war in Ukraine and the crisis in Israel and Palestine could lead to raw material shortages and increased freight costs.

Inflation

In 2023, there was an increased level of macroeconomic uncertainty compared with prior years, due to cost and wage inflation. This has impacted our own operational costs, particularly in relation to our supply chain. We took evasive action by putting contingency measures in place to manage these risks. We believe we understand the short-term risks and have appropriate measure in place to mitigate the impacts on our financial performance. However, the long term impacts remain uncertain, and we will continue to monitor the situation closely.

Interest rate risk

The Company's exposure to interest rates is limited. The Company has a cash surplus and interest is received at a competitive rate through the group cash pooling arrangements through Thales UK to Thales SA.

Brexit risk

The impact of Brexit on the Company has been small, as we sell mainly to UK based customers. Our main supplier of goods is from fellow group companies and these supplies have not been materially affected by the UK's departure from the EU.

War in Ukraine

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

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

THALES DIS UK LIMITED

Strategic Report (Continued)

SECTION 172(1) STATEMENT

The Directors have taken account of the reporting requirements as required by The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations) which apply for companies which meet certain criteria. In this regard, the Directors consider that the Company is within the scope of the criteria which determine whether or not an entity is required to provide a Section 172(1) statement in its annual report and financial statements on the basis that it meets the criterion to be classed as a large company under the Companies Act.

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

Customers

Customers are key to the success of our business. The Company is strongly focused on providing first class service levels and quality goods to our customers.

Suppliers

The Company maintains close contact with its suppliers as they are a key contributor to the Company's ability to meet its customers' requirements. As a Limited Risk Distributor within the Thales Digital Identity and Security business line, the key suppliers are internal. Regular interaction takes place between Thales DIS UK Limited and its intercompany suppliers. The Directors and senior management team have regular reviews of demand and liaise with the supply chain and operations team to ensure there is sufficient capacity to meet customer demand and agreed service levels.

Shareholder

As set out in Note 17, the Company's immediate parent company is Thales UK Limited and the ultimate parent company is Thales SA, a company registered in France.

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

Employees

People are the Company's greatest assets. With growing competition, attracting and retaining quality employees is key. Therefore, it makes good business sense to incorporate attractive employment policies and principles with a view to creating a skilled, diverse and motivated workforce.

The Company's Directors and management team actively engage in dialogue with employees through the use of various representative groups and internal communications forums which are addressed to all employees.

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

Where the Directors are considering plans that may impact the working conditions of certain groups of employees, for example restructuring or relocation of teams, these topics are addressed directly through consultation with the employees who may be impacted in order to accommodate as far as possible the

THALES DIS UK LIMITED

Strategic Report (Continued)

reasonable needs of employees within the objectives of the business. Thus, wherever possible, impacted employees are encouraged and supported to be re-deployed in other work areas, or on alternative projects for which they have the appropriate skills and experience, in line with the business' needs. Consultations of this nature are carried out with the aim of enabling employees to plan for, and manage, as far as reasonably possible, the impacts that may be involved for them.

Ethics and compliance

The Company recognises the importance of having a strong ethics culture in terms of behaving in the right way in business to protecting its reputation and has been operating an awareness programme to ensure responsible practices and ethical conduct are applied systematically throughout the organisation. All staff are required to complete an annual ethics compliance course.

Environmental information

The Company adheres to a comprehensive environmental policy within a framework operated by the Thales group. This involves complying with legislation, standards and best practice. We operate in a way that seeks to protect the environment, preserve biodiversity and respect natural sites. We are reducing our footprint by minimising our resources, seeking less environmentally harmful alternatives where we can, recycling and preventing pollution wherever possible. In addition, we monitor power and water consumption on all our sites and have programmes in place to reduce consumption, as well as CO2 emissions, and move to a more sustainable business in line with the UN sustainable development goals. The management team meet regularly to review progress and agree action plans.

Decision making

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

When considering significant business decisions, such as specific site developments or changes in activity, the Company seeks to involve the appropriate stakeholders, and has regard for the potential impacts of decisions, seeking as far as reasonably possible to balance the interests of stakeholders with the objectives of the Company.

By order of the board



Lloyd Smith
Director

25 July 2024

350 Longwater Avenue,
Green Park,
Reading RG2 6GF

THALES DIS UK LIMITED

Directors' Report

The Directors present their report and financial statements for the Company for the year ended 31 December 2023.

Matters covered in the Strategic Report

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

Post balance sheet events

There were no material post balance sheet events.

Going concern

The Company had net assets at 31 December 2023 of £63,157,000 with £59,444,000 of cash deposited with the group treasury function. The cash deposits with group treasury are available on demand. The Directors have prepared updated cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The Directors have a reasonable expectation that the Company has sufficient resources to meet its operating liabilities as they fall due.

The Directors have also considered the sensitivity to changes in the assumptions used in preparing the updated cash flow forecasts and the commitment of financial support from the parent company if the actual cash flows reduced to the extent that this financial support was required.

