

THALES UK PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR TO 31 DECEMBER 2013

Section One – PSR 19011001
Section Two – PSR 19011002

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Scheme Advisors and Employer

Scheme Actuary

Mr Mark Condron FIA
Mercer Limited
1 Tower Place West
London
EC3R 5BU

Independent Auditor

Deloitte LLP
Chartered Accountants
Crawley
United Kingdom

Investment Managers

AE Global Investment Solutions Ltd (Aegis) (until June 2013)
AQR Capital Management
BlackRock
Brigade Capital Management LLC
Canyon Value Realization Fund (Cayman) Ltd (until Jan 2013)
CarVal, CVI CREDIT VALUE FUND B II LP (from July 2013)
Credit Suisse Asset Management
Equitix Ltd
Legal & General Investment Management Ltd
Majedie Asset Management
MedicX Healthfund II LP (from Feb 2014)
M&G Investments
Rogge Global Partners plc
Standard Life Investments Ltd
Stone Harbor Investment Partners (UK) LLP
Vontobel Asset Management

Additional Voluntary Contributions (AVC) Providers

Legal & General Assurance Society Limited (until June 2013)
Phoenix life Limited
Equitable Life Assurance Society
Scottish Widows
MGM Assurance
Prudential
Friends Provident
Barclays (until June 2013)
Clerical Medical Investment Group Limited
Zurich Assurance Limited

Legal Advisor

Wragge & Co LLP
3 Waterhouse Square
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London
EC1N 2SW

Scheme Administrator

Equiniti Paymaster Ltd
Sutherland House
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Investment Consultants

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Watson House
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Surrey
RH2 9PQ

Investment Custodians

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

HSBC Global Investor Services

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Citibank

Citigroup Centre
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Bank

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Life Assurance Insurers

Ellipse (Spouses Pension and Death in Service Lump Sum)
15 Bermondsey Square
London
SE1 3UN

Secretary to the Trustees

Philip Cameron

Principle Employer (the "Employer")

Thales UK Ltd

Participating Employers

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

*These employers ceased participating in the scheme as at 31/12/13. The Trustees entered into a Flexible Apportionment Agreement with these employers and Thales UK, transferring all the liabilities and members attributable to these employers to Thales UK Ltd, the Principle Employer.

Contact for further information

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 Addlestone nr Weybridge
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TRUSTEE'S REPORT

Introduction

Thales Pension Trustees Ltd ("the Trustee") of the Thales UK Pension Scheme (the "Scheme") is pleased to present its report together with the financial statements for the year ended 31 December 2013. The Scheme is a Defined Benefit scheme governed by a definitive Trust Deed dated 30 June 2008 and subsequent amendments. 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.

The scheme has two separate sections; Section 1 formed from the transfer of the four former Racal schemes and the Thales Optronics scheme and Section 2 formed from the two former Thompson schemes, the Vinten scheme and the active members of the Avimo scheme. The two Sections are administered, valued and accounted for in their own right.

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. The current member nominated Trustee Directors are scheduled to be serve until 2016, for the three Section 1 positions and 2017, for the three Section 2 Positions.

During the year under review and after the year end the Trustee of the Scheme has been Thales Pension Trustees Ltd, whose Directors are:

Lord Roger Freeman (Company Nominated)
Phil Naybour (Company Nominated)
Paul Durrant (Company Nominated)
James Bell (Member Nominated)
Colin Milbourn (Member Nominated)
Joelle Dumetz (Member Nominated)
Lawrence Hammond (Company Nominated) - Resigned 31/12/13
Ken McSweeney (Company Nominated)
Dean Mason (Company Nominated)
Robert Scallon (Member Nominated)
Paul Corris (Member Nominated)
Geoff Fowle (Member Nominated)
Peter Rowley (Company Nominated) – Appointed 1/1/14

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 Employer, Thales UK Ltd, has the power to appoint and remove the Company Nominated Directors.

The Scheme is provided for all eligible employees of the Employer and the Participating Employers detailed on pages 4 and 5. The Employer's registered address is 2 Dashwood Lang Road, The Bourne Business Park, Addlestone nr Weybridge, Surrey, KT15 2NX.

