

THALES UK PENSION SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

PERIOD FROM 8 JANUARY 2008 TO 31 DECEMBER 2008

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Scheme Advisors and Founder

Scheme Actuary

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AON
21 Peterborough Road
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HA1 2AJ

Independent Auditors

Deloitte LLP
Chartered Accountants
Global House
Crawley
West Sussex
RH10 1DL

Investment Managers

Aberdeen Asset Management
Lazard Asset Management Limited (removed March 2009)
Alliance Bernstein Institutional Investment Management (removed December 2008)
Legal & General Assurance (Pensions Management) Limited
Majedie Asset Management Limited
Rogge Global Partners
Canyon Value Realization Fund (Cayman) Ltd
Indus Japan Fund
Levin Capital Trilogy Offshore Ltd
Magnitude International
RWC Partners

Additional Voluntary Contributions (AVC) Providers

F&C Fund Managers Limited
Legal & General Assurance (Pensions Management) Limited
Mellon Fund Managers Limited
Phoenix
Equitable Life Assurance Society
Scottish Widows

Legal Advisor

Wragge & Co LLP
3 Waterhouse Square
142 Holborn
London
EC1N 2SW

Scheme Administrator

Xafinity Paymaster Ltd
Sutherland House
Russell Way
Crawley
RH10 1UH

Scheme Advisors and Founder (continued)

Investment Consultants

Cardano
5th Floor
St Clements House
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London
EC4N 7AE

Investment Custodians

The Northern Trust Company
50 Bank Street
Canary Wharf
London
E14 5NT

Bank

Lloyds TSB Bank plc
City Office Branch
25 Gresham Street
London
EC2V 7HN

Life Assurance Insurers

Legal & General (Lump Sum)
Canada Life (Spouses Pension)

Secretary to the Trustees

Philip Cameron

Founder

Thales UK Ltd

Participating Employers

Section 1

Quintec Associates Ltd
Thales UK Ltd
Thales Corporate Services Ltd
Thales Naval Ltd
Thales e-Security Ltd
Thales Transport & Security Ltd
Thales ATM Ltd
Thales Avionics Ltd
Thales Information Systems Ltd
Thales Missile Electronics Ltd
Thales Optronics Ltd
Thales Research & Technology (UK) Ltd
Thales Training & Simulation Ltd
Thales Underwater Systems Ltd
Thales Training & Simulation (Ace) Ltd
Thales Training & Simulation (Merlin) Ltd
Thales Universite Ltd

Section 2

Thales Air Defence Ltd
Thales Corporate Services Ltd
Thales Information Systems Ltd
Thales Optronics Ltd
Thales Training & Simulation Ltd
Quintec Associates Ltd
Thales UK Ltd
Thales ATM Ltd
Thales Avionics Ltd
Thales Universite Ltd
Thales Training & Simulation (Ace) Ltd
Thales Training & Simulation (Merlin) Ltd
Thales Missile Electronics Ltd
Thales Naval Ltd
Thales Research & Technology (UK) Ltd
Thales Transport & Security Ltd
Thales Underwater Systems Ltd

Scheme Advisors and Founder (continued)

Contact for further information

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C/o Thales UK Ltd
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The Bourne Business Park
Addlestone nr Weybridge
Surrey
KT15 2NX

Trustee's Report

Introduction

The Trustee of the Thales UK Pension Scheme (the "Scheme") is pleased to present its first report together with the financial statements for the period from 9 January 2008 to 31 December 2008. The Scheme is a Defined Benefit scheme governed by a definitive Trust Deed dated 30 June 2008. With effect from 1 July 2008, the Scheme merged with 8 other Thales Defined Benefit Schemes, and the active members of a further Thales group scheme, the Avimo Pension Scheme.

Scheme Merger

The merger involved each of the above schemes adopting a common basis for accrual with effect from 1 January 2008 on a Career Average Revalued Earnings (CARE) basis. The Trustees of each Scheme signed a transfer agreement, agreeing to merge with effect from 1 July 2008 into one of the two sections of the Thales UK Pension Scheme. The sections are split according to funding levels at the date the transfer agreements were signed, and are fully ring fenced.

Although past service benefits have now lost their link to earnings, they continue to be revalued on a limited price indexing basis with a cap of 8%, so long as members remain active. The revaluation reverts to statutory revaluation should they leave the scheme.

Short Accounting Period

Because accounting information is required for the Scheme Actuary to undertake the first formal Actuarial Valuation of the Scheme, the Trustees agreed to the production of accounts for the period from 9 January 2008 to 31 December 2008. The Scheme commenced operations on 1 July 2008 when the assets of the legacy schemes were transferred into this scheme.

Management of the Scheme

Exceeding the requirements of the Occupational Pension Scheme (Member-nominated Trustees and Directors) Regulations 2006, half of the Trustee Directors are appointed by Thales UK Ltd, and half are appointed by the active and pensioner membership.

During the period under review the Trustee of the Scheme has been Thales Pension Trustees Ltd, whose Directors are:

| | | | |
|--------------------|------------|---------------------|-----------------------------|
| Lord Roger Freeman | (Chairman) | (Company Nominated) | |
| Kathy Jenkins | | (Company Nominated) | |
| Natalie Wignall | | (Company Nominated) | – Resigned 5 May 2009 |
| Ken McSweeney | | (Company Nominated) | – Resigned 13 October 2008 |
| Phil Naybour | | (Company Nominated) | – Appointed 13 October 2008 |
| Simon Roberts | | (Company Nominated) | |
| Paul Durrant | | (Company Nominated) | |
| Lawrence Hammond | | (Company Nominated) | – Appointed 1 June 2009 |
| Philip Cameron | | (Member Nominated) | – Resigned 13 October 2008 |
| James Bell | | (Member Nominated) | – Appointed 13 October 2008 |
| Robert Preston | | (Member Nominated) | |
| Colin Milbourn | | (Member Nominated) | – Appointed 13 October 2008 |
| Les James | | (Member Nominated) | – Appointed 13 October 2008 |
| Robert Carr | | (Member Nominated) | |
| Joelle Dumetz | | (Member Nominated) | |
| Jack Bolton | | (Member Nominated) | – Resigned 13 October 2008 |

All Trustee Directors were appointed in January 2008, unless otherwise stated.