Thales Holdings UK Plc has confirmed that it will provide the necessary financial support for a period of 12 months from the date of approval of these financial statements to enable the Company to meet its liabilities as they fall due. The Directors of the Company have made appropriate enquiries of the Directors of Thales Holdings UK Plc to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis for a period of 12 months from the date of approval of the balance sheet (the going concern period).

Results and Dividends

The Company's profit before taxation amounted to £6,232,000 (2022: £15,794,000). The Directors do not propose a dividend for the year (2022: £nil).

Environmental information

Thales UK operates a comprehensive environmental policy complying with legislation, standards and best practice. We operate in a way that seeks to protect the environment, preserve biodiversity and respect natural sites. We are reducing our footprint by minimising our resources, seeking less environmentally harmful alternatives where we can, recycling and preventing pollution wherever possible. In addition, we monitor power and water consumption on all our sites and have programmes in place to reduce consumption, as well as CO2 emissions, and move to a more sustainable business in line with the UN sustainable development goals.

The Company respects environmental legislation and standards applicable in the UK, and contributes towards the Thales Group strategy for a low carbon future. Further details of the Thales Group strategy for a low-carbon future can be found at the following address:

<https://www.thalesgroup.com/en/global/corporate-responsibility/environment/strategy-low-carbon-future>

In this strategic report the Company has provided certain information regarding energy use and emissions which is required to be reported by large UK companies under legislation introduced in 2019 by the Department for Business, Energy and Industrial Strategy (BEIS), entitled the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which came into force on 1 April 2019, and apply to reporting periods commencing on or after that date. The reporting obligations introduced under this legislation, generally referred to as the Streamlined Energy and Carbon Reporting (SECR) require large UK companies to disclose for the reporting period certain energy use and Greenhouse (GHG) gas emissions, along with the methodology applied in calculating emissions as well as stating energy efficiency measures taken in the year.

THALES DIS UK LIMITED

Directors' Report (Continued)

The mandatory disclosures comprise:

Scope 1 - Direct emissions

Fuel use from transport (where the journey begins or ends in the UK); and Combustion of natural gas

And

Scope 2 - Indirect emissions

Electricity purchased and used for operations (not including energy sold on)

Voluntary disclosures comprise:

Wider scope 1 emissions - including other fuel use, refrigerants & manufacturing emissions

Scope 3 emissions - upstream and downstream energy use

The following table states the emissions of the Company as required by the mandatory disclosures, stating emissions in tonnes of CO₂ and CO₂ per full time employee (FTE).

	2023	Year on year change (%)	2022
Scope 1 – Direct Emissions – Tonnes CO ₂	17.03	(79.5%)	83.1
Scope 2 – Indirect Emissions – Tonnes CO ₂	-	0%	-
Total Scope 1 & 2 – Tonnes CO ₂	<u>17.03</u>	<u>(79.5%)</u>	<u>83.1</u>
Intensity of Emissions - Total Scope 1 & 2–Tonnes CO ₂ /FTE	0.04	(81.0%)	0.21
FTE (Note 4)	<u>389</u>	<u>(1.3%)</u>	<u>394</u>

As indicated in the table above, the Company's total emissions in Tonnes CO₂ decreased in the year from 83.1 Tonnes CO₂ to 17.03 Tonnes CO₂, a decrease of 79.5%. Emissions per FTE decreased in the year to 0.04 Tonnes CO₂/FTE from 0.21 Tonnes CO₂/FTE, a decrease of 81.0% year on year.

Scope 1 – The Company's Scope 1 emissions decreased by 79.5% in 2023, along with a small decrease in the average number of employees of 1.3%. This was due to 2 independent factors.

1. The 2022 statistics included greyfleet mileage, which should not have been included within scope 1 data. This has now been omitted resulting in a reduction in miles driven from 168, 659 miles (46.3 Tonnes CO₂e) to 63,696 miles (17.03 Tonnes CO₂e).
2. The company used natural gas to heat our business premises. This environmental impact has been offset using approved carbon offsetting projects and is therefore omitted from 2023 data within Scope 1 direct emissions.

Scope 2 – The Company has now migrated electricity supplies to a certified renewable energy source to meet all of its demand, increased over 2022 when some demand was instead offset with "Renewable Energy Guarantees of Origin" (REGOSs) purchased to transfer the remaining electricity to renewable status. Therefore, all electricity consumed during 2023 and 2022 was from renewable sources.

THALES DIS UK LIMITED

Directors' Report (Continued)

Energy Efficiency Measures

Thales UK has initiated a Carbon Net Zero Plan, setting out the areas of focus for energy efficiency with the objective of reaching Net Zero carbon emissions by 2030. The initial target contained in the plan, of reducing Scope 1 & 2 GHG emissions by 25% for 2023 compared with the baseline year of 2018 has now been achieved and surpassed.

Thales DIS UK Ltd contributed to this strategy through the replacement of lighting with lower energy intensive products, and upgrading facilities plant, including warehouse heaters and air conditioning units. Further reductions will be achieved by transitioning the Company's car fleet to zero emissions by 2026 while replacing IT and production equipment with newer more efficient products.

The Company's Carbon Net Zero Plan continues to be a dynamic and evolving plan, and it is anticipated that further measures will be identified to improve our overall energy efficiency and carbon impact as the plan out to 2030 matures.

