

THALES UK PENSION SCHEME

ANNUAL REPORT AND FINANCIAL ACCOUNTS

FOR THE YEAR TO 31 DECEMBER 2010

Section One – PSR 19011001

Section Two – PSR 19011002

Contents

	<u>Page No.</u>
Scheme Advisers and Founder	3
Trustee's Report	7
Statement of Trustee's Responsibilities	18
Independent Auditors' Report	19
Financial Statements	20
Notes to the Financial Statements	22
Certification of Schedule of Contributions	35
Certification of Technical Provisions	37
Compliance Statement	39
Independent Auditors' Statement about Contributions	41
Summary of Contributions	42

Scheme Advisors and Founder

Scheme Actuary

Mr Peter Bowers FIA (to 31 March 2010)
Mr Mark Condron FIA (from 1 April 2010)
Mercer Limited
1 Tower Place West
London
EC3R 5BU

Independent Auditor

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

Investment Managers

Aegis
Blue Mountain Capital (Redemption date October 2010)
BlackRock
Canyon Value Realization Fund (Cayman) Ltd
Legal & General Investment Management Ltd
Magnitude International (Redemption date November 2010)
Majedie Asset Management
Rogge Global Partners plc

Additional Voluntary Contributions (AVC) Providers

F & C Managed Pension Funds
Legal & General Assurance Society (Pensions Management) Limited
BNY Mellon Fund Managers Limited
Phoenix
Equitable Life Assurance Society
Scottish Widows
MGM Assurance
Prudential
Friends Provident
Clerical Medical
Barclays

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

Investment Consultants

Cardano (up to 22 November 2010)
5th Floor
St Clements House
27-28 Clements Lane
London
EC4N 7AE

Towers Watson (with effect from 23 November 2010)
Towers Watson
Watson House
London Road Reigate
Surrey
RH2 9PQ

Investment Custodians

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

HSBC Global Investor Services
8 Canada Square
Canary Wharf
London
E14 5HQ

Citibank
Citigroup Centre
Canada Square
Canada Wharf
London
E14 5LB

Bank

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

Life Assurance Insurers

Legal & General (Death in Service Lump Sum)

Canada Life (Dependants Pension)

Secretary to the Trustees

Philip Cameron

Founder

Thales UK Ltd

Thales UK Pension Scheme

Participating Employers

Section 1	Section 2
Quintec Associates Ltd	Quintec Associates Ltd
	Thales Air Defence Ltd
Thales ATM Ltd	Thales ATM Ltd
Thales Avionics Ltd	Thales Avionics Ltd
Thales Corporate Services Ltd	Thales Corporate Services Ltd
Thales e-Security Ltd	Thales e-Security Ltd
Thales Information Systems Ltd	Thales Information Systems Ltd
Thales Missile Electronics Ltd	Thales Missile Electronics Ltd
Thales Naval Ltd	Thales Naval Ltd
Thales Optronics (Bury St Edmunds) Ltd	Thales Optronics (Bury St Edmunds) Ltd
Thales Optronics (Staines) Ltd	Thales Optronics (Staines) Ltd
Thales Optronics (Taunton) Ltd	Thales Optronics (Taunton) Ltd
Thales Optronics Ltd	Thales Optronics Ltd
Thales Rail Signalling Solutions Ltd	Thales Rail Signalling Solutions Ltd
Thales Research & Technology (UK) Ltd	Thales Research & Technology (UK) Ltd
	Thales Training & Consultancy Ltd*
	Thales Training & Simulation (Ace) Ltd
	Thales Training & Simulation (Eagle Middle Wallop) Ltd
	Thales Training & Simulation (Merlin) Ltd
Thales Training & Simulation Ltd	Thales Training & Simulation Ltd
Thales Transport & Security Ltd	Thales Transport & Security Ltd
Thales UK Ltd	Thales UK Ltd
Thales Underwater Systems Ltd	Thales Underwater Systems Ltd

*formerly known as Thales Universite Ltd

Thales Training and Consultancy Limited ceased to be a participating employer in section 1 in June 2009. The Trustees are currently calculating the resulting section 75 debt.

Contact for further information

Philip Cameron, Secretary to the Trustees
 C/o Thales UK Ltd
 2 Dashwood Lang Road
 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 report together with the financial statements for the period ended 31 December 2010. The Scheme is a Defined Benefit scheme governed by a Trust Deed dated 30 June 2008. With effect from 1 July 2008, the Scheme merged with 8 other Thales Defined Benefit Schemes. The active members of the Avimo Pension Scheme also transferred into the Scheme at this date.

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 Freeman (Company Nominated) – Appointed 15th March 2011
Phil Naybour (Company Nominated)
Paul Durrant (Company Nominated)
James Bell (Member Nominated)
Robert Preston (Member Nominated)
Colin Milbourn (Member Nominated)
Robert Carr (Member Nominated)
Joelle Dumetz (Member Nominated)
Victor Chavez (Company Nominated)
Lawrence Hammond (Company Nominated)
Mark Busby (Company Nominated)
Alistair Inverarity (Member Nominated)

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 6. The Founder's registered address is 2 Dashwood Lang Road, The Bourne Business Park, Addlestone nr Weybridge, Surrey, KT15 2NX.