TRUSTEE'S REPORT (CONTINUED)

Financial Developments

The financial statements on pages 20 to 37 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

During the year the Scheme's assets increased by £103,077,000. This was as a result of a net return on investments of £122,202,000 and contributions of £82,064,000 being offset by benefits and expenditure payments of £101,189,000.

The latest formal valuation of the Scheme has been undertaken as at 31 December 2011, and approved by the Scheme Actuary on 30 April 2013. The completion of the valuation was one month beyond the statutory time limit. The Trustee communicated to the Pension Regulator the reasons for the delay.

Section 1

The valuation revealed a deficit of £722m, representing a funding level of 64% relative to the Section's funding target. The Trustee and Employer have agreed that from 1 April 2013 the Employer will contribute as follows:-

17.7% of members Career Average Revalued Earnings (CARE) Salaries, plus
£44m per annum, payable in monthly instalments for the period 1 April 2013 to 31 December 2028, plus
Amounts equal to the PPF levies

The Scheme Actuary carried out a funding update as at 31 December 2013. The funding update of Section 1 showed that on 31 December 2013 the funding position was as follows:-

Assets	£1,458m
Amount assessed as needed to provide benefits ("Liabilities")	£2,019m
Surplus / (Deficit)	(£561m)
Funding level	72%

Section 2

The valuation revealed a deficit of £153m at the valuation date, representing a funding level of 73% relative to the Section's funding target. The Trustee and Employer have agreed that from 1 April 2013 the Employer will contribute as follows:-

17.8% of members' CARE Salaries (Pensionable Salary for former Category 1 Thomson Pension Plan members), plus
£8.6m per annum, payable in monthly instalments for the period 1 April 2013 to 31 December 2028, plus
Amounts equal to the PPF levies

The Scheme Actuary carried out a funding update as at 31 December 2013. The funding update of Section 2 showed that on 31 December 2013 the funding position was as follows:-

Assets	£484m
Amount assessed as needed to provide benefits ("Liabilities")	£608m
Surplus / (Deficit)	(£124m)
Funding level	80%

TRUSTEE'S REPORT, (CONTINUED)

Throughout 2013 member contribution rates were 6% of CARE Salary up to £40,040 and, in excess of that, 9%.

During 2013 the Employer conducted a consultation with the active membership on the ongoing level of member contributions. The result of this consultation was a change in the Scheme rules increasing member contributions to 9% of CARE Salary up to £40,040 and, in excess of that, 12%. This change became effective from 1st February 2014.

Member contributions are paid through a Salary Sacrifice arrangement.

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 an annual business plan which sets out its objectives in areas such as administration, investment, funding and communication. It covers all regular aspects of the scheme management and any ongoing major projects. 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 an ongoing process of assessing the risks which face the Scheme, and putting in place mitigating actions. Relevant risks are reviewed at each Trustee and subcommittee meeting.

The Trustee manages the governance of the scheme by the 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. It also houses the scheme risk register.

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. All trustees are required to successfully complete the Pension Regulator Trustee Toolkit. In addition the Trustees receive regular training from its advisors in order to maintain high standards of knowledge and understanding, and maintains a record to ensure this is managed.

Pension Protection Fund

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

The Thales UK Pension Scheme has met all levy requests from the PPF, as detailed in Note 8 of the Financial Statements.

TRUSTEE'S REPORT (CONTINUED)

Legislation and Scheme Changes

Budget 2014

The Chancellor delivered his budget on 19 March 2014. Some unexpected changes were announced in relation to the tax treatment of DC pensions. There were also a number of changes and proposals for future change affecting DB pensions. The key changes affecting the Scheme are as follows:

27 March 2014 reforms

- An increase in the trivial commutation lump sum limit from £18k to £30k (as an aggregate across a member's pension arrangements).
- An increase in the size of a small pension pot under a single arrangement which can be taken as a lump sum from £2k to £10k.

The Trustee is currently considering the March 2014 reforms and any amendments which may be required to the Scheme Rules to allow the increased triviality thresholds to apply.