Further details of the Company's Carbon Net Zero Plan can be found at the following address:

<https://www.thalesgroup.com/en/united-kingdom/news/how-thales-delivering-social-value-uk>

Directors

The following Directors held office during the year and up to the date of signing the financial statements.

H Berg (Resigned 10/01/2024)

L Smith

A Cresswell (Appointed 24/07/2023)

Political contributions

The Company did not make any political donations during the year (2022: £nil).

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



Lloyd Smith
Director

25 July 2024

350 Longwater Avenue,
Green Park, Reading RG2 6GF

THALES DIS UK LIMITED

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

THALES DIS UK LIMITED

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

Opinion

We have audited the financial statements of Thales DIS UK Limited for the year ended 31 December 2023 which comprise the Profit and Loss Account and Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

THALES DIS UK LIMITED

Independent Auditor's Report to the members of Thales DIS UK Limited (continued)

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

THALES DIS UK LIMITED

Independent Auditor's Report to the members of Thales DIS UK Limited (Continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the company must comply with laws and regulations relating to its operations, including health and safety, employees and General Data Protection Regulation (GDPR).
- We understood how Thales DIS UK Limited is complying with those frameworks by verifying that material transactions are recorded in compliance with FRS102 and where appropriate, the Companies Act 2006. Assessment of compliance with other operational laws and regulation was covered through making enquiries of management and those charged with governance, reviewing board minutes and correspondence with relevant authorities. Enquiries were made of management to understand any known instances of non-compliance with laws and regulations in the financial year, no such matters were brought to our attention.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and through assessing revenue as a fraud risk, specifically with regard to recognising revenue in the incorrect period. Our procedures to address this involved:
 - Understanding the revenue recognition process and policy and how it is applied, including relevant controls;
 - Testing of revenue cut-off at the year end, by selecting a sample of revenue transactions and testing whether revenue was recorded in the correct period through agreement to proof of deliveries and other corroborating evidence to confirm the period that the revenue related to;
 - We incorporated data analytics into our testing of revenue recognition, investigating journals posted to revenue as part of our journal entry testing work, with focus on transaction recorded at or close to the year-end date; and
 - Regarding the presumed risk of management override of controls, we used data analytics to sample from the entire population of journal entries, identifying specific transactions which did not meet our expectations based on specific risk criteria, which we investigated further to gain an understanding of the transaction and agree to source documentation ensuring appropriate authorisation of the transaction. We also reviewed accounting estimates for evidence of bias and evaluated the business rationale for any significant transactions that are outside the normal course of business.

THALES DIS UK LIMITED

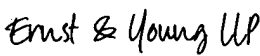
Independent Auditor's Report to the members of Thales DIS UK Limited (Continued)

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures had a focus on compliance with the reporting framework set out above through our walkthrough testing and the relevant tax legislation including tax computations and returns.

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

Use of our report

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

Signed by:

E42E3109C1C3461...

Sam Newall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

Date: 25 July 2024

THALES DIS UK LIMITED

Profit and Loss Account and Statement of Other Comprehensive Income for the year ended 31 December 2023

	<i>Note</i>	2023 £'000	2022 £'000
Turnover	2	132,604	138,304
Cost of sales		(117,231)	(121,985)
Gross profit		15,373	16,319
Distribution costs		(8,617)	(6,982)
Administrative expenses		(2,746)	(1,917)
Operating profit	3	4,010	7,420
Income from shares in group undertakings	10	-	8,000
Interest receivable and similar income	5	2,338	418
Interest payable and similar charges	6	(116)	(44)
Profit before taxation		6,232	15,794
Tax credit on profit	7	256	910
Profit for the financial year		6,488	16,704
Other comprehensive income:			
Actuarial loss on pension scheme	19	(806)	(2,285)
Movement in deferred tax on pension scheme		(322)	40
Other comprehensive loss for the year, net of tax		(1,128)	(2,245)
Total comprehensive income for the year		5,360	14,459

The items dealt with in the above Profit and Loss Account relate to continuing operations.

The notes on pages 20 to 45 form part of these financial statements.

THALES DIS UK LIMITED

Balance Sheet at 31 December 2023

Registered Number 01278148

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	8	1,291	1,661
Tangible assets	9	7,163	7,784
Investments in subsidiaries	10	-	-
		8,454	9,445
Current assets			
Stocks	11	13,160	11,934
Debtors	12	78,331	79,796
Cash at bank and in hand		-	6,505
		91,491	98,235
Creditors:			
Amounts falling due within one year	13	(33,592)	(45,443)
		57,899	52,792
Net current assets		57,899	52,792
Total assets less current liabilities		66,353	62,237
Post-retirement benefits			
	19	(2,227)	(3,515)
Provisions for liabilities			
	14	(969)	(925)
Net assets		63,157	57,797
Capital and reserves			
Called up share capital	16	54,656	54,656
Pension reserve		(17,598)	(16,470)
Retained earnings		26,099	19,611
Total shareholders' funds		63,157	57,797

The financial statements were approved by the board of Directors on 25 July 2024 and were signed on its behalf by:



Lloyd Smith
Director

The notes on pages 20 to 45 form part of these financial statements.