Trustee's Report (continued)

Management of the Scheme (continued)

The Trustee Board was in place before 1 July 2008 to enable the merger to take place, and following the merger ran on a temporary board until the Member Nominated Director elections had taken place.

The Member Nominated Trustee Directors may be removed before the end of their term only by agreement of all remaining Trustee Directors, although their appointment ceases should they cease to be an active or pensioner member of the Scheme. In accordance with the Trust Deed, the Founder, Thales UK Ltd, has the power to appoint and remove the Company Nominated Directors.

Founder

The Scheme is provided for all eligible employees of the Founder and the Participating Employers detailed on page 2. The Founder's registered address is 2 Dashwood Lang Road, The Bourne Business Park, Addlestone nr Weybridge, Surrey, KT15 2NX.

Financial Development

The financial statements on pages 16 to 28 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Actuarial Position

The first formal valuation of the Scheme is currently being undertaken as at 31 December 2008. An informal valuation of the Scheme was performed as at 30 June 2008 based on a roll forward of the previous valuations of the transferring schemes. The informal valuation estimated that the funding levels of the Scheme on the ongoing basis were as follows:

| | |
|----------------|-----|
| Section 1: | 80% |
| Section 2: | 95% |
| Both Sections: | 84% |

A Schedule of Contributions was prepared in October 2008 but has not been certified by the actuary, pending the completion of statutory actuarial requirements. The participating employers are paying contributions on the rates recommended in this schedule.

Contributions

Member contribution rates are 6% of Pensionable Salary up to the Upper Earnings Limit and in excess of that at 9%. Member contributions are paid through a Salary Sacrifice arrangement.

The Employer contributions for the period under review set out in the Schedule of Contributions are described below:

Section 1

1 July 2008 to 30 June 2009

- 1.8% pa of Pensionable Earnings, plus
- A payment in respect of the sale of Thales E-Transactions of £3.3m to be paid by 10 July 2008, plus
- Payments in respect of a section 75 debt for Thales Research & Technology of £300,000 per month for December 2008 to June 2009 inclusive

In addition Thales UK Ltd was required to pay £27.2m into Section 1 of the Scheme by 31 December 2008, and £49.5m per annum between 1 January 2009 and 31 December 2010.

Trustee's Report (continued)

Section 2

10.7% pa of Pensionable Earnings, plus an additional payment of £0.1m to be paid by 31 December 2008, and £0.5m per annum a to be paid between 1 January 2009 and 31 December 2010.

Pensions Increases

There have been no pension increases other than those required either by statute, or by reference to the Scheme Rules.

Governance and Risk Management

The Trustee has in place a business plan which sets out its objectives in areas such as administration, investment, funding and communication. In addition, the Trustee has dedicated sub-committees made up of Directors of the Trustee which focus on Operations, Governance and Investment matters, all of which meet at least quarterly.

The Trustee continues to review its governance structure, and will provide an update in its next report regarding the additional procedures it has put in place.

Trustee Knowledge and Understanding

The Pensions Act 2004 requires the Trustee to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Trustee receives regular training from its advisors in order to maintain high standards of knowledge and understanding.

Pension Protection Fund

The Pension Protection Fund (PPF) Levy currently consists of two parts: a scheme based levy (20%) based on the Scheme's PPF liabilities, and a risk-based levy (80%) based on the level of underfunding in the Scheme and the risk of the Sponsoring Employer becoming insolvent.

The total levy which the PPF expects to raise in respect of UK pension schemes in 2009/2010 is estimated at £700m.

Scheme Changes

- **Changes to Statutory Revaluation** - The Government has changed the rate of statutory revaluation from Limited Price Indexation (LPI) of RPI with a maximum of 5%, to LPI of RPI with a maximum of 2.5%, with effect from 6 April 2009. This will only affect benefits accrued post 6 April 2009 (benefits accrued before this date will be subject to former Statutory Revaluation rates), and will only affect members who become deferred. Active members will continue to have their pre 1 January 2008 benefits revalued at a rate of RPI with a maximum of 8%.
- **Changes to Upper Earnings Limit** – The Government has significantly increased the Upper Earnings Limit (UEL), and introduced a new static Upper Accrual Point (UAP) with effect from 6 April 2009. Without amendment to the rules, the new UEL would result in members earning above £40,040 paying lower contributions to the Scheme and members retiring after April 2010 receiving lower benefits as a result of an increase in the pension deduction. The Company and Trustees are discussing how best to deal with this change, but as an interim solution have agreed that the UEL will remain as £40,040 for the period April 2009 to April 2010.

Trustee's Report (continued)

Membership Movements

The membership reconciliation for the reporting period is detailed below.

Section 1

| | Actives | Deferreds | Pensioners | Dependent Pensioners | Total |
|---|---------|-----------|------------|----------------------|--------|
| Transfer in from Thales Legacy Schemes | 1,908 | 6,603 | 4,822 | 1,193 | 14,526 |
| ADDITIONS | Actives | Deferreds | Pensioners | Dependant Pensioners | Total |
| New | | 2 | 68 | | 70 |
| Spouse's Pensions into Payment | | | | 16 | 16 |
| DEDUCTIONS | Actives | Deferreds | Pensioners | Dependant Pensioners | Total |
| Actives/Deferred members retiring | 13 | 55 | | | 68 |
| Active/Deferreds who fully commuted pension | | 7 | | | 7 |
| Deaths of Actives/Pensioners/Dependants/Deferred Pensioners & Cessation of Children's Pension | | 2 | 48 | | 50 |
| Leavers with deferred pensions/refunds/Special leavers | 2 | | | | 2 |
| Transfers Out | | 36 | | | 36 |
| Membership at 31/12/2008 | 1,893 | 6,505 | 4,842 | 1,209 | 14,449 |

Trustee's Report (continued)

Membership Movements (continued)