TRUSTEE'S REPORT (CONTINUED)

Financial Development

The financial statements on pages 20 to 34 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

The first formal valuation of the Scheme has been undertaken as at 31 December 2008, and approved by the Scheme Actuary on 1 April 2010.

Section 1

The valuation revealed a deficit of £527m, representing a funding level of 65% relative to the Scheme's funding target. The Trustee and Employer have agreed that from 1 April 2010 the Employer would contribute as follows:-

- £300,000 per month until 31 May 2010, plus
- 6.9% of members Career Average Revalued Earnings (CARE) Salaries increasing to 11.9% of members' CARE Salaries from 1 June 2010, plus
- £44m per annum, payable in monthly instalments for the period 1 April 2010 to 31 December 2022, plus
- Amounts equal to the PPF levies

Section 2

The valuation revealed a deficit of £73m at the valuation date, representing a funding level of 81% relative to the Scheme's funding target. The Trustee and Employer have agreed that from 1 April 2010 the Employer would contribute as follows:-

- 12.8% of members' CARE Salaries (or Pensionable Salary for former Category 1 Thomson Pension Plan members), plus
- £6m per annum, payable in monthly instalments for the period 1 April 2010 to 31 December 2022, plus
- Amounts equal to the PPF levies

Member Contributions

Member contribution rates are 6% of CARE Salary up to £40,040 and, in excess of that, 9%. Member contributions are paid through a Salary Sacrifice arrangement.

Pensions Increases

There have been no pension increases granted 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 has implemented a process of assessing the risks which face the Scheme, and putting in place mitigating actions. The resulting risk register is reviewed at each Trustee meeting and relevant sub-committee meeting.

TRUSTEE'S REPORT (CONTINUED)

The Trustee continues to improve governance by use of an electronic system called eShare. This system allows the Trustee to store scheme documentation, share meeting papers and make decisions, electronically, allowing for more robust record keeping. The Trustee is currently embedding the risk management system into this eShare environment.

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 Directors of the Trustee receive regular training from the advisors in order to maintain high standards of knowledge and understanding, and a record is maintained to ensure this is managed.

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 2011/2012 is estimated at £600m (a lower level than 2010/2011).

The PPF has met its commitment to keep the PPF levy stable through these difficult economic times, and has further made adjustments to its calculation basis to protect those companies most at risk from the recession.

Legislation and Scheme Changes

Statutory increases – government announcement on move from RPI to CPI

Pensions often increase in line with inflation, normally with a maximum increase or cap applying. Increases usually apply to pensions in payment and on the revaluation of deferred pensions.

Under current law, the Government has said it will use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) (which it has usually used before) when it determines the level of statutory revaluation of deferred pensions and statutory increases of pensions in payment, in the future.

Whether the Government change to using CPI will affect the benefits actually payable under a pension scheme will depend on the precise rules of each individual pension scheme.

The Trustee has taken legal advice on the likely effect of the Government's changes. The Scheme rules tend to follow those of many UK pension schemes so that we expect the way pensions in payment increase and the way in which CARE benefits accrue will generally continue to be calculated as they are now, using RPI (subject to certain caps). However, the way in which deferred pension benefits are revalued to normal retirement age after leaving employment with the Thales group is expected to change automatically due to the Government's new approach. In this case, revaluation is generally expected to follow CPI (subject to certain caps) going forward. Note: For certain legacy schemes there will be some specific exceptions to these general expectations.

TRUSTEE'S REPORT (CONTINUED)

Default retirement age

The Government has committed itself to phasing out the default retirement age of 65 years as soon as practicable. The Government is currently consulting on plans to start phasing out the default retirement age from 6 April 2011, with full removal by 1 October 2011.

Under these plans compulsory retirement under the default retirement age will cease completely on 1 October 2011. Transitional arrangements will be put in place permitting compulsory retirement if notified to the employee before 6 April 2011, but only if the date of dismissal is before 1 October 2011.

The impact of this change is more an employment law matter than a pension scheme matter and the TUPS normal retirement age is expected to remain unchanged at age 65. However, the Trustee will need to consider the detailed legislation when it is available and the Company is likely to want to consider the interaction in due course.

Annuity purchase

The Government is also committed to abolish current rules that require individuals to purchase an annuity by age 75. The target date for implementing the change was April 2011.

As part of the change the Government has committed to create a new and more flexible 'tax framework' for retirement, giving individuals greater freedom in how best to turn their pension savings into a retirement income. This flexibility will be subject to new rules designed to ensure the state does not have to make extra social security payments if individual's savings are exhausted prematurely.

This flexibility is most applicable to individuals who have personal pension arrangements and defined contribution savings out of which annuities are purchased. Under the Scheme's rules pensions are paid by the Scheme and benefits must be taken by age 75.

Options on annuitisation may be applicable if you choose to transfer your benefits out of the Scheme. If you are interested in the greater flexibility these changes may bring you should seek further confirmation of your individual circumstances, including taking independent financial advice.

Minimum pension age

The normal minimum pension age is the youngest age at which a member of a registered pension scheme can ordinarily take his benefits. Before 6 April 2010 this was defined in legislation as age 50. From 6 April 2010 the normal minimum pension age was changed to age 55.