THALES DIS UK LIMITED

Statement of changes in equity For the year ended 31 December 2023

Registered Number 01278148

	Note	Called up share capital £'000	Pension reserve £'000	Merger reserve £'000	Retained earnings £'000	Total shareholder funds £'000
Balance as at 1 January 2022	16	54,656	(14,225)	(7,410)	10,317	43,338
Profit for the financial year		-	-	-	16,704	16,704
Reclass of Merger reserve		-	-	7,410	(7,410)	-
Other comprehensive income:						
Actuarial gain/(loss) on pension scheme	19	-	(2,285)	-	-	(2,285)
Deferred tax relating to pension liability		-	40	-	-	40
Other comprehensive income/(loss) for the year, net of tax		-	(2,245)	-	-	(2,245)
Total comprehensive income for the year		-	(2,245)	7,410	9,294	14,459
Balance as at 31 December 2022	16	54,656	(16,470)	-	19,611	57,797
Profit for the financial year		-	-	-	6,488	6,488
Other comprehensive income:						
Actuarial loss on pension scheme	19	-	(806)	-	-	(806)
Deferred tax relating to pension liability		-	(322)	-	-	(322)
Other comprehensive income/(loss) for the year, net of tax		-	(1,128)	-	-	(1,128)
Total comprehensive income for the year		-	(1,128)	-	6,488	5,360
Balance as at 31 December 2023	16	54,656	(17,598)	-	26,099	63,157

The Directors have considered in the prior year that the merger reserve created under merger accounting principles following the acquisition of the net assets of £3,590,000 of Gemplus Limited on 1 April 2007 for consideration of £11,000,000 bears no benefit of ongoing separate disclosure and has now been reclassified to retained earnings.

Thales DIS UK Limited

Notes to the financial statements

General information

Thales DIS UK Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 01278148 and the registered address is 350 Longwater Avenue, Green Park, Reading, Berkshire, England, RG2 6GF.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102"). The presentation and functional currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation; and
- Related party disclosures.

As the consolidated financial statements of Thales SA include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other financial instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Group accounts not prepared

The financial statements contain information about Thales DIS UK Limited as an individual company and do not contain consolidated financial information as the parent of the group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of Thales SA, the Company's ultimate parent undertaking registered in France.

Thales DIS UK Limited

Notes to the financial statements (Continued)

1 Accounting Policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Measurement convention

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

b) Going concern

The Company had net assets at 31 December 2023 of £63,157,000 with £59,444,000 of cash deposited with the group treasury function. The cash deposits with group treasury are available on demand. The Directors have prepared updated cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The Directors have a reasonable expectation that the Company has sufficient resources to meet its operating liabilities as they fall due.

The Directors have also considered the sensitivity to changes in the assumptions used in preparing the updated cash flow forecasts and the commitment of financial support from the parent company if the actual cash flows reduced to the extent that this financial support was required.

Thales Holdings UK Plc has confirmed that it will provide the necessary financial support for a period of 12 months from the date of approval of these financial statements to enable the Company to meet its liabilities as they fall due. The Directors of the Company have made appropriate enquiries of the Directors of Thales Holdings UK Plc to confirm that they are satisfied that the financial support will be available and accordingly continue to prepare the financial statements on a going concern basis for a period of 12 months from the date of approval of the balance sheet (the going concern period).

c) Foreign currency

Functional and presentation currency

The Company's functional and presentational currency is the pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Thales DIS UK Limited

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

d) Turnover

Turnover represents amounts receivable (excluding VAT) for sales of products and for the supply of related services. Turnover is recognised upon delivery of products and services to customers and when the appropriate terms and conditions of sale have been met. Where sales invoices have been presented, but the Company still holds the related products under instruction from the customer ("bill and hold sales"), turnover is only recognised where evidence is held that the risk and full reward of ownership has transferred to the customer.

Certain turnover is recognised using the percentage of completion method as services are provided (according to criteria applied on a consistent basis). These services include the provision of specific software platforms. Under the percentage of completion method, the extent of progress towards completion is measured based on actual costs incurred to total estimated costs. Losses on contracts are recognised during the period in which the loss first becomes probable and can be reasonably estimated.

Where the sales price of a contract includes an element of maintenance and support, an amount equal to the average selling price of the maintenance and support is attributed to this element of the turnover and deferred over the relevant period. Income deferred in this way is classified as deferred income, which is a deferral of profit, not a financial liability.

For software contracts the Company recognises turnover on the elements when there is persuasive evidence of an arrangement with customers with a fixed fee that is collectable and when delivery has occurred.

For contracts with multiple-element arrangements, the Company recognises turnover when the entity transfers control of goods or services to the customer. Turnover for products within these contracts is recognised at a point in time, including but not limited to, when the goods are delivered, significant risks and rewards of the ownership of the products have been transferred to the customer, when the Company has a present right to a payment and the collectability is reasonably assured. Turnover for services is recognised over time when the customer simultaneously receives and consumes the benefits of services or when the Company creates or enhances an asset that the customer controls as the asset is being created or enhanced or when the Company has no alternative use for the delivered asset and the Company has an enforceable right to payment for performance completed to date, in case the customer terminates the contract for convenience.