Section 2

| | Actives | Deferreds | Pensioners | Dependent Pensioners | Total |
|--|---------|-----------|------------|----------------------|-------|
| Transfer in from Thales Legacy Schemes | 2,316 | 2,073 | 1,595 | 292 | 6,276 |
| Life Assurance Members (included above) | 223 | | | | 223 |
| ADDITIONS | Actives | Deferreds | Pensioners | Dependant Pensioners | Total |
| New | | 2 | 31 | | 33 |
| Spouse's Pensions into Payment | | | | 2 | 2 |
| DEDUCTIONS | Actives | Deferreds | Pensioners | Dependant Pensioners | Total |
| Actives/Deferred members retiring | 10 | 21 | | | 31 |
| Active/Deferreds who fully commuted pension | | 3 | | | 3 |
| Deaths of Actives/Pensioners/Dependants/ Deferred Pensioners & Cessation of Children's Pension | 1 | | 10 | | 11 |
| Leavers with deferred pensions/refunds/Special leavers | 2 | | | | 2 |
| Transfers Out | 1 | 54 | | | 55 |
| Membership at 31/12/2008 | 2,302 | 1,997 | 1,616 | 294 | 6,209 |
| Life Assurance Members (included above) | 223 | | | | 223 |

Pensioners include individuals receiving a pension upon the death of a member. These membership figures do not include movements notified to the Administrator after the completion of the annual renewal which are reflected under adjustments.

Trustee's Report (continued)

Investments

General

The investments in the Thales legacy schemes that merged into this scheme were held within the Thales UK Pension Schemes Common Investment Fund (the CIF). Since 1 July 2008 the Thales UK Pension Scheme has been the only Thales scheme holding any beneficial interest in investments in the CIF and accordingly the Scheme presents its financial statements on a consolidated basis with the CIF. Subsequent to the period end the CIF transferred the direct holding in all investments to the Scheme.

During the period under review the CIF Trustee was responsible for determining the range and nature of sub funds available to the Thales UK Pension Scheme and for ensuring effective communication of the CIF's structure and performance to the Thales UK Pension Scheme, a role it undertook simultaneously with the Investment Sub-Committee of the Thales UK Pension Scheme. Specifically the CIF Trustee was responsible during the period for the selection and de-selection of investment managers and custodians, employed by the CIF.

The CIF Trustee invested fund monies of the two sections of the Thales UK Pension Scheme, in line with the investment strategy of those sections. The Trustees of the Thales UK Pension Scheme had sole responsibility for establishing and reviewing that investment strategy. In broad terms, investment strategy specifies the proportion of fund monies that the participating schemes' Trustees wish to invest in the principal market sectors.

The CIF Trustee, through its appointed investment managers, then managed the schemes' asset portfolios on a day-to-day basis. The investment managers had full discretion for stock selection.

The CIF Trustee maintained a Statement of Investment Objectives for the benefit of the participating scheme. This document set out the objective of each sub fund and investment manager, as well as the fee schedule in place with each manager.

During the course of the accounting period, the investment managers have been:

- Aberdeen Asset Management
- AllianceBernstein (replaced in December 2008)
- Lazard Asset Management
- Legal & General Investment Management Ltd
- Majedie Asset Management
- Rogge Global Partners plc
- Canyon Value Realization Fund (Cayman) Ltd
- Indus Japan Fund
- Levin Capital Trilogy Offshore Ltd
- Magnitude International
- RWC Partners

Review of Investment Performance of the CIF

From the beginning of 2005, when the Thales CIF was set up, until 31 December 2008 the CIF returned 4.7% per annum (after investment management fees) against a benchmark return of 5.0% per annum. The investment return for the six months to 31 December 2008 was -8.4%.

The total assets held by the CIF on behalf of the Scheme, as at 31 December 2008, were approximately £1.25 billion (31 March 2007: £1.41 billion).

Trustee's Report (continued)

Review of Investment Performance of the Thales CIF (continued)

Investment performance for the period 30 June 2008 to 31 December 2008 is set out below:

| Manager | Active/ Passive | Out performance target above benchmark | Fund performance (%) | Benchmark performance (%) | Benchmark |
|--|--------------------|---|----------------------------|---------------------------------|--|
| UK equity sub fund | | 1.5% pa | -18.9 | -21.1 | FTSE All Share |
| Lazard | Active | 1.5% pa | -20.9 | -21.1 | FTSE All Share |
| Majedie | Active | Maximise Return (approx 3.0% pa) | -15.2 | -21.1 | FTSE All Share |
| L&G | Passive | 0.0% pa | -21.0 | -21.1 | FTSE All Share |
| Global equity sub fund | | 1.5% pa | -26.8 | -19.9 | Weighted composite index |
| AllianceBernstein (replaced in December 2008) | Active | 2.5% pa | n/a | n/a | FTSE All-World (part hedged) |
| L&G | Passive | 0.0% pa | -20.2 | -20.4 | Fixed Weight Composite Index (part hedged) |
| Fixed interest sub fund | | 1.0% pa | 4.1 | 5.3 | 43% ML Stlg Non-Gilt 34% FTSE A All Stock Gilt 23% ML Stlg Non-Gilt All Stock |
| Aberdeen | Active | 0.5% pa | 2.6 | 6.3 | 60% ML Sterling Non- Gilts 40% FTSE-A All Stocks |
| Rogge | Active | 1.5% pa | 4.6 | 3.3 | 80% ML Sterling Non-gilts All Stocks Index 20% FTSE-A All Stocks Index |
| Fixed interest sub fund (passive manager) | | 0.0% pa | 26.7 | 26.8 | 11% iBoxx £ Non-Gilt (ex BBB) 29% Thales L&G EMF Return 60% FTSE-A All Stocks Gilts |
| L&G | Passive | 0.0% pa | 13.2 | 13.1 | 15% iBoxx £ Non-Gilt (ex BBB) 85% FTSE-A All Stocks Gilts |
| L&G (Enhanced matching fund 2020) | Passive | +0.0%pa | 59.5 | 69.5 | |
| L&G (Enhanced matching fund 2025) | Passive | +0.0%pa | 67.0 | 77.0 | |
| Index linked sub fund | | 0.0% pa | -1.5 | -1.6 | FTSE A ILG (>5yrs) |
| L&G | Passive | 0.0% pa | -1.5 | -1.6 | FTSE A ILG (>5yrs) |
| Liquid Alternatives sub fund | | | -15.4 | 8.2 | 85% LIBOR 3 month 15% USD LIBOR 3 month |
| Canyon | | | -0.7 | 40.9 | USD LIBOR 3 month |
| Indus | | | -3.0 | 2.9 | LIBOR 3 month |
| Levin | | | -13.9 | 2.9 | LIBOR 3 month |
| Magnitude | | | -22.6 | 2.9 | LIBOR 3 month |
| RWC | | | -24.8 | 2.9 | LIBOR 3 month |