April 2015 reforms

- From age 55, members will have flexibility over how they take their DC pension pot, subject to their marginal rate of income tax in that year. The tax free lump sum will continue to be available. In summary, members will be able to access their DC pension pot in full without the requirement to purchase an annuity.
- The Government is considering whether to extend the new freedoms to members of DB schemes (i.e. to allow DB members to transfer their benefits to a DC arrangement so that they can take advantage of the new flexibilities).

The April 2015 proposals are the subject of a Government consultation which will close on 11 June 2014. The Trustee will monitor developments in this area.

Same Sex Marriage

Under the Marriage (Same Sex Couples) Act 2013, same sex couples have been able to marry from 29 March 2014. The rights and responsibilities of couples in same sex marriages are broadly the same as those in opposite sex marriages.

The Trustee is aware of its legal duty to provide a certain level of survivor benefits for same sex spouses and is currently considering whether it is necessary to make any changes to the Scheme Rules in relation to this issue.

Changes to the annual allowance and lifetime allowance

With effect from 6 April 2014, the annual allowance (i.e. the maximum pension savings that a member is allowed each year without giving rise to additional tax charges) was reduced from £50,000 to £40,000. In addition, the standard lifetime allowance (i.e. the maximum pension savings a member can accumulate over their lifetime without incurring additional tax charges) was reduced from £1.5 million to £1.25 million from 6 April 2014.

Scheme Pays

Since its introduction, the annual allowance has been reduced a number of times. Because of this, more individuals are likely to exceed the annual allowance and become liable to pay additional tax on their pension savings.

To help members, legislation has been introduced which allows members who incur an annual allowance charge to instruct the pension scheme to pay the charge on their behalf. The scheme then applies a corresponding reduction to the members' benefits. This is known as "Scheme Pays".

Whether an individual can use Scheme Pays depends on a number of factors. One of the requirements is that the amount of the annual allowance charge incurred exceeds £2,000. The Trustee has put in place arrangements with the scheme administrator to facilitate members requesting Scheme Pays.

Automatic Enrolment

Legislation requires employers to automatically enrol employees into a pension scheme which meets certain quality requirements. Amendments were made to the Scheme Rules by a Deed of Amendment dated 16 April 2013 in order that the Scheme could meet these requirements. In summary, the Deed introduced an underpin such that there is a minimum revaluation rate that complies with the auto enrolment legislation. The Scheme Actuary has certified that the Scheme meets the quality requirements.

Transfer of AVCs and Calculation of Death Benefits

A Deed of Amendment was entered into on 15 February 2013 to allow members (with the consent of Thales and the Trustee) to transfer out the value of their additional voluntary contributions whilst retaining their main benefits in the Scheme. In addition, the Deed clarifies the calculation of adult dependant's and dependant children's pensions on the death of an active CARE member to make it clear that salary at the date of death is used for the purposes of the calculation rather than salary as at 1 April immediately preceding the date of death.

Thales UK Pension Scheme

TRUSTEE'S REPORT (CONTINUED)

Membership Movements

The membership reconciliation for the reporting period is detailed below.

Thales UK Pension Scheme – Section 1	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
Brought forward figures as at 01/01/2013	1,334	5,869	5,990	1,529	14,722
Late notifications and adjustments*	-5	-13	-30	-23	-71
Revised Opening Balance at the Start of the Year	1,329	5,856	5,960	1,506	14,651
Additions	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
New	0	120	291		411
Spouse's Pensions into Payment				85	85
Deductions	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
Actives/Deferred members retiring	-71	-220			-291
Active/Deferred/Pensioners who fully commuted pension	0	-7	-34	-1	-42
Deaths of Actives/Pensioners/Dependants/Deferred Pensioners & Cessation of Children's Pensions	-1	-10	-139	-57	-207
Leavers with deferred pensions / refunds / special leavers	-120				-120
Transfers Out / No Benefits	0	-16			-16
Membership at 31/12/2013	1,137	5,723	6,078	1,533	14,471
Enhanced DC Members (included above)	64				64

*Relates to members whose status changed in the previous reporting year but their records weren't updated until after the year end.

TRUSTEE'S REPORT (CONTINUED)

Membership Movements

The membership reconciliation for the reporting period is detailed below.