The Company accounts for individual products and services separately if they are distinct i.e., if a product or service is separately identifiable from other items in the bundle package and the customer can benefit from it. The standalone selling prices are determined on the list price at which the Company sells the products or services separately. For items that are not sold separately and therefore not distinct, the Group estimates standalone selling prices using the cost-plus approach.

Thales DIS UK Limited

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

e) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans and other long term employee benefits

The Company operates a defined contribution plan for its employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit pension plans

Thales DIS UK Limited operates a defined benefit pension scheme covering certain ex-Gemplus Limited employees, which was transferred in April 2007 as part of the merger with Gemplus Limited. The defined benefit scheme was closed to new entrants in August 2004 and closed to future benefit accruals in March 2007. Current employees were transferred to a defined contribution scheme from April 2007.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans and other long term employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method.

The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

Thales DIS UK Limited

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

Share-based payments

Where the Company participates in a share-based payment arrangement established by a fellow group company the Company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The Company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is accrued as a current liability.

f) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit or loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is also recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Thales DIS UK Limited

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

g) Intangible fixed assets

Goodwill, representing the excess of the purchase consideration over the fair value of the net separable assets acquired, is capitalised and amortised through the profit and loss account over 20 years (historic goodwill) and 10 years (new goodwill) which is the period over which the Directors estimate that the value of the underlying businesses are expected to exceed the value of underlying assets. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

The Company has taken advantage of the exemptions under paragraph 35.10(a) of FRS 102 and elected not to apply Section 14 Business Combinations and Goodwill to business combinations that were completed before the date of transition.

Customer relationships have a definite useful life and are carried at cost less accumulated amortisation, except for intangible assets acquired through a business combination. The fair value of these assets, when acquired upon business combinations, is determined by discounting estimated future net cash flows generated by the asset. The use of different assumptions for the expected future cash flows and the discounting rate used would materially change the valuation of the asset.

Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of between five and nine years.

h) Tangible fixed assets

Tangible fixed assets are stated at their purchase cost, together with any incidental costs of acquisition, less accumulated depreciation and accumulated impairment losses. Depreciation is provided for on a straight-line basis over the expected useful lives of each category of tangible fixed assets at the following rates:

Office equipment	-	20% per annum on cost
Fixtures and fittings	-	20% per annum on cost
Plant and machinery	-	10% to 33% per annum on cost
Leasehold improvements	-	7 - 10% per annum on cost or over the life of the leasehold if shorter
Computer equipment	-	33% per annum on cost

Assets in the course of construction are not depreciated until brought into operational use.

Thales DIS UK Limited

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

The assets' useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Profit and Loss account.

i) Leased assets

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the profit and loss over the term of the lease as an integral part of the total lease expense.

j) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss.

Thales DIS UK Limited

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

k) Interest receivable and interest payable

Interest receivable and interest payable are recognised in the profit and loss account as they accrue, using the effective interest method.

l) Dividend income

Dividend income is recognised in the profit and loss account on the date the Company's right to receive payment is established.

m) Investments in subsidiaries

Investments in subsidiary companies are held at cost less accumulated impairment losses.

n) Stocks

Stocks are valued at the lower of cost and estimated selling price less cost to complete and sell. Cost is based on the weighted average principal and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stocks are recognised as an expense in the period in which the related revenue is recognised.

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit or loss. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit or loss.

o) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, and other short-term highly liquid investments with original maturities of three months or less.

p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made.

Thales DIS UK Limited

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

q) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) *Financial assets*

Basic financial assets, including trade and other debtors, cash and bank balances and loans to fellow group companies, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite have retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) *Financial liabilities*

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company does not hold or issue derivative financial instruments.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Thales DIS UK Limited

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

q) Financial instruments (continued)

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

r) Related party disclosures

The Company has taken the exemptions under paragraph 33.1A of FRS 102 as a wholly owned subsidiary of Thales SA not to disclose transactions with other 100% owned Group entities.

s) Accounting estimates and judgements and key sources of estimation uncertainty

i) Key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 19 for the disclosures relating to the defined benefit pension scheme.

Thales DIS UK Limited

Notes to the financial statements (Continued)

2 Turnover

Analysis of turnover by destination:

	2023 £'000	2022 £'000
United Kingdom	126,876	119,400
Europe	3,447	17,572
Rest of World	2,281	1,332
	132,604	138,304

All turnover relates to the sale of goods and services with all sales originating in the United Kingdom, principally for the supply and distribution of digital security solutions including banking cards, authentication products/software and government ID products.