Source: BNY Mellon

Trustee's Report (continued)

Market Review for 6 months from 1 July to 31 December 2008

Global equity markets suffered considerably over the 6 months as the banking/liquidity crisis continued and the world's economies entered into a severe global recession. The UK equity market fell by 21.1% while overseas markets fell by a similar amount.

Fixed interest Government bonds performed very well over the 6 months, benefiting from their 'safe haven' status and falling interest rates during 2008. Corporate bonds, in contrast continued to suffer. The spread of corporate bond yields over Government bond yields remained at historically high levels over the period, reflecting investors' negative outlook and liquidity issues in the market.

Following the falls during the previous 12 months, the UK commercial property market worsened considerably, falling over 15% over the 6 month period to 31 December 2008. Commodities also fell sharply as the global recession impacted demand.

Investment Principles

The Trustee of the Thales UK Pension Scheme has produced a Statement of Investment Principles ("the Statement") in accordance with Section 35 of the Pensions Act 1995. A copy of the Statement is available on request. The main priority of the Trustee when considering the investment policy is to ensure that the commitments made about members' pensions may be fulfilled. To ensure this, investments are spread by type of investment (equities, bonds, etc.) and geographically. Spreading the investments in this way reduces the risk of a sharp fall in one particular market having a substantial impact on the whole fund.

As part of the monthly cash flow of Scheme investments and disinvestments, the Thales CIF Trustee ensured that the Scheme asset allocations remained within the ranges agreed with the Scheme.

Following the merger, the Scheme Trustee decided not to adopt a rebalancing strategy until it had the opportunity to fully consider the liability profile of the new Scheme in association with its advisers.

The Myners Review and Code of Best Practice

During the period the Trustee, in conjunction with its professional advisers, continued to review the recommendations contained in the Government's response to the Myners Review which set out a Code of Best Practice to assess the Scheme's level of compliance with these recommendations.

The Trustee understood that the primary purpose of the Code of Best Practice was to ensure that the Trustee had the right skill set and decision-making structures and also that it had clear objectives for the Scheme and an appropriate and well documented strategy in place for achieving these objectives. In a similar vein, the Trustee knew that that it should set explicit goals for the fund managers used by the Scheme.

The Investment Sub-Committee and the Trustee in general have been working closely with their advisers to set clear objectives and make strategic asset allocation decisions for the Scheme. It will be easier to do this when a clearer view of the Scheme funding position is available following the initial Actuarial Valuation Results which are due to be released in the middle of 2009. In the meantime, the Investment Sub-Committee has in place explicit mandates with investment managers, largely inherited from the Thales CIF.

The Trustee, and in particular the Investment Sub-Committee, continually reviews its training needs, and the skills of its Directors to ensure effective decision-making, taking independent expert advice as appropriate.

Trustee's Report (continued)

Custodial Arrangements

The Trustee has appointed Northern Trust Company as the Scheme's main custodians.

As a result of the appointment of Legal & General Assurance (Pensions Management) Ltd as an investment manager, HSBC Global Investor Services and Citibank are also custodians of some of the Scheme assets.

The custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of investments. Investments are held in the name of the custodians' nominee companies, in line with common practice for pension scheme investments.

Xafinity Paymaster Limited has been appointed by the Trustee as custodian of the cash held in connection with the administration of the Scheme.

The Trustee is responsible for ensuring the Scheme's assets continue to be securely held. It reviews its custodial arrangements from time to time.

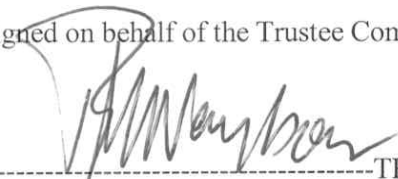
Basis of Investment Managers' Fees


Within the Scheme, and the Thales CIF before it, investment managers are paid on a mixture of performance-related based fees and fund value based fees rather than a fixed fee basis. The Trustee believed that this provided those investment managers with a greater alignment with the Trustee's interests. The fee bases of the managers will be reviewed periodically by the Investment Sub-Committee on behalf of the Trustee.

Further Information

Further disclosures required by legislation are included in the Compliance Statement on pages 31 and 32.

Signed on behalf of the Trustee Company on 30 July 2009


-----TRUSTEE DIRECTOR


-----TRUSTEE DIRECTOR

Statement of Trustee's Responsibilities

The financial statements are the responsibility of the Trustee. The Pension Scheme regulations requires the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme accounting period which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme period and of the amount and disposition, at the end of that period, of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme period, in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
- Contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial reports of Pension Schemes".

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis. The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Independent Auditors' Report to the Trustee of Thales UK Pension Scheme

We have audited the financial statements of Thales UK Pension Scheme for the period ended 31 December 2008 which comprise the fund account, net assets statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trustee, in accordance with regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditors' 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 Trustee, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustee and auditors

The trustee's responsibilities for obtaining audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements show a true and fair view in accordance with the relevant financial reporting framework and contain the information specified in the schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if the information specified by law is not disclosed.

We read the other information presented with the financial statements as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the scheme's circumstances, consistently applied and adequately disclosed.