This means that the earliest age from which pension benefits can be taken under the Scheme from 6 April 2010 is age 55 unless:

- (a) a member has a protected right to draw an early retirement pension from an age younger than 55; or
- (b) a member is eligible for a serious ill-health pension, which can be paid at any age provided that the member meets the relevant definition of serious ill-health, the eligibility criteria are met and any necessary consents are given as required under the Scheme rules.

TRUSTEE'S REPORT (CONTINUED)

The Trustee is not aware of any TUPS members with such a protected right as mentioned in (a). Therefore, unless you are able to take a serious ill-health pension under the Scheme, you will not be able to draw your benefits before age 55.

Annual Allowance

With effect from 6 April 2011 the Annual Allowance, assessed over a twelve month Pension Input Period (PIP), will reduce from £255,000 to £50,000. The timing of the PIP can be different according to the scheme(s) to which you are a member. If you contribute to more than one scheme then you are subject to more than one PIP and must comply with each one to be eligible for full tax relief.

In a Defined Benefit (DB) scheme, the Pension Input is the increase in your pension entitlement during any given year. This is calculated on two elements:

- **Revaluation of accrued benefit;** the amount your accrued benefits may have increased during the PIP in excess of the Statutory Revaluation.
- **Pension accrued during the year;** this is the additional pension built up during the year.

For ease of administration the Trustee with Thales' agreement have changed the Scheme's original PIP end date of 30 June to 6 April with immediate effect. This communication is the formal notice from the Trustee of this change. The current PIP will therefore end on the 6 April 2011 and subsequent PIP will run from the 6 April to the following 6 April. The reason behind the change is to better align the tax year and PIP. This has not negatively impacted the benefit entitlement of the members.

TRUSTEE'S REPORT (CONTINUED)

Membership Movements

The membership reconciliations for the reporting period are detailed below.

Thales UK Pension Scheme – Section 1

	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
Brought forward figures as at 1/1/2010	1,767	6,352	5,894	1,542	15,555
Late notifications and adjustments	(10)	(12)	(25)	(10)	(57)
Revised Opening Balance at Start of year	1,757	6,340	5,869	1,532	15,498
ADDITIONS	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
New	-	86	242		328
Spouse's Pensions into Payment				66	66
DEDUCTIONS	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
Actives/Deferred members retiring	(86)	(156)			(242)
Active/Deferreds who fully commuted pension	-	(16)			(16)
Deaths of Actives/Pensioners/Dependants/Deferred Pensioners & Cessation of Children's Pension	(4)	(8)	(132)	(38)	(182)
Leavers with deferred pensions / refunds / Special leavers	(86)	-			(86)
Transfers Out	-	(18)	-		(18)
Membership at 31/12/2010	1,581	6,228	5,979	1,560	15,348

Thales UK Pension Scheme

TRUSTEE'S REPORT (CONTINUED)

Membership Movements - continued

The membership reconciliations for the reporting period are detailed below.

Thales UK Pension Scheme – Section 2

	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
Brought forward figures as at 1/1/2010	2,200	1,950	1,722	298	6,170
Life Assurance Members (included above)	223				223
Late notifications and adjustments	(25)	8	(36)	5	(48)
Revised Opening Balance at Start of year	2,175	1,958	1,686	303	6,122
ADDITIONS	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
New		40	109		149
Spouse's Pensions into Payment				28	28
DEDUCTIONS	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
Actives/Deferred members retiring	(45)	(64)			(109)
Active/Deferreds who fully commuted pension		(2)			(2)
Deaths of Actives/ Pensioners/Dependants/ Deferred Pensioners & Cessation of Children's Pension	(1)	(3)	(3)	(7)	(14)
Leavers with deferred pensions / refunds / Special leavers	(40)				(40)
Transfers Out		(5)			(5)
Membership at 31/12/2010	2,089	1,924	1,792	324	6,129
Life Assurance Members (included above)	223				223

Schedules of the members affected in the above movements are recorded for the annual audit.

Late notifications and adjustments represent membership movements notified after completion of the prior year report.

TRUSTEE'S REPORT (CONTINUED)

INVESTMENTS

General

The Trustee has sole responsibility for establishing and reviewing the investment strategy including setting objectives and the allocation to each asset class. The Trustee delegates the selection and monitoring of fund managers to the Investment Sub Committee.

The Investment Sub Committee monitors the assets of the two sections of the Thales UK Pension Scheme. In broad terms, the two sections follow the same investment strategy.

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

Aegis
Blue Mountain Capital (until October 2010)
BlackRock
Canyon Value Realization Fund (Cayman) Ltd
Legal & General Investment Management Ltd
Magnitude International (until November 2010)
Majedie Asset Management
Rogge Global Partners plc

The Trustee terminated derivatives contracts which were traded and managed by Cardano Risk Management BV during 2010.

The scheme does not hold any employer related investments.

Review of Investment Performance of the Scheme

Over the last 12 months to 31 December 2010, the Scheme returned 12.2% against a benchmark return of 8.8%. (source: Northern Trust).

The total assets held by the Scheme, as at 31 December 2010, were approximately £1.6 billion (31 December 2009: £1.5 billion).