Analysis of turnover by products and services:

	2023 £'000	2022 £'000
Products	74,114	79,104
Services	58,490	59,200
	132,604	138,304

3 Operating profit

Operating profit is stated after charging the following items:

	2023 £'000	2022 £'000
Amortisation of intangible fixed assets (Note 8)	370	428
Depreciation of tangible fixed assets (Note 9)	1,440	1,487
Operating lease rentals	433	397
Exchange loss	634	294
Profit on the disposal of tangible fixed assets	(33)	(32)
Auditor's remuneration for audit service	96	76

Thales DIS UK Limited

Notes to the financial statements (Continued)

4 Information regarding employees and Directors

	2023 £'000	2022 £'000
Wages and salaries	21,519	20,012
Social security costs	1,971	2,072
Other pension costs – defined contribution plans (note 19)	1,318	1,311
Share award costs	72	44
	24,880	23,439

The average monthly number of persons (including Directors) employed by the Company during the year was:

By activity	2023 Number	2022 Number
Production	275	270
Selling and distribution	80	90
Administration	34	34
	389	394

Directors' emoluments

	2023 £'000	2022 £'000
Aggregate emoluments	465	392
Pension contributions paid during the year	17	29
	482	421

No Directors received (2022: nil) or exercised (2022: nil) share options in the year via Thales DIS UK Limited.

Emoluments of the highest paid Director

	2023 £'000	2022 £'000
Aggregate emoluments	323	255
Pension contributions paid during the year	-	14
	323	269

Thales DIS UK Limited

Notes to the financial statements (Continued)

5 Interest receivable and similar income

	2023 £'000	2022 £'000
Interest receivable on amounts due from fellow Group undertakings	2,338	418

6 Interest payable and similar charges

	2023 £'000	2022 £'000
Bank interest	-	-
Interest payable on amounts due from fellow Group undertakings	-	1
Net interest expense on post-employment benefits (note 19)	116	43
	116	44

7 Tax expense

a) Tax expense/(credit) included in profit or loss

	2023 £'000	2022 £'000
Analysis of the charge in the year:		
UK corporation tax	-	-
Adjustments in respect of prior years	-	(189)
Current tax credit	-	(189)
<hr/>		
Origination and reversal of timing differences	(335)	(370)
Adjustments in respect of prior years	100	(234)
Effect of changes in tax rates	(21)	(117)
<hr/>		
Total deferred tax credit	(256)	(721)
Tax credit on profit	(256)	(910)

The tax charge for the year is lower than (2022: lower than) the standard rate of corporation tax in the UK of 25.00% (2022: 19.00%).

Thales DIS UK Limited

Notes to the financial statements (Continued)

7 Tax expense (continued)

The differences are explained below:

	2023 £'000	2022 £'000
Profit before taxation	6,232	15,794
Tax on profit at standard UK corporation tax rate of 23.52% (2022: 19.00%)	1,466	3,001
Effects of:		
Expenses not deductible for tax	124	237
Income not taxable	-	(1,520)
Effect of group relief/other reliefs	(1,432)	(1,684)
Adjustments in respect of prior years	100	(423)
Tax rate changes	(21)	(117)
Share options	-	-
Pensions	(493)	(404)
Total tax credit for the year	(256)	(910)

b) Tax (credit) / charge included in other comprehensive income

	2023 £'000	2022 £'000
Deferred tax charge/(credit)	322	(40)
Total tax charge/(credit) included in other comprehensive income	322	(40)

c) Tax rate changes

Following the autumn statement 2022 it was decided to raise the corporation tax rate to 25% with effect from 1st April 2023. The higher rate has been substantially enacted following the third reading of the Financial Bill Autumn 2022 on 30th November 2022. The rate used for the year was the average rate of 23.52%.

The deferred tax balances as at 31 December 2023 have been calculated at 25% as this is the rate that has been substantially enacted at the Balance Sheet Date.

Thales DIS UK Limited

Notes to the financial statements (Continued)

8 Intangible assets

	Customer Relationships £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2023	1,213	25,975	27,188
At 31 December 2023	1,213	25,975	27,188
Accumulated amortisation			
At 1 January 2023	836	24,691	25,527
Amortisation for the period	121	249	370
At 31 December 2023	957	24,940	25,897
Net book value			
At 31 December 2023	256	1,035	1,291
At 31 December 2022	377	1,284	1,661

Goodwill includes the purchase of another card manufacturing business in 2002 and was amortised over its useful life of 20 years, now being fully depreciated. It also includes the goodwill relating to a business acquisition in 2017 which is being amortised over 10 years. The amortisation is recognised in administration expenses in the profit and loss account.

Thales DIS UK Limited

Notes to the financial statements (Continued)

9 Tangible assets

	Fixtures, fittings and office equipment £'000	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £000	Total £000
Cost					
At 1 January 2023	767	11,763	13,256	1,898	27,684
Additions	65	285	716	171	1,237
Disposals	(60)	(116)	(3,461)	(124)	(3,761)
Reclassifications	61	(61)	(28)	28	-
At 31 December 2023	833	11,871	10,483	1,973	25,160
Accumulated depreciation					
At 1 January 2023	630	9,025	8,555	1,690	19,900
Charge for the year	86	411	805	138	1,440
Disposals	(60)	(116)	(3,043)	(124)	(3,343)
Reclassification	-	-	-	-	-
At 31 December 2023	656	9,320	6,317	1,704	17,997
Net book value at					
31 December 2023	177	2,551	4,166	269	7,163
At 31 December 2022	137	2,738	4,701	208	7,784

Plant and machinery includes work in progress amounted to £674,000 (2022: £511,000).