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

Independent Auditors' Report to the Trustees of Thales UK Pension Scheme (continued)

Opinion

In our opinion:

- the financial statements show a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the scheme during the period ended 31 December 2008 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the scheme year end; and
- the financial statements contain the information specified in regulation 3 and the schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.



(Signature)

Deloitte LLP

Chartered Accountants and Statutory Auditors

Crawley, United Kingdom

30 July 2009

Thales UK Pension Scheme

Financial Statements

Fund Account - For the period ended 31 December 2008

| | Notes | Section One £'000 | Section Two £'000 | Period ended 31 December 2008 £'000 |
|---|-------|-------------------------|-------------------------|--|
| Contributions and Benefits | | | | |
| Contributions | 3 | 42,976 | 6,814 | 49,790 |
| Transfers | 4 | 1,028,215 | 355,917 | 1,384,132 |
| Other income | 5 | 179 | 628 | 807 |
| | | 1,071,370 | 363,359 | 1,434,729 |
| Benefits | 6 | 24,128 | 5,601 | 29,729 |
| Leavers | 7 | 2,307 | 2,862 | 5,169 |
| Other payments | 8 | 738 | 1,124 | 1,862 |
| Administrative expenses | 9 | 3,548 | 1,563 | 5,111 |
| | | 30,721 | 11,150 | 41,871 |
| Net additions from dealings with members | | 1,040,649 | 352,209 | 1,392,858 |
| Returns on investments | | | | |
| Investment income | 10 | 13,307 | 4,085 | 17,392 |
| Investment management expenses | 11 | (2,205) | (1,091) | (3,296) |
| Change in market value of investments | 12 | (91,437) | (35,177) | (126,614) |
| Net returns on investments | | (80,335) | (32,183) | (112,518) |
| Net increase in the fund during the period | | 960,314 | 320,028 | 1,280,340 |
| Net assets at 31 December 2008 | | 960,314 | 320,028 | 1,280,340 |

The notes on pages 18 to 28 form part of these financial statements.

Financial Statements

Net Assets Statement – As at 31 December 2008

| | Notes | 2008 £'000 |
|---------------------------------------|-------|-------------------------|
| <i>Section One</i> | | |
| Investments | 12 | 947,638 |
| Current assets | 13 | 17,277 |
| Current liabilities | 14 | (4,601) |
| Net Assets | | <u>960,314</u> |
| <i>Section Two</i> | | |
| Investments | 12 | 318,564 |
| Current assets | 13 | 3,906 |
| Current liabilities | 14 | (2,444) |
| Net Assets | | <u>320,026</u> |
| Net assets at 31 December 2008 | | <u><u>1,280,340</u></u> |

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Trustee's Report included in the Annual Report and these accounts should be read in conjunction with it.

The notes on pages 18 to 28 form part of these financial statements.

The financial statements on pages 16 to 17 were approved on behalf of the Trustees on 30 July 2009.

Signed on behalf of the Trustee Company



Trustee Director



Trustee Director

Notes to the Financial Statements

For the period ended 31 December 2008

1. Basis of preparation

These financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007).

2. Accounting policies

A Contributions and benefits

Contributions and benefits are accounted for in the period in which they fall due.

Normal contributions received during the period have been in accordance with the Scheme rules and recommendations of the actuary.

Section 75 debts are accounted for when paid or determined by the scheme actuary whichever is earliest.

Augmentations relate to the cost of augmenting benefits of certain retiring members, as advised by the Actuary.

B Transfers

1. Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.
2. Group transfers are accounted for on the accruals basis where the Trustee has agreed to accept the liability for member's benefits.

C Investment income

Investment income has been accounted for on an accruals basis.

Income from equity marketable securities has been taken into account on the date the stocks were quoted ex-dividend.

Foreign income is translated into sterling at the date ruling at the date of the transaction.

Notes to the Financial Statements

For the period ended 31 December 2008

2. Accounting policies (continued)

D Administrative expenses and investment management expenses

Administrative expenses are met by the Scheme. Investment manager expenses recorded in the CIF are included within the Scheme accounts.

E Apportionment of Investment Funds

The Scheme owns 100% of the total units within the CIF Investment Funds in issue. For administrative purposes Section 1 and Section 2 invest separately in the Investment Funds to meet their investment requirements. Units are offered for subscription or surrender each month at a price which reflects the market value of the underlying assets of the IFs.

At the end of each month, the IFs are revalued and a unit price calculated for each IF. Purchases and sales of units by each Section are transacted on the first working day of the month using the relevant unit values.

For the purposes of these accounts, the underlying assets, liabilities and transactions of the CIF are included as if they were part of the Scheme reflecting the 100% beneficial ownership that the Scheme has in the CIF.

F Valuation of investments

Quoted investments are valued at the last traded price on the relevant stock exchange.

The market value of pooled investment vehicles is taken as the bid price at the accounting date as advised by the investment managers.

Investments not denominated in sterling have been translated at the closing exchange rate as of that date.

Investments include cash balances held by the custodians on behalf of the investment manager, which are required for the day to day management of the investments.

All gains and losses on investments including those arising on derivative financial instruments, whether realised or unrealised are included in the change in market value for the period.

Notes to the Financial Statements

For the period ended 31 December 2008

2. Accounting policies (continued)

G Derivatives

Derivative contracts are valued at fair value. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices.

Derivative contracts' changes in fair value are included in change in market value where the economic purpose of the contracts relates to assets. Where the economic purpose relates to income the change in fair value is included in investment income.

Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

The fair value of forward currency contracts is based on market forward exchange rates at the year end date and represents the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

H Foreign Currencies

Transactions in foreign currencies during the period are converted at the rate of exchange ruling at the dates of the transactions. Overseas investments and bank and short term deposits in foreign currencies are translated at the rates of exchange ruling at the Scheme year end.