TRUSTEE'S REPORT (CONTINUED)

Investment performance for the period 1 January 2010 to 31 December 2010 is set out below:

Manager	Active/ Passive	Fund performance (%)	Benchmark performance (%)	Benchmark
UK equities		13.8	14.5	FTSE All Share
Majedie	Active	12.7	14.5	FTSE All Share
L&G	Passive	14.6	14.5	FTSE All Share
Global equities		13.3	14.1	Weighted composite index
L&G Global	Passive	13.6	14.8	Fixed Weight Composite Index (part hedged)
L&G Global ex-UK	Passive	12.8	13.0	Fixed Weight Composite Index (part hedged)
Fixed income		n/a	n/a	Weighted composite index
BlackRock N America Corp	Passive	11.0	11.0	Barclays Capital Corporate 500 USD/EUR/GBP – Financial and Issue Capped
BlackRock Corporate	Passive	6.8	7.0	Barclays Capital US Long Credit Select Index
Rogge	Active	n/a	n/a	Barclays Capital Global Aggregate Credit (Sterling hedged)
L&G	Passive	9.2	7.4	iBoxx £ Non Gilt (ex BBB)
L&G (Enhanced matching fund)	Passive	26.7	31.4	L&G EMF Benchmark
Collateral assets		n/a	n/a	n/a
Rogge	Passive	n/a	n/a	n/a
Alternatives		13.1	0.5	Weighted composite index
Canyon	Active	18.3	9.9	USD LIBOR 3 month
Magnitude	Active	5.12	0.8	GBP LIBOR 3 month
Aegis	-	3.5	n/a	n/a

Source: Northern Trust

Note: We have removed the outperformance target above benchmark column, as Northern Trust does not provide this information . Three year performance information is not provided as the scheme has only been operating since 30 June 2008.

TRUSTEE'S REPORT (CONTINUED)

Annual returns for Rogge fixed income fund are unavailable due to a change of benchmark in Q1 2010. As a result, annual returns for the fixed income portfolio are unavailable.

Blue Mountain returns have not been included as the Scheme terminated its relationship with the manager late 2010. Returns for Magnitude are only up to November 2010, when the Scheme terminated its relationship with the manager.

The L&G Global Equity and L&G Global Equity investments consist of investments in a number of underlying pooled funds that are passively managed against an appropriate regional benchmark index.

Market Review for 12 months from 1 January to 31 December 2010

Over the last twelve months, economic growth has been largely positive. At the beginning of the period the economic recovery gained momentum, but this slowed over the year. The investment landscape was dominated by the European sovereign debt crisis, high US unemployment, rising inflation in the emerging economies and currency market volatility. National governments and central banks kept monetary policy loose and completed the pre-existing monetary stimulus programmes. In the UK, inflation rose to 4.8% (as measured by UK RPI) over the year to 31 December 2010, much higher than the government's target of 2.0%. High commodity prices, the increase in VAT and lagged effects from a weaker Sterling threaten to drive inflation up further.

Global equity markets generally rose over the year, with the FTSE All-World Index delivering a return of 16.7%. Growth in the Asia-Pacific region and emerging markets remained strong, with the FTSE All-World Emerging Markets Index returning 23.6%. Much of the growth was attributable to the so called "BRIC" nations (Brazil, Russia, India, China), highlighting their importance to institutional investors.

Europe was the worst performing region over the year, delivering a return of only 5.7% (as measured by the FTSE All-World Developed Europe (ex UK) Index). In terms of UK equities, the FTSE All-Share Index returned 14.5% over the year. However, medium and small companies delivered much stronger returns with the FTSE 250 Index returning 27.4%.

Major bond markets produced positive returns in 2010. In the UK, corporate bonds returned 8.4% (as measured by the iBoxx Sterling Non-Gilts Index), but were held back by investors' concerns over Europe's sovereign debt crisis and the potential impact on the economic recovery. Index-linked gilts returned 8.9%, outperforming fixed interest gilts which returned 7.2%. Emerging market debt and high yield bonds generated the highest returns.

Investment Principles

The Trustee of the Thales UK Pension Scheme is in the process of revising the current 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 are fulfilled. To ensure this, a target return of 2.5% per annum above gilts in the long term has been set with reference to the Scheme's recovery plan. The underlying investments are geographically diversified asset type (core return-seeking assets, investment grade credit, alternative assets, illiquid assets and liability matching assets). They are also diversified geographically. This reduces the risk of a sharp fall in one particular market having a substantial impact on the whole portfolio.

TRUSTEE'S REPORT (CONTINUED)

Towers Watson is currently proposing three phases of portfolio restructuring to the Trustee and the Company, therefore the strategic asset allocations are being revised to illustrate interim positions as well as the final portfolio allocation once fully implemented.

The Scheme's rebalancing strategy remains suspended, however the Trustee is considering Towers Watson's advice regarding the Scheme investment strategy and liability hedging, and will determine whether or not it should be resumed.

Since Towers Watson's appointment as the Scheme's Investment Consultant in November 2010, the Investment Sub-Committee and the Trustee in general have been working closely with Towers Watson to set clear objectives and make strategic asset allocation decisions for the Scheme. In the meantime, the Investment Sub-Committee has in place explicit mandates with investment managers, largely inherited from the Thales CIF.