Thales DIS UK Limited

Notes to the financial statements (Continued)

10 Investments

The Company has the following investments in subsidiaries:

Subsidiary undertakings	Registered office address	Class of shares Held	Ownership 2023 %	Ownership 2022 %
Multos Limited	350 Longwater Avenue, Green Park, Reading, Berkshire, England, RG2 6GF	Ordinary shares	100	100
Maosco Limited* (Dissolved 30 May 2023)	350 Longwater Avenue, Green Park, Reading, Berkshire, England, RG2 6GF	Ordinary shares	100	100

* Indirectly held investment

Investments in subsidiaries are held at cost which was less than £1,000 at 2023 and 2022.

Income from subsidiaries

	2023 £'000	2022 £'000
Dividend income from subsidiaries	-	8,000

Dividends received during the year from Multos Limited were £ NIL (2022: £8,000,000)

Thales DIS UK Limited

Notes to the financial statements (Continued)

11 Stocks

	2023 £'000	2022 £'000
Raw materials	275	434
Work in progress	11,467	8,851
Finished goods	1,418	2,649
	13,160	11,934

The amount of stocks recognised as an expense during the year was £88,006,000 (2022: £85,205,000). There is no material difference between the carrying amount of stocks and the replacement cost. Stock provisions at the year end amounted to £122,000 (2022: £134,000).

12 Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year		
Trade debtors	10,887	16,053
Amounts owed by Group undertakings	59,858	57,233
Prepayments	352	301
Corporation tax	-	-
Accrued income	5,310	3,509
Other debtors	1	28
Sub total	76,408	77,124
Amounts due after one year		
Accrued income	-	683
Deferred tax asset (see below)	1,923	1,989
Total debtors	78,331	79,796

Amounts owed by Group undertakings are unsecured, and repayable on demand. The rate applied is EURESTR minus 0.25% (2022: EURESTR minus 0.25%) margin for a credit balance.

Thales DIS UK Limited

Notes to the financial statements (Continued)

12 Debtors (continued)

Deferred tax

	Deferred taxation £'000
At 1 January 2023	1,989
Deferred tax credit to profit and loss for period	256
Deferred tax charge in OCI for period	(322)
At 31 December 2023	1,923

Deferred taxation is comprised as follows:

	2023 £'000	2022 £'000
Capital allowances	1,316	1,076
Other timing differences	51	35
Deferred tax asset on pension deficit	556	878
Total deferred tax asset	1,923	1,989
Deferred tax asset recognised	1,923	1,989
Deferred tax asset unrecognised	1,274	1,274

The unrecognised deferred tax asset is in relation to capital losses brought forward.

Deferred tax asset relating to pension deficit

	£'000
At 1 January 2023	878
Deferred tax charge in statement of other comprehensive income	(322)
At 31 December 2023	556

Thales DIS UK Limited

Notes to the financial statements (Continued)

13 Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Trade creditors	937	1,467
Amounts owed to Group undertakings	18,628	26,911
Other taxation and social security	18	18
Corporation tax	-	-
Other creditors	5,805	7,239
Accruals	3,007	2,973
Deferred income	5,197	6,835
	33,592	45,443

Amounts owed by Group undertakings are unsecured trading balances. These balances are interest free and repayable on demand.

14 Provisions for liabilities

	Customer rebates £'000	Dilapidations £'000	Total £'000
At 1 January 2023	183	742	925
Additions during the year	148	-	148
Utilised during the year	(97)	(7)	(104)
At 31 December 2023	234	735	969

Dilapidations

The dilapidation provision relates to the Company's leased premises at Rochdale and the Nest site in Havant. The provisions are for refurbishment costs that will be incurred at the end of the respective leases up until 2030 when the buildings have to be returned to their original condition.

Customer Rebates

The customer rebates provision reflects the Directors' best estimate of expected rebates to be made to customers as at the balance sheet date within the next 12 months.

Thales DIS UK Limited

Notes to the financial statements (Continued)

15 Leasing commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payments due	2023 £'000	2022 £'000
Not later than one year	312	326
Later than one year and not later than five years	1,224	1,212
Later than five years	460	764
	1,996	2,302

16 Called up share capital

	2023 £'000	2022 £'000
Allotted, called up, issued and fully paid		
54,656,227 ordinary shares of £1 each (2022: 54,656,227 shares)	54,656	54,656

There is a single class of ordinary shares. The holders of ordinary shares are entitled to receive dividends as disclosed from time to time and are entitled to one vote per share at meetings of the Company.

17 Ultimate parent company and parent company of larger group

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 4, rue de la Verrerie at Meudon (92190) (Hauts de Seine, France)

18 Capital commitments

The Company had capital commitments at 31 December 2023 of £120,000 (2022: £275,000).

Thales DIS UK Limited

Notes to the financial statements (Continued)

19 Pension costs

Defined contribution scheme

Thales DIS UK Limited operates a defined contribution scheme. The amount of contributions payable to the defined contribution pension scheme in respect of the accounting year and charged to the statement of comprehensive income was £1,318,000 (2022: £1,310,000). Accrued pensions not yet paid amounted to £Nil (2022: £Nil) as at the balance sheet date.