Notes to the Financial Statements

For the period ended 31 December 2008

| 3 Contributions | Section One £'000 | Section Two £'000 | Period ended 31 December 2008 £'000 |
|------------------------------|----------------------------------|----------------------------------|--|
| Contributions from employer: | | | |
| Normal | 642 | 4,321 | 4,963 |
| Deficit funding | 31,257 | 100 | 31,357 |
| Section 75 Debts | 8,700 | - | 8,700 |
| | 40,599 | 4,421 | 45,020 |
| Contributions from members: | | | |
| Normal | 2,377 | 2,393 | 4,770 |
| | 42,976 | 6,814 | 49,790 |

In accordance with the Scheme rules and recommendations of the actuary, the deficit funding amounts have been received to reduce the Scheme deficit by 31 December 2017.

The Scheme no longer offers AVC investments to members of the legacy schemes.

4 Transfers in

| | | | |
|---|-----------|---------|-----------|
| Bulk transfers from Thales legacy schemes | 1,028,148 | 355,825 | 1,383,973 |
| Individual transfers from other schemes | 67 | 92 | 159 |
| | 1,028,215 | 355,917 | 1,384,132 |

5 Other income

| | | | |
|-----------------------------------|-----|-----|-----|
| Claims on term insurance policies | 179 | 628 | 807 |
|-----------------------------------|-----|-----|-----|

6 Benefits

| | | | |
|--|--------|-------|--------|
| Pensions | 21,921 | 4,063 | 25,984 |
| Commutations and lump sums on retirement | 1,881 | 756 | 2,637 |
| Annuities purchased | 11 | 6 | 17 |
| Lump sums on death in service | 315 | 776 | 1,091 |
| | 24,128 | 5,601 | 29,729 |

Thales UK Pension Scheme

Notes to the Financial Statements

For the period ended 31 December 2008

| | Section One £'000 | Section Two £'000 | Period ended 31 December 2008 £'000 |
|--|----------------------------------|----------------------------------|--|
| 7 Payments to and on account of leavers | | | |
| Individual transfers to other schemes | 1,847 | 2,862 | 4,709 |
| Group transfers | 460 | - | 460 |
| | <u>2,307</u> | <u>2,862</u> | <u>5,169</u> |
| 8 Other payments | | | |
| Premiums on term insurance policies | 738 | 1,124 | 1,862 |
| | <u>738</u> | <u>1,124</u> | <u>1,862</u> |
| Term insurance is secured by policies underwritten by Canada Life Limited and Legal & General. | | | |
| 9 Administrative expenses | | | |
| Administration fees | 687 | 435 | 1,122 |
| Actuarial and consulting fees | 166 | 391 | 557 |
| Legal fees | 121 | 136 | 257 |
| Audit fees | 13 | 20 | 33 |
| Other expenses | 129 | 53 | 182 |
| PPF Levy | 2,432 | 528 | 2,960 |
| | <u>3,548</u> | <u>1,563</u> | <u>5,111</u> |
| 10 Investment income | | | |
| Income from fixed interest securities | 9,200 | 2,821 | 12,021 |
| Dividends from equities | 4,243 | 1,301 | 5,544 |
| Income from index linked securities | 38 | 12 | 50 |
| Net interest payable on cash and overdraft balances | (216) | (56) | (272) |
| Annuities | 42 | 7 | 49 |
| | <u>13,307</u> | <u>4,085</u> | <u>17,392</u> |
| 11 Investment management expenses | | | |
| Administration, management and custody | 2,205 | 1,091 | 3,296 |
| | <u>2,205</u> | <u>1,091</u> | <u>3,296</u> |

Notes to the Financial Statements

For the period ended 31 December 2008

12 Investments

**Investments held within the Thales
Common Investment Fund**

| | Section One £'000 | Section Two £'000 | Period ended 31 December 2008 £'000 |
|-----------------------------|----------------------------------|----------------------------------|--|
| Fixed Interest Bond | 525,735 | 153,557 | 679,292 |
| Global Equity | 166,006 | 56,376 | 222,382 |
| UK Equity | 200,469 | 64,348 | 264,817 |
| Alternative investment fund | 50,960 | 27,126 | 78,086 |
| | 943,170 | 301,407 | 1,244,577 |
| AVC investments | 4,468 | 17,157 | 21,625 |
| | 947,638 | 318,564 | 1,266,202 |

The investments are further analysed within the various funds that comprise The Thales UK Pension Schemes Common Investment Fund in sections headed Assets by fund.

The movements of total investments in the period were as follows:

| | AVC's Period ended 31 December 2008 £'000 | Main CIF investments Period ended 31 December 2008 £'000 |
|------------------------|--|---|
| Transfers in | 23,628 | 1,341,461 |
| Purchases at cost | 147 | 457,128 |
| Sales proceeds | (1,147) | (483,667) |
| Change in market value | (1,003) | (125,611) |
| Other movements | - | 55,266 |
| At end of period | 21,625 | 1,244,577 |

The change in market value includes net realised and unrealised gains/(losses) on fixed interest derivatives of £930,000 and net realised and unrealised losses on forward currency contracts of £3,086,200. The forward currency contracts are entered into for hedging purposes. Gross purchases and sales of both fixed interest derivatives and forward currency contracts are excluded from the figures for purchases and sales disclosed above. The payment due to or from the Scheme on settlement of the contracts is shown within either purchases or sales depending on whether the contract settles at a loss or a gain.

Other movements represents changes in the cash balance and income receivable balances in the period.