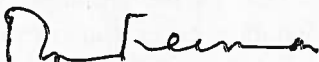
Custody and performance measurement

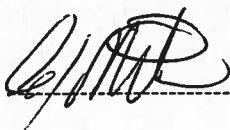
Northern Trust Company remains the Scheme's custodian and measures the performance of the investments.

Further Information

Further disclosures required by legislation are included in the Compliance Statement on pages 39 and 40.

Signed on behalf of THALES PENSION TRUSTEES LIMITED on 22 June 2011


-----TRUSTEE DIRECTOR


-----TRUSTEE DIRECTOR

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements are the responsibility of the Trustee. The trust deed 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); 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, 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.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE THALES UK PENSION SCHEME

We have audited the financial statements of Thales UK Pension Scheme for the year ended 31 December 2010 which comprise the fund account, the net assets statement and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a body, 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 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 Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and auditor

As explained more fully in the Trustee's Responsibilities Statement, the scheme's Trustees is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 December 2010, 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 end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and 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.



Deloitte LLP

Chartered Accountants and Statutory Auditor

Crawley, United Kingdom

[Date 2011]

22 June 2011

Thales UK Pension Scheme

Financial Statements

Fund Account - For the year ended 31 December 2010

	Notes	Section One £'000	Section Two £'000	2010 £'000	2009 £'000
Contributions and Benefits					
Contributions	3	60,312	19,560	79,872	72,783
Other income	4	861	370	1,231	988
		<u>61,173</u>	<u>19,930</u>	<u>81,103</u>	<u>73,771</u>
Benefits	5	57,407	11,014	68,421	61,306
Leavers	6	3,426	654	4,080	2,218
Other payments	7	1,126	1,111	2,237	1,595
Administrative expenses	8	3,975	2,668	6,643	6,632
		<u>65,934</u>	<u>15,447</u>	<u>81,381</u>	<u>71,751</u>
Net (withdrawals)/additions from dealings with members		(4,761)	4,483	(278)	2,020
Returns on investments					
Investment income	9	20,633	6,063	26,696	36,812
Investment management expenses	10	(2,127)	(633)	(2,760)	(4,385)
Change in market value of investments	11	110,788	36,828	147,616	133,022
Exchange rate gains/(losses)		(1,050)	(252)	(1,302)	-
Net returns on investments		<u>128,244</u>	<u>42,006</u>	<u>170,250</u>	<u>165,449</u>
Net increase in the fund during the year		123,483	46,489	169,972	167,469
Net Assets of the Scheme					
At 1 January		1,086,399	361,410	1,447,809	1,280,340
At 31 December		<u>1,209,882</u>	<u>407,899</u>	<u>1,617,781</u>	<u>1,447,809</u>

The notes on pages 22 to 34 form part of these financial statements.

Financial Statements

Net Assets Statement – As at 31 December 2010

	Notes	2010 £'000	2009 £'000
Section One			
Investments assets	11	1,204,518	1,111,969
Investment liabilities	11	(6,238)	(29,937)
Current assets	12	14,493	11,024
Current liabilities	13	(2,891)	(6,657)
Net Assets		<u>1,209,882</u>	<u>1,086,399</u>
Section Two			
Investments	11	406,247	368,160
Investment liabilities	11	(1,949)	(9,741)
Current assets	12	4,875	4,614
Current liabilities	13	(1,274)	(1,623)
Net Assets		<u>407,899</u>	<u>361,410</u>
Net assets at 31 December		<u>1,617,781</u>	<u>1,447,809</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.

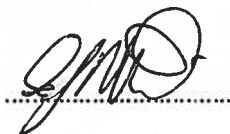
The notes on pages 22 to 34 form part of these financial statements.

The financial statements on pages 20 to 34 were approved on behalf of the Trustee on 22 June 2011.

Signed on behalf of the Trustee Company



Trustee Director



Trustee Director

Notes to the Financial Statements **For the year ended 31 December 2010**

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 and deficit funding contributions received during the period have been in accordance with the Scheme rules, recommendations of the actuary and applicable schedules of contributions.

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

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.

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 rate ruling at the date of the transaction.

D Administrative expenses and investment management expenses

Administrative and investment manager expenses are met by the Scheme on an accruals basis.

Notes to the Financial Statements **For the year ended 31 December 2010**

2. Accounting policies (continued)

E Apportionment of Investment Funds

The Scheme owns total units within the Unitised Investment Funds (IF) 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.

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, excluding unrealised gains or losses on futures contracts, are included in the change in market value for the period.

Notes to the Financial Statements **For the year ended 31 December 2010**

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.

The fair value of futures contracts 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 and unrealised gains and losses.

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.

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2010

	Section One £'000	Section Two £'000	2010 £'000	2009 £'000
3 Contributions				
Contributions from employer:				
Normal	10,778	13,337	24,115	19,603
Deficit funding	45,375	4,625	50,000	50,000
Section 75 Debt	-	-	-	360
Augmentations	-	178	178	-
Other – PPF Levy	4,159	1,420	5,579	2,820
	<u>60,312</u>	<u>19,560</u>	<u>79,872</u>	<u>72,783</u>

Normal contributions from the employer include £4,384,464 and £4,544,922 (12 months ended 31 December 2010) member contributions paid through a salary sacrifice arrangement in respect of Section one and Section two respectively.