Defined benefit scheme

On 1 April 2007, Thales DIS UK Limited acquired the assets and liabilities of Gemplus Limited which included a liability for a defined benefit pension scheme.

The defined benefit pension scheme provides benefits based on final pensionable pay. The assets of the scheme are held in a separate trust fund and administered by professional investment managers. Contributions to the scheme are charged to the statement of comprehensive income so as to spread the cost of pensions over employees' working lives with the Company. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation was at 31 December 2021. The deficit as at 31 December 2021 was £10,043,000 and additional contributions of £156,000 per month have been agreed for a period of five years and 11 months from January 2020 to November 2025. The scheme was closed to new members in August 2004 and closed to future benefit accrual on 31 March 2007. The current employees were transferred to a defined contribution scheme from April 2007.

In June 2023, the High Court handed down a decision (*Virgin Media Limited v NTL Pension Trustees II Limited and others*), which potentially has implications for the validity of amendments made by schemes that were contracted-out on a salary-related basis between 6 April 1997 and the abolition of contracting-out in 2016. This decision has been appealed in June 2024, with the outcome of that appeal currently pending. The impact will therefore be uncertain for some time to come. Given this uncertainty, the pension valuation as at 31 December 2023 does not reflect the High Court ruling as it is currently unclear as to whether any additional liabilities might arise, and if they were to arise, how they would be reliably measured. Following the outcome of the appeal and any DWP response, management will conclude whether any subsequent actions or amendments to pension liabilities are required.

Thales DIS UK Limited

Notes to the financial statements (Continued)

19 Pension costs (continued)

Section 28 of FRS 102

The present value of the scheme as at 31 December 2023 has been measured by the scheme actuary in accordance with the requirements of section 28 of FRS 102.

Net pension liability:	2023	2022
	£'000	£'000
Defined benefit obligation	(38,441)	(37,300)
Plan assets	36,214	33,785
Net pension liability	(2,227)	(3,515)

Analysis of the amount charged to other finance income:

	2023	2022
	£'000	£'000
Interest expense (note 6)	116	43

Thales DIS UK Limited

Notes to the financial statements (Continued)

19 Pension costs (continued)

Analysis of amount recognised in other comprehensive income:

	2023 £'000	2022 £'000
Actual return less interest income for pension scheme assets	117	(19,705)
Actuarial gain/(loss) relating to the pension scheme	(923)	17,420
Actuarial gain/(loss) recognised in other comprehensive income	(806)	(2,285)

Reconciliation of the net deficit in the scheme:

Deficit in scheme at start of year	(3,515)	(3,356)
Movement in year:		
Contributions	2,210	2,169
Other finance expense	(116)	(43)
Actuarial gain/(loss)	(806)	(2,285)
Net deficit in scheme at year end	(2,227)	(3,515)

Movement in fair value of plan assets

Assets at beginning of year	33,785	52,006
Employer contributions	2,210	2,169
Benefits paid	(1,536)	(1,678)
Interest income	1,638	993
Return on plan assets excluding interest income	117	(19,705)
Assets at end of year	36,214	33,785

The actual return on scheme assets was £ 1,755,000, (2022: £ (18,712,000)).

Movement in present value of defined benefit obligation

Liabilities at beginning of year	(37,300)	(55,362)
Interest expenses	(1,754)	(1,036)
Benefits paid	1,536	1,678
Actuarial gain/(loss)	(923)	17,420
Liabilities at end of year	(38,441)	(37,300)

Thales DIS UK Limited

Notes to the financial statements (Continued)

19 Pension costs (continued)

A breakdown of the scheme assets at the balance sheet date were:

	Market value 31 December 2023 £'000	Market value 31 December 2022 £'000
Diversified growth funds	17,362	22,439
Government gilts	-	-
Liability Driven Investments	18,518	11,156
Cash	334	190
Total market value of assets	36,214	33,785

The major assumptions used by the actuary in measuring the present value of the scheme liabilities were:

Rate of increase in salaries	2023 n/a	2022 n/a
Increases for pensions in payment		
• Accrued prior to 6 April 1997	3.00%	3.00%
• Accrued prior to 1 July 2005	3.05%	3.20%
• Accrued on or after 1 July 2005	2.20%	2.25%
Liability discount rate	4.55%	4.80%
Inflation assumption RPI	3.10%	3.25%
Inflation assumption CPI – Pre 2030	2.10%	2.25%
Inflation assumption CPI – Post 2030	3.00%	3.15%
Revaluation of deferred pensions	2.50%	2.55%
Cash commutation rate	80%	80%

Thales DIS UK Limited

Notes to the financial statements (Continued)

19 Pension costs (continued)

In valuing the liabilities of the pension fund at 31 December 2023, mortality assumptions have been made as indicated below:

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for number of years as follows:

- Current pensioner aged 65: 21.6 years (male), 23.9 years (female)
- Future retiree upon reaching 65: 22.9 years (male), 25.4 years (female)

20 Events after the balance sheet date

There were no material post balance sheet events.

21 Related parties

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