Thales UK Pension Scheme – Section 2	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
Brought forward figures as at 01/01/2013	1,632	1,979	1,986	352	5,949
Late notifications and adjustments	-2	-7	50***	0	41
Life Assurance Members leaving**	-214				-214
Revised Opening Balance at the Start of the Year	1,416	1,972	2,036	352	5,776
Additions	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
New		71	183		254
Spouse's Pensions into Payment				25	25
Deductions	Actives	Deferreds	Pensioners	Dependant Pensioners	Total
Actives/Deferred members retiring	-63	-120			-183
Active/Deferred who fully commuted pension	0	-2	-7		-9
Deaths of Actives/Pensioners/ Dependants/Deferred Pensioners & Cessation of Children's Pensions	0	-3	-39	-10	-52
Leavers with deferred pensions / refunds / special leavers	-71				-71
Transfers Out / No Benefits	0	-3			-3
Membership at 31/12/2013	1,282	1,915	2,173	367	5,737
Life Assurance Members (included above)	0				0
Enhanced DC Members (included above)	58				58

*Previous Life Assurance Member total of 222 incorrectly included 8 GAD actives.

**Life Assurance Members are now covered under a separate policy arranged by the employer and are no longer covered under the scheme death in service risk policy.

***A data cleanse exercise was completed at the beginning of the year affecting 48 pensioner members.

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:

AE Global Investment Solutions Ltd (Aegis) (until June 2013)
AQR Capital Management
BlackRock
Brigade Capital Management LLC
Canyon Value Realization Fund (Cayman) Ltd (until Jan 2013)
CarVal, CVI CREDIT VALUE FUND B II LP (from July 2013)
Credit Suisse Asset Management
Equitix Ltd
Legal & General Investment Management Ltd
Majedie Asset Management
M&G Investments
Rogge Global Partners plc
Standard Life Investments Ltd
Stone Harbor Investment Partners (UK) LLP
Vontobel Asset Management

Following the end of the accounting period the Scheme has made an investment in the MedicX Healthfund II LP in Feb 2014.

Review of Investment Performance of the Scheme

For the year ending 31 December 2013, the Scheme returned 7.15% against a benchmark return of 5.84%. The return over the last three years is 7.52% per annum (pa) against a benchmark of 6.66% pa, returns over 5 years are 9.75% pa against a benchmark of 8.10%pa.

The total assets held by the Scheme, as at 31 December 2013, were £1.96 billion (31 December 2012: £1.85 billion).

TRUSTEE'S REPORT (CONTINUED)

Investment performance for the period 1 January 2013 to 31 December 2013 is set out below:

	12 months (%)			Asset value 31/12/2012	Inception date	Benchmark	Performance Target	Active/ Passive
	Fund	B'mark	+/-					
Thales UK Pension Scheme	7.2	5.8	1.4	1,938.7	Jan 2005			
Equity	19.1	17.1	2.0	771.8				
L&G UK Equity	21.0	20.8	0.2	55.4	May 2005	FTSE All Share	Track Benchmark	Passive
Majedie UK Equity	37.0	20.8	16.2	143.2	May 2005	FTSE All Share	Outperform Benchmark	Active
L&G Global Equity RAFI-3000	25.0	24.4	0.6	230.5	May 2005	FTSE RAFI AW 3000GBP	Track Benchmark	Passive
L&G Global ex UK Equity ³	18.0	18.0	0.0	166.5	Mar 2009	FTSE Developed ex UK (75.6%) S&P/IFC Investible Ind GBP (24.4%)	Track Benchmark	Passive
L&G Emerging Markets RAFI	-7.8	-8.5	0.7	31.4	Oct 2011	FTSE RAFI Emerging Markets	Track Benchmark	Passive
Vontobel Emerging Markets	-6.6	-4.4	-2.2	52.4	Nov 2011	MSCI Emerging Markets ND	2.0% pa	Active
AQR Low Volatility	-	-	-	92.5	May 2013	MSCI World	Track Benchmark with lower volatility	Active
Credit	-2.3	-1.9	-0.4	559.5				
Blackrock Corporate Bond Fund	-0.1	-0.1	0.0	129.5	Jun 2009	BarCap Agg Corp GBP Hedged	Track Benchmark	Passive
Blackrock North American	-6.6	-6.4	-0.2	138.1	Nov 2009	BarCap US Long Credit Select Index	Track Benchmark	Passive
L&G UK AAA - AA - A passive	-1.1	-1.0	-0.1	75.1	May 2005	iBoxx Sterling Non Gilts ex BBB 15+	Track Benchmark	Passive
Rogge Global Active	-1.1	-0.3	-0.8	216.7	Apr 2010	BarCap Global Agg Credit GBP hedged	1.5%	Active
Liquid Alternatives	2.0	-0.1	2.1	181.4				
AQR	14.0	2.5	11.5	19.6	May 2012	3 Month GBP +2% per annum	Long-term returns with low correlation with traditional investment markets	Active
Credit Suisse IR	2.3	-1.6	3.9	53.2	Aug 2011	3 Month USD Libor 3 Month G8P Libor	3.0 - 5.0%	Active
Rogge EMC	-6.2	-4.0	-2.2	19.1	Aug 2011		Outperform Benchmark	Active
Stone Harbor EMD	-10.5	-7.6	-2.9	41.7	Aug 2011	JPM GBI EM Global Diversified (50%) JPM CEMBI Broad Diversified GBP (10%) JPM EMBI Global Diversified GBP hedged (40%)	1.5 - 2.0%	Active
Brigade	7.4	6.8	0.6	24.4	Nov 2012	Credit Suisse Leveraged Loan Index (50%) Merrill Lynch High Yield Constrained Index (50%)	8.0 - 12.0%	Active
Carval	-	-	-	23.4	Jun 2013	Merrill Lynch High Yield	13.0% - 15.0%	Active
Illiquids	8.6	7.6	1.0	113.2				
Equitix II	23.7	23.7	0.0	15.3	Sep 2011		12.5% gross / 10.0% net	Active
L&G Long Lease Property	-	-	-	34.8	Feb 2013	FTSE A Index Linked 15+ IPD All Balanced Index	Absolute Return Outperform Benchmark	Active
Standard Life Property	9.6	9.1	0.5	40.8	Nov 2011		7.0 - 9.0%	Active
M&G European Property	3.7	7.8	-4.1	21.2	Sep 2012	RPI +5%	Absolute Return	Active
Equitix III	-	-	-	1.0	Jun 2013			
Liability matching	-	-	-	242.5				
L&G Swaps & Collateral 1	-	-	-	186.5	Apr 2012		Track Benchmark	Passive
L&G Swaps & Collateral 2	-	-	-	56.0	Apr 2012		Track Benchmark	Passive
Cash	-	-	-	70.3				Passive
Blackrock Liquidity Fund 1	0.7	0.4	0.3	9.4	Mar 2010	7 Day LIBID	Track Benchmark	Passive
Blackrock Liquidity Fund 2	0.5	0.4	0.1	18.4	Apr 2012	7 Day LIBID	Track Benchmark	Passive
BlackRock Duration Hedge	-	-	-	35.2	Apr 2012			Passive
Currency Hedge	-	-	-	7.3	Dec 2011			Passive

Note: this investment report is related to scheme investment assets only as such it excludes the cash held by the administrator and AVC assets.

TRUSTEE'S REPORT (CONTINUED)

Market review – year ending 31 December 2013

Summary

During 2013 equities enjoyed their best calendar year risk-adjusted return since the financial crisis, higher yielding credit spreads declined significantly, while negative returns from government bonds were of a magnitude not seen since the mid-90s.

The picture in the US was one of cyclical strength, with business and consumer confidence relatively strong, decent employment growth and buoyant consumption. The Federal Reserve took its first tightening step by reducing its monthly asset purchases from \$85 billion to \$75 billion. Over the course of the year, the Japanese government led by Shinzō Abe put in place monetary, fiscal and economic growth policies. These policies resulted in strong equity returns and depreciation of the yen by c.23.9% versus sterling. Sterling also appreciated by a small amount against the US dollar over the period, but depreciated slightly versus the euro.

There was a surprise move by the European Central Bank in November 2013 to cut interest rates to a record low of 0.25%, reflecting an outlook of low inflation and economic weakness in the Eurozone. This followed inflation levels of 0.7% in October, leading to concerns of deflation in some countries. Interest rates in the UK and US remained consistently low over the year.