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

4 Other income

Claims on term insurance policies	855	302	1,157	987
State scheme premiums refund	2	68	70	-
Sundry income	4	-	4	1
	<u>861</u>	<u>370</u>	<u>1,231</u>	<u>988</u>

5 Benefits

Pensions	50,178	9,223	59,401	55,231
Commutations and lump sums on retirement	6,190	1,530	7,720	4,755
Annuities purchased	-	5	5	52
Lump sums on death in service	1,039	256	1,295	1,268
	<u>57,407</u>	<u>11,014</u>	<u>68,421</u>	<u>61,306</u>

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2010

	Section One £'000	Section Two £'000	2010 £'000	2009 £'000
6 Payments to and on account of leavers				
Individual transfers to other schemes	3,426	654	4,080	2,218
7 Other payments				
Premiums on term insurance policies	1,126	1,111	2,237	1,595
Term insurance is secured by policies underwritten by Canada Life Limited and Legal & General.				
8 Administrative expenses				
Administration fees	589	248	837	637
Actuarial and consulting fees	1,508	769	2,277	1,571
Legal fees	217	251	468	489
Audit fees	76	98	174	106
Other expenses	58	38	96	99
PPF Levy	1,527	1,264	2,791	3,730
	<u>3,975</u>	<u>2,668</u>	<u>6,643</u>	<u>6,632</u>
9 Investment income				
Income from fixed interest securities	11,330	3,508	14,838	18,229
Dividends from equities	3,722	1,213	4,935	4,684
Income from managed & unitised-authorized	153	562	715	12,600
Income from index linked securities	2,930	757	3,687	797
Net interest payable on cash and overdraft balances	22	8	30	139
Annuities	2,476	15	2,491	363
	<u>20,633</u>	<u>6,063</u>	<u>26,696</u>	<u>36,812</u>
10 Investment management expenses				
Administration, management and custody	2,127	633	2,760	4,385

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2010

11 Investments

	Section One £'000	Section Two £'000	2010 £'000	2009 £'000
Investment assets	1,204,518	406,247	1,610,765	1,480,129
Investment liabilities	(6,238)	(1,949)	(8,187)	(39,678)
	1,198,280	404,298	1,602,578	1,440,451

Investment liabilities relate to derivative investments. Investment assets include derivative related assets of £3,580,000 (2009 – £4,459,000)

	Section One £'000	Section Two £'000	2010 £'000	2009 £'000
Investments by section				
Fixed Interest Bond	431,134	131,267	562,401	494,113
Global Equity	236,290	80,245	316,535	279,640
UK Equity	290,710	92,391	383,101	357,491
Alternative investment fund	71,513	32,703	104,216	101,036
Derivatives	(2,718)	(847)	(3,565)	(724)
Total Unitised funds	1,026,929	335,759	1,362,688	1,231,556
Non unitised funds				
Fixed interest bonds	167,585	49,524	217,109	221,179
Derivatives	-	-	-	(35,043)
	1,194,514	385,283	1,579,797	1,417,692
AVC investments	3,766	19,015	22,781	22,759
	1,198,280	404,298	1,602,578	1,440,451

The investments are further analysed within the various funds that comprise Unitised and Derivative Funds of the Thales UK Pension in sections headed **The movements of investments in the year** and **Assets by fund** below.

Non unitised Fixed interest bonds represent investments designated as collateral.

Notes to the Financial Statements

For the year ended 31 December 2010

11 Investments (continued)

The movements of investments in the year:

	Market Value at 31 December 2009 £'000	Purchase at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Market Value at 31 December 2010 £'000
Fixed interest	498,115	170,219	(177,605)	33,103	523,832
Equities	134,601	112,257	(106,476)	12,906	153,288
Pooled investment vehicles	803,297	115,959	(143,615)	107,197	882,838
Derivatives					
Swaps	(35,043)	39,094	-	(4,051)	-
Futures	231	2,898	(398)	(1,575)	1,156
Variation margin futures	(231)	-	(1,156)	231	(1,156)
Forward contracts	(724)	4,791,637	(4,792,519)	(1,959)	(3,565)
AVC investments	22,759	443	(2,185)	1,764	22,781
	<u>1,423,005</u>	<u>5,232,507</u>	<u>(5,223,954)</u>	<u>147,616</u>	<u>1,579,174</u>
Cash	11,463				17,552
Investment income	5,983				5,852
	<u>1,440,451</u>				<u>1,602,578</u>

Included within the above purchases and sales figures are transaction costs of £851,635 (2009: £789,371). Indirect transaction costs are also borne by the Scheme which are incurred through the bid-offer spread on investments within pooled investment vehicles. However, such costs are taken into account in calculating the market price and are not therefore separately identifiable.

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.

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2010

11 Investments (continued)

Assets by fund

As discussed in the Trustee report, The Thales UK Pension Scheme comprises various sub funds. The assets and liabilities of the various Unitised Funds and Derivative Funds are disclosed below.