Notes to the Financial Statements

For the period ended 31 December 2008

12 Investments (continued)

Assets by fund

As discussed in the Trustee report, The Thales UK Pension Schemes Common Investment Fund comprises various sub funds. The assets and liabilities of the various CIF funds in which the Scheme has beneficial ownership are disclosed below.

| | 31 December 2008 | | | | | |
|---|-------------------------------|-----------------------------------|------------------------------------|----------------------------------|---|--------------------------------|
| | UK Equity Fund £'000 | Global Equity Fund £'000 | Fixed Interest Fund £'000 | Index Linked Fund £'000 | Alternative Investments Fund £'000 | Total All Funds £'000 |
| Fixed interest Securities | | | | | | |
| - UK | | | | | | |
| - Public Sector | - | - | 88,126 | - | - | 88,126 |
| - Other | - | - | 26,177 | - | - | 26,177 |
| - Overseas | | | | | | |
| - Public Sector | - | - | 32,271 | - | - | 32,271 |
| - Other | - | - | 51,029 | - | - | 51,029 |
| Equities | | | | | | |
| - UK | 173,306 | - | - | - | - | 173,306 |
| - Overseas | 2,923 | - | - | - | - | 2,923 |
| Pooled investment Vehicles | 78,391 | 221,266 | 425,449 | 13,969 | 78,086 | 817,161 |
| | 254,620 | 221,266 | 623,052 | 13,969 | 78,086 | 1,190,993 |
| Cash balances | | | | | | |
| - Cash | 9,368 | 546 | 27,500 | - | - | 37,414 |
| - Bank deposits | 31 | 48 | 12,852 | - | - | 12,931 |
| Forward currency Contracts – assets | - | - | 7,208 | - | - | 7,208 |
| Future contracts - assets | - | - | 4,828 | - | - | 4,828 |
| | 9,399 | 594 | 52,388 | - | - | 62,381 |
| Investment income receivable | 798 | 522 | 3,919 | - | - | 5,239 |
| Forward currency contracts – liabilities | - | - | (10,138) | - | - | (10,138) |
| Future contracts - liabilities | - | - | (3,898) | - | - | (3,898) |
| Total investments | 264,817 | 222,382 | 665,323 | 13,969 | 78,086 | 1,244,577 |

The pooled investment vehicles are operated by UK companies except for the Alternative Investment Funds which are operated by Cayman or Irish registered companies.

Notes to the Financial Statements
For the period ended 31 December 2008

12 Investments (continued)

Derivative assets/(liabilities)

Forward foreign currency contracts (over the counter)

| Number of Contracts | Settlement date | Currency bought | Currency Sold | 2008 | |
|------------------------|--------------------|--------------------|------------------|-----------------------------|---------------------------------|
| | | | | Aggregate asset £'000 | Aggregate liability £'000 |
| 4 | March 2009 | AUD | Various | 1,052 | - |
| 2 | February 2009 | BRL | USD | - | 152 |
| 5 | March 2009 | CAD | Various | - | 181 |
| 1 | March 2009 | CHF | EUR | 484 | - |
| 1 | February 2009 | CNY | USD | 9 | - |
| 2 | March 2009 | DKK | Various | 35 | - |
| 5 | March 2009 | EUR | Various | 5,497 | - |
| 19 | March 2009 | GBP | Various | - | 4,748 |
| 4 | February 2009 | INR | USD | - | 168 |
| 2 | March 2009 | JPY | EUR | - | 1,199 |
| 2 | March 2009 | NOK | Various | - | 778 |
| 1 | February 2009 | RUB | USD | - | 205 |
| 5 | March 2009 | SEK | Various | 131 | - |
| 3 | February 2009 | USD | Various | - | 86 |
| 7 | March 2009 | USD | Various | - | 1,774 |
| 1 | March 2009 | GBP | USD | - | 847 |
| | | | | 7,208 | 10,138 |
| | | | | 7,208 | 10,138 |

The forward foreign currency contracts are held to hedge against foreign currency exposure from various investments. As there are multiple contracts in various currencies, it is impractical to list in detail all of the currencies sold.

| Futures (Exchange traded) | Expiry | 2008 | |
|---------------------------|------------|-----------------|----------------------|
| | | Assets £'000 | Liabilities £'000 |
| UK fixed interest | March 2009 | 1,178 | - |
| Overseas fixed interest | March 2009 | 3,650 | 3,898 |
| | | 4,828 | 3,898 |
| | | 4,828 | 3,898 |

Notes to the Financial Statements

For the period ended 31 December 2008

12 Investments (continued)

The Trustee holds insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustees but, as is permitted under current regulations and accounting practice, the Trustee has decided that these policies need not be valued in the net assets statement.

The Northern Trust Company has been appointed by the Scheme and the CIF Trustee as custodian of the securities held by the Thales CIF, except those securities held with Legal & General Assurance (Pensions Management) Limited. These securities were held in the name of HSBC Global Investors Services and Citibank.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sales proceeds. Indirect costs are incurred through the bid/offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme

The following investments represent more than 5% of the net assets of the Fund:

| | At 31 December 2008 £'000 | % |
|---------------------------------------|--|----------|
| Aberdeen Fxd Inc Sterling Credit | 178,740 | 14.0 |
| Legal & General All Stocks Gilt index | 131,110 | 10.2 |
| Legal & General UK Equity index | 78,391 | 6.1 |

Notes to the Financial Statements

For the period ended 31 December 2008

12 Investments (continued)

Additional voluntary contributions

The Trustee holds assets which are separately invested from the main fund, in the form of individual policies of assurance arising from members additional voluntary contributions to the Thales legacy schemes. The Scheme no longer offers AVC arrangements for members. The AVC investments secured additional benefits, on a money purchase basis, for those members who had elected to pay AVCs. Members participating in this arrangement receive an individual annual statement made up to 31 March each year, confirming the amounts held in their account and the movements in the year. AVC assets are accounted for on an accruals basis in the same way as other contributions, and the resulting investments are included in the net assets statement.

| AVC investments | Section | Section | Period ended |
|---|--------------|---------------|---------------|
| | One | Two | 31 December |
| | £'000 | £'000 | 2008 £'000 |
| BNY Mellon | - | 10,235 | 10,235 |
| Legal & General Assurance Society Limited | 1,621 | 5,513 | 7,134 |
| Equitable Life Assurance Society | 1,614 | 695 | 2,309 |
| MGM Assurance | 166 | - | 166 |
| Phoenix | 139 | 9 | 148 |
| Prudential | 641 | - | 641 |
| Friends Provident | 9 | - | 9 |
| Scottish Widows | 267 | - | 267 |
| Barclays | 11 | - | 11 |
| Clerical Medical | - | 56 | 56 |
| F & C Managed Pension Funds | - | 649 | 649 |
| | <u>4,468</u> | <u>17,157</u> | <u>21,625</u> |

Notes to the Financial Statements

For the period ended 31 December 2008

13 Current assets

| | Section One £'000 | Section Two £'000 | Period ended 31 December 2008 £'000 |
|--|----------------------------------|----------------------------------|--|
| Death benefit receivable | - | 354 | 354 |
| Pensions paid in advance | 3,339 | 668 | 4,007 |
| Section 75 contributions | 5,100 | - | 5,100 |
| Life assurance paid in advance | - | 227 | 227 |
| VAT reclaimable | 49 | 32 | 81 |
| AVC benefit receivable from provider | 43 | 28 | 71 |
| Sundry debtors | 807 | 125 | 932 |
| Cash deposits held with Scheme Administrator | 7,939 | 2,472 | 10,411 |
| | 17,277 | 3,906 | 21,183 |

The section 75 debt contributions are receivable at £300,000 per month.