Equity markets

Over the course of the year, developed market equity performance was good, with FTSE indices in all major developed regions exceeding a 20% return (in sterling terms) with the exception of developed Asia Pacific (ex Japan). Emerging market equities performed poorly compared to their developed counterparts, returning -5.3% over the year (as measured by FTSE AW All Emerging Index). The main drivers of this poor performance were in Latin.

In local currency terms, Japanese equities stood out even amongst other developed regions, returning 54.8% (MSCI Japan) over the year. This was somewhat diminished in sterling terms, due to the significant depreciation of the yen over the same period.

Bond markets

2013 will be remembered as one of the worst years on record for developed market bond returns. Across Germany, US and UK bonds at all maturities suffered negative returns. Only Japanese Government bonds offered modest returns to investors, aided by a large increase in buying by the Bank of Japan.

Following comments regarding the tapering of asset purchases by the then Chairman of the Federal Reserve Ben Bernanke, government bond yields rose steadily. This was most noticeable directly after the announcement as the increases slowed in the following months.

Credit spreads decreased over the year. The spread on the iBoxx £ Non-Gilts Index decreased from 169.6 bps at the end of December 2012 to 121 bps at the end of December 2013. The spread on BBB-rated Non-Gilts decreased from 289.4 bps to 192.8 bps over the same period.

Hard currency emerging market sovereign debt spreads were somewhat volatile but contracted by around 50 bps from the peak levels reached in late June 2013 by the end of the year. In a number of emerging countries, debt levels remain reasonable, foreign exchange reserves are significant and banks appear reasonably well capitalised. In others, the fundamental picture has deteriorated, with lower reserves and weaker currencies negatively affecting returns.

TRUSTEE'S REPORT (CONTINUED)

Alternative investment markets

UK commercial property returned 10.9% over the 12 month period to December. Yields were broadly stable over the majority of the year.

Hedge funds on average returned 9.5% in sterling terms (hedged). Only macro strategies produced negative returns (-0.2% in sterling terms), with distressed and equity long/short products performing better than other strategies.

Commodity futures returned -3.1% over the year (in sterling terms), whilst crude oil prices rose by 5.2% over the period (in sterling terms)

Additional Voluntary Contribution and other Defined Contribution funds

Until 31 December 2007, members were able to pay Additional Voluntary Contributions (AVCs) to the Scheme, with the vast majority of these being operated on a defined contribution basis. Additionally, certain groups of members paid, or had paid on their behalf by their employer, supplementary contributions on a defined contribution basis. The Trustee continues to administer the funds built up from these sources on the members' behalf.

Following a review of these investments, the Trustee has established a new suite of core investment funds on an investment platform operated by Zurich Financial Services. This platform provides members with direct online access to fund performance, fees etc. The underlying funds performances are monitored by the Trustee using regular reporting provided by Mercer Limited.

During 2013 the Trustee completed the transition of the vast majority of the Scheme DC assets to this new investment platform. A small number of DC investments (mostly older with profit funds) remain in their existing insurance policies as the Trustee judged not appropriate to move these funds automatically. The members retain the option to move these funds individually to the new platform.

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.

The Trustee regularly monitors the Scheme asset allocations to ensure they remain in accordance with the Strategic Asset Allocation in the Statement of Investment Principles.

At the year end (31/12/13) the Trustee recognises that the current asset allocation is outside the target allocation for the SIP. The Trustee has begun a strategy to address this imbalance but realises that the limitations relating to entering into illiquid assets requires that some assets are held in other asset classes awaiting drawdown.

TRUSTEE'S REPORT (CONTINUED)

2011 Actuarial Valuation

As a result of the 2011 Actuarial Valuation in addition to the Recovery Plan the Trustee and Employer have put in place a number of guarantees to support the Scheme. Thales Holdings UK Ltd has provided guarantees totalling £875m and Thales SA provided guarantees totalling £750m. The Trustee has also agreed a derisking plan which sets out triggers for the Scheme to hedge interest rate and inflation risk and to alter the strategic asset allocation if funding levels improve ahead of expectation. During 2013 the processes to monitor trigger levels and initiate derisking action have been put in place. To date no triggers have been breached.