	31 December 2010					
	UK Equity Fund £'000	Global Equity Fund £'000	Fixed Interest Fund £'000	Alternative Investments Fund £'000	Derivative Funds £'000	Total All Funds £'000
Fixed interest						
Securities - quoted						
- UK						
- Public Sector	-	-	3,289	-	-	3,289
- Public Sector I L	-	-	213,329	-	-	213,329
- Other	-	-	13,461	-	-	13,461
- Overseas						
- Public Sector	-	-	19,029	-	-	19,029
- Public Sector I L	-	-	-	-	-	-
- Other	-	-	247,656	27,068	-	274,724
Equities – quoted						
- UK	153,194	-	-	-	-	153,194
- Overseas	94	-	-	-	-	94
Pooled investment Vehicles	223,249	256,360	381,325	21,904	-	882,838
	376,537	256,360	878,089	48,972	-	1,559,958
Cash balances	5,886	-	11,221	445	-	17,552
Futures Contracts – assets	-	-	-	-	1,156	1,156
Forward currency Contracts – assets	-	-	-	-	2,424	2,424
Investment income receivable	679	-	5,161	12	-	5,852
	6,565	-	16,382	457	3,580	26,984
Swaps – liabilities	-	-	-	-	-	-
Futures contracts – liabilities	-	-	-	-	(1,156)	(1,156)
Forward currency – liabilities	-	-	-	-	(5,989)	(5,989)
Total investments	383,102	256,360	894,471	49,429	(3,565)	1,579,797

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 year ended 31 December 2010

11 Investments (continued)

Forward foreign currency contracts (over the counter)

Number of Contracts	Settlement Date	Currency bought	Currency Sold	2010	
				Aggregate asset £'000	Aggregate liability £'000
2	1 month	USD	GBP	-	(2,322)
1	1 month	GBP	USD	-	(1,833)
1	1 month	USD	GBP	13	-
1	2 months	USD	GBP	1,831	-
5	2 months	AUD	GBP	-	(8)
5	2 months	CAD	GBP	-	(4)
9	2 months	EUR	GBP	-	(678)
1	2 months	EUR	USD	-	(7)
5	2 months	GBP	USD	-	(21)
1	2 months	JPY	CAD	-	(3)
1	2 months	JPY	USD	-	(31)
1	2 months	MXN	USD	-	(2)
1	2 months	PLN	USD	-	(16)
1	2 months	SEK	USD	-	(1)
3	2 months	USD	GBP	-	(1,014)
9	2 months	GBP	Various	64	-
1	2 months	JPY	AUD	135	-
10	2 months	USD	Various	338	-
1	6 months	KRW	USD	-	(21)
4	6 months	USD	Various	-	(28)
7	6 months	USD	Various	43	-
				2,424	(5,989)

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.

Notes to the Financial Statements
For the year ended 31 December 2010

11 Investments (continued)

Derivative assets/(liabilities) (continued)

Futures (Exchange traded)	Economic exposure £	Expiry	2010	
			Assets £'000	Liabilities £'000
10 Year USA Treasury Notes	2,538,526	March 2011	-	(85)
10 Year USA Treasury Notes	38,462,462	March 2011	1,130	-
5 Year USA Treasury Notes	8,022,611	March 2011	158	-
2 Year USA Treasury Notes	1,258,363	March 2011	-	(2)
USA Treasury Bonds	7,020,248	March 2011	-	(254)
USA Treasury Bonds	1,326,047	March 2011	31	-
UL Year USA Treasury Bonds	4,221,170	March 2011	47	-
Eurx Eur-Bund	2,254,847	March 2011	-	(13)
SFE 10 year Treasury Bond	9,671,519	March 2011	83	-
Eurx Eur-Bobl	2,544,459	March 2011	-	(8)
LIF Long Gilt	11,710,020	March 2011	12	-
TSE 10 year JGB	9,965,898	March 2011	1	-
10 Year CDN Bnd	12,998,840	March 2011	55	-
			1,517	(362)

Notes to the Financial Statements
For the year ended 31 December 2010

11 Investments (continued)

The Trustee holds insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustee 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 as custodian of the securities held by the Scheme, 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 scheme does not hold any employer related investments.

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

	At 31 December 2010 £'000	%	At 31 December 2009 £'000	%
Legal & General UK Equity index	223,249	13.8	215,381	14.9
Blackrock Index Selection Fund	109,861	6.8	104,489	7.1
UK Gov 1.825% I/L 22/02/2022	-		84,520	5.8
UK Gov 1.875% I/L 22/11/2022	<u>91,617</u>	5.7	<u>-</u>	

Notes to the Financial Statements
For the year ended 31 December 2010

11 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 One £'000	Section Two £'000	2010 £'000	2009 £'000
BNY Mellon	-	11,929	11,929	11,457
Legal & General Assurance Society Limited	1,293	5,813	7,106	7,169
Equitable Life Assurance Society	1,356	340	1,696	2,125
MGM Assurance	173	-	173	171
Phoenix	125	11	136	106
Prudential	623	-	623	624
Friends Provident	9	-	9	9
Scottish Widows	176	-	176	260
Barclays	11	-	11	11
Clerical Medical	-	58	58	49
F & C Managed Pension Funds	-	864	864	778
	<u>3,766</u>	<u>19,015</u>	<u>22,781</u>	<u>22,759</u>