14 Current liabilities

| | £'000 | £'000 | £'000 |
|-------------------------|--------------|--------------|--------------|
| Lump sums on retirement | 92 | 8 | 100 |
| Death benefits | 128 | 641 | 769 |
| Sundry creditors | 3,988 | 1,768 | 5,756 |
| Amount due to employer | 393 | 21 | 414 |
| Other creditors | - | 6 | 6 |
| | 4,601 | 2,444 | 7,045 |

15 Related party transactions

Certain Directors of the Trustee are active members of the Scheme. Their benefits are in accordance with the Scheme rules and were on the same terms as normally granted to members.

Certain pensions were paid by Thales Shared Services Payroll. These were reimbursed by the Scheme on a monthly basis. The costs associated with the pension payroll arrangement are contained in note 6.

Independent Auditors' Statement about Contributions to the Trustee of the Thales UK Pension Scheme

We have examined the summary of contributions to the Thales UK Pension Scheme for the period ended 31 December 2008 to which this statement is attached.

This statement is made solely to the Trustee, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditors' statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee for our work, for this statement, or for the opinion we have formed.

Respective responsibilities of Trustee and auditors

The Trustee's responsibilities for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme are set out in the statement of Trustee's responsibilities. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the Scheme rules and recommendations of the actuary and to report our opinion to you.

Basis of statement about contributions

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Scheme rules and recommendations of the actuary. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Scheme rules and recommendations of the actuary.. Our statement about contributions is required to refer to those material breaches of the Scheme rules and recommendations of the actuary which come to our attention in the course of our work.

Statement about contributions

In our opinion contributions for the period ended 31 December 2008 as reported in the summary of contributions have in all material respects been paid at least in accordance with the Scheme rules and recommendations of the actuary.


(Signature)

Deloitte LLP

Chartered Accountants and Statutory Auditors
Crawley, United Kingdom

30 July 2009

Summary of Contributions

Contributions are based on members' Pensionable Earnings. The rates of contributions paid by the members are 6% and for the employer 1.8% for Section one and 10.7% for Section two respectively, as set out in the Scheme rules and on the recommendation of the actuary.

During the year, the contributions paid into the Scheme by the employer under the Scheme rules and on the recommendation of the actuary were as follows:

Amounts due under the Scheme Rules and on the recommendation of the actuary

| | Section One £'000 | Section Two £'000 | Total £'000 |
|--|----------------------------------|----------------------------------|------------------------|
| Employer normal contributions | 642 | 4,321 | 4,963 |
| Employer deficit funding | 27,200 | 100 | 27,300 |
| Employer Section 75 debts | 8,700 | - | 8,700 |
| Employee normal contributions | 2,377 | 2,393 | 4,770 |
| | <u>38,919</u> | <u>6,814</u> | <u>45,733</u> |
| Other receipts | | | |
| Employer deficit funding contribution | <u>4,057</u> | <u>-</u> | <u>4,057</u> |
| Total contributions receivable as shown in the financial statements | <u><u>42,976</u></u> | <u><u>6,814</u></u> | <u><u>49,790</u></u> |

Compliance Statement

Constitution

The Scheme is a final salary pension arrangement and was established by deed on 9 January 2008. It is governed by the Supplementary Deed and Rules.

Taxation status

In accordance with the provisions of Schedule 36 of Finance Act 2004 the Scheme became a registered pension scheme under Chapter 2 of Part 4 of Finance Act 2004.

Pension increases

Pensions in payment during the year were increased in accordance with the Rules .

The Guaranteed Minimum Pension (“GMP”) element of both deferred pensions and pensions in payment were increased as required by legislation. These increases are also provided for in the Rules of the Scheme. Deferred Pensions in excess of the GMP are increased in line with statutory requirements.

Calculation of transfer values

No allowance is made in the calculation of transfer values for discretionary pension increases.

All cash equivalents (transfer values) paid during the year have been calculated and verified in the manner required by the regulations issued under section 97 of the Pension Schemes Act 1993. The Trustee, having taken actuarial advice, decided that cash equivalent transfer values offered should be scaled back to reflect the under-funding of the Scheme. None of the cash equivalents paid were less than the amount provided by under section 94(1) of the Pensions Schemes Act 1993.

Pension Tracing Service

The Pension Tracing Service provides a service that enables members (and their dependants) to trace a benefit entitlement under a former employer's scheme. Enquiries should be addressed to:

Pension Tracing Service
Tyneview Park
Whitley Road
Newcastle upon Tyne NE98 1BA
Tel No: 0845-600-2537

The information provided includes details of the address at which the Trustees of a pension scheme may be contacted. This Scheme has been registered with the Registrar.

Compliance Statement (continued)

The Pensions Advisory Service

Members and beneficiaries of occupational pension schemes that have problems concerning their Scheme, which are not satisfied by the information or explanation given by the administrators or the Trustees, can consult with the Pensions Advisory Services (PAS). A local advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively, the PAS can be contacted at:

11 Belgrave Road
London SW1V 1RB
Telephone: 0845-601-2923

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved, normally after the intervention of PAS, an application can be made to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

11 Belgrave Road
London SW1V 1RB
Telephone: 0845 6012923