Custodial Arrangements

The Trustee, and the Trustee of the Thales CIF before it, appointed Northern Trust Company as the Scheme's main custodian.

The custodian is 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.

Equity 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.

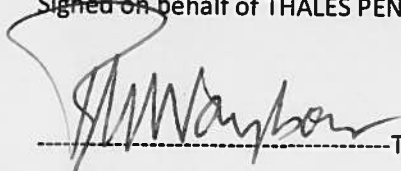
Basis of Investment Managers' Fees

Within the Scheme, 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 43 and 44.

Signed on behalf of THALES PENSION TRUSTEES LIMITED on 12 June 2014



-----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).
- 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 the Thales UK Pension Scheme for the year ended 31 December 2013 which comprise the fund account, the net assets statement and the related notes 1 to 15. 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 Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee 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.

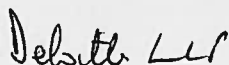
Scope of the audit of the financial statements

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013, 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

12 June 2014

Thales UK Pension Scheme

Financial Statements

Fund Account - For the year ended 31 December 2013

	Notes	Section One £'000	Section Two £'000	2013 £'000	2012 £'000
Contributions and Benefits					
Contributions	3	59,757	21,957	81,714	76,435
Other income	4	350	-	350	998
		<u>60,107</u>	<u>21,957</u>	<u>82,064</u>	<u>77,433</u>
Benefits	5	68,342	18,459	86,801	77,493
Leavers	6	3,657	1,300	4,957	2,867
Other payments	7	1,397	1,826	3,223	2,701
Administrative expenses	8	4,297	1,911	6,208	6,009
		<u>77,693</u>	<u>23,496</u>	<u>101,189</u>	<u>89,070</u>
Net withdrawals from dealings with members		(17,586)	(1,539)	(19,125)	(11,637)
Returns on investments					
Investment income	9	29,993	9,231	39,224	26,683
Change in market value of investments	11	69,035	25,812	94,847	146,087
Investment management expenses	10	(8,921)	(2,948)	(11,869)	(2,226)
Net returns on investments		<u>90,107</u>	<u>32,095</u>	<u>122,202</u>	<u>170,544</u>
Net increase in the fund during the year		72,521	30,556	103,077	158,907
Net Assets of the Scheme					
At 1 January		1,386,707	470,461	1,857,168	1,698,261
At 31 December		<u>1,459,228</u>	<u>501,017</u>	<u>1,960,245</u>	<u>1,857,168</u>

The notes on pages 22 to 38 form part of these financial statements.

Thales UK Pension Scheme

Financial Statements

Net Assets Statement – As at 31 December 2013

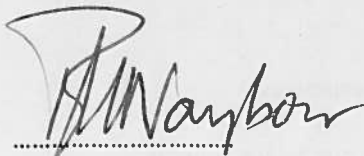
	Notes	2013 £'000	2012 £'000
Section One			
Investment assets	11	1,454,929	1,378,435
Investment liabilities	11	(1,180)	(1,934)
Current assets	12	11,875	13,133
Current liabilities	13	(6,396)	(2,927)
Net Assets		1,459,228	1,386,707
Section Two			
Investment assets	11	499,764	467,532
Investment liabilities	11	(384)	(605)
Current assets	12	4,913	4,917
Current liabilities	13	(3,276)	(1,383)
Net Assets		501,017	470,461
Net assets at 31 December		1,960,245	1,857,168

The financial statements 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 and actuary certificates on pages 7, 41 and 42 respectively and these financial statements should be read in conjunction with it.


The notes on pages 22 to 38 form part of these financial statements.

The financial statements on pages 20 to 38 were approved on behalf of the Trustees on 12 June 2014.

Signed on behalf of Thales Pension Trustees Ltd


.....

Trustee Director


.....

Trustee Director

Notes to the Financial Statements For the year ended 31 December 2013

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 are accounted for in the period they fall due 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, and are accounted for in accordance with the agreement under which they are received, or in the absence of an agreement, on a receipts basis.

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

C Investment income

Investment income arising on fixed interest and index linked securities has been accounted for on an accruals basis.

Income from equity securities has been recognised on the date the stocks were quoted ex-dividend.

D Administrative expenses and investment management expenses

All administrative and investment manager expenses are met by the Scheme.

Notes to the Financial Statements For the year ended 31 December 2013

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.

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. Differences arising on translation are included within change in market value of the investments for 2012.

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2013

	Section One £'000	Section Two £'000	2013 £'000	2012 £'000
3 Contributions				
Contributions from employer:				
Normal	13,155	13,032	26,187	23,374
Deficit funding	44,000	7,950	51,950	50,000
Augmentations	50	28	78	-
Other – PPF Levy	2,232	947	3,179	2,763
Other - Top ups	320	-	320	298
	59,757	21,957	81,714	76,435

Normal contributions from the employer include £3,857,000 and £3,703,000 (2012: £4,053,000 and £4,031,000) member contributions paid through a salary sacrifice arrangement in respect of Section one and Section two respectively.

Ongoing deficit funding of £44m per annum is payable for Section One for the period 1 April 2011 to 31 December 2028, to reduce the funding shortfall.

Ongoing deficit funding of £6m per annum is payable for Section Two for the period 1 April 2011 to 31 March 2013 and then £8.6m per annum from 1 April 2013 to 31 December 2028, to reduce the funding shortfall.

Employer other top up contributions relate to amounts received from the employer to fund additional benefit payments made to existing pensioners.

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

4 Other income

Claims on term insurance policies	349	-	349	565
State scheme premiums refund	-	-	-	16
Compensation	-	-	-	414
Sundry income	1	-	1	3
	350	-	350	998

Refer to note 12 for details of the compensation.

5 Benefits

Pensions	57,686	12,816	70,502	66,859
Commutations and lump sums on retirement	10,095	5,470	15,565	9,818
Annuities purchased	43	-	43	86
Lump sums on death	518	173	691	730
	68,342	18,459	86,801	77,493

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2013

	Section One £'000	Section Two £'000	2013 £'000	2012 £'000
6 Payments to and on account of leavers				
Individual transfers to other schemes	3,657	1,300	4,957	2,867
7 Other payments				
Premiums on term insurance policies	1,397	1,826	3,223	2,701
Term insurance is secured by policies underwritten by Ellipse.				
8 Administrative expenses				
Administration fees	473	192	665	703
Actuarial and consulting fees	1,234	465	1,699	2,030
Legal fees	223	222	445	402
Audit fees	25	25	50	50
Other expenses	51	24	75	61
PPF Levy	2,291	983	3,274	2,763
	<u>4,297</u>	<u>1,911</u>	<u>6,208</u>	<u>6,009</u>
9 Investment income				
Income from fixed interest securities	21,980	6,812	28,792	15,385
Dividends from equities	3,734	1,245	4,979	4,723
Income from index linked securities	1,863	744	2,607	3,326
Income from managed & unitised-authorized	268	136	404	835
Interest on cash and deposits	609	284	893	372
Other income	-	-	-	399
Annuity income	1,539	10	1,549	1,643
	<u>29,993</u>	<u>9,231</u>	<u>39,224</u>	<u>26,683</u>
10 Investment management expenses				
Administration, management and custody*	8,921	2,948	11,869	2,226

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2013

*Included within administrative, management and custody fees are investment manager fees for Majedie Asset Management Limited of £8,861,516.13 (2012: £1,065,648.68). The increase is due to a performance related element of the management fee agreement.

11 Investments

	Section One £'000	Section Two £'000	2013 £'000	2012 £'000
Investment assets	1,454,929	499,764	1,954,693	1,845,967
Investment liabilities	(1,180)	(384)	(1,564)	(2,539)
	1,453,749	499,380	1,953,129	1,843,428

Investment liabilities relate to derivative investments. Investment assets include derivative related assets of £15,170,000 (2012 £15,742,000).

The table below shows the investment assets split between Sections by investment strategy type.

	Section One £'000	Section Two £'000	2013 £'000	2012 £'000
Investments by strategy type				
Cash	9,423	18,365	27,788	27,206
Equity	577,847	192,615	770,462	648,240
Illiquids	82,508	27,503	110,011	69,697
Investment Grade Credit	449,125	138,456	587,581	583,957
Liquid