Thales UK Pension Scheme

Notes to the Financial Statements For the year ended 31 December 2010

	Section One £'000	Section Two £'000	2010 £'000	2009 £'000
12 Current assets				
Death benefit receivable	161	-	161	237
Pensions paid in advance	3,106	643	3,749	3,770
Contributions - Employers	635	755	1,390	940
Contributions - Employees	348	373	721	766
Contributions – PPF levy	1,778	685	2,463	2,356
Contributions - Deficit	3,667	500	4,167	-
Section 75 contributions	-	-	-	1,860
Life assurance paid in advance	552	583	1,135	1,261
VAT reclaimable	-	-	-	799
AVC benefit receivable from provider	50	128	178	211
Sundry debtors	-	-	-	11
Cash deposits held with Scheme Administrator	4,186	1,208	5,394	3,248
Inter section	10	-	10	179
	14,493	4,875	19,368	15,638

The contributions due as at 31 December 2010 were received after the year end in accordance with the due date set out in the Schedule of contributions.

13 Current liabilities

	£'000	£'000	£'000	£'000
Lump sums on retirement	117	250	367	308
Death benefits	201	-	201	534
Sundry creditors	2,569	1,013	3,582	7,237
Other creditors	4	1	5	22
Inter section	-	10	10	179
	2,891	1,274	4,165	8,280

14 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 5.

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS
SECTION 1

Certification of schedule of contributions

Name of Scheme and Name of Section

Thales UK Pension Scheme – Section 1

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 1 April 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 1 April 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

Signature



Scheme Actuary

M Condron

Date of signing

1 April 2010

Name of employer

Mercer Limited

Address

Tower Place West
London
EC3R 5BU

Qualification

Fellow of the Faculty of Actuaries

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS
SECTION 2

Certification of schedule of contributions

Name of Scheme and name of section

Thales UK Pension Scheme – Section 2

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 1 April 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 1 April 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

Signature



Scheme Actuary

M Condron

Date of signing

1 April 2010

Name of employer

Mercer Limited

Address

Tower Place West
London, EC3R 5BU

Qualification

Fellow of the Faculty of Actuaries

CERTIFICATE OF TECHNICAL PROVISIONS – SECTION 1



Certificate of technical provisions

Name of Scheme and
Name of Section

Thales UK Pension Scheme – Section 1

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Section's technical provisions as at 31 December 2008 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the Scheme and set out in the statement of funding principles dated 1 April 2010.

Signature

Name

M Condron

Date of signing

1 April 2010

Address

Mercer Limited
Tower Place West,
London, EC3R 5BU

Qualification

Fellow of the Faculty of Actuaries

CERTIFICATE OF TECHNICAL PROVISIONS – SECTION 2



Certificate of technical provisions

Name of Scheme and name of Section

Thales UK Pension Scheme – Section 2

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Section's technical provisions as at 31 December 2008 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the Scheme and set out in the statement of funding principles dated 1 April 2010.

Signature

Name

M Condron

Date of signing

1 April 2010

Address

Mercer Limited
Tower Place West,
London, EC3R 5BU

Qualification

Fellow of the Faculty of Actuaries

COMPLIANCE STATEMENT

Constitution

The Scheme is a defined benefit Career Average Revalued Earnings (CARE) arrangement, with legacy final salary benefits, 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. None of the cash equivalents paid were less than the amount provided for under section 94(1) of the Pension 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 Service (TPAS). A local advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively, TPAS can be contacted at:-

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB
Tel No: 0845 601 2923

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved, normally after the intervention of TPAS, 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:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB
Tel No: 020 7630 2200

INDEPENDENT AUDITOR'S 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 scheme year ended 31 December 2010 to which this statement is attached.

This statement is made solely to the Trustee, as a body, 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 them in an auditor's 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 as a body for our work, for this statement, or for the opinion we have formed.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Trustee's Responsibilities Statement, the scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing 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. 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 scheme rules and recommendations of the actuary or schedule of contributions.

It is our responsibility to provide a Statement about Contributions paid under the scheme rules and recommendations of the actuary or schedule of contributions and to report our opinion to you.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the scheme rules and recommendations of the actuary or schedule of contributions. This includes an 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 or schedule of contribution.

Statement about Contributions payable under the schedule of contributions

In our opinion contributions for the scheme year ended 31 December 2010 as reported in the summary of contributions and payable under the scheme rules and recommendations of the actuary or schedules of contributions have in all material respects been paid at least in accordance with the scheme rules and recommendations of the actuary for the period from 1 January 2010 to 31 March 2010 and at least in accordance with the schedule of contributions for the period 1 April 2010 to 31 December 2010 certified by the scheme actuary on 1 April 2010.



Deloitte LLP

Chartered Accountants and Statutory Auditor

Crawley, United Kingdom

[Date 2011]

22 June 2011

SUMMARY OF CONTRIBUTIONS

	Section One £'000	Section Two £'000	Total £'000
Employer normal contributions	6,394	8,792	15,186
Employee normal contributions (paid by employer via salary sacrifice)	4,384	4,545	8,929
Employer deficit funding	45,375	4,625	50,000
Reimbursement of PPF Levy	4,159	1,420	5,579
Contributions in accordance with Scheme rules and recommendation of actuary	60,312	19,382	79,694
Augmentation	-	178	178
Total contributions receivable as shown in the financial statements	60,312	19,560	79,872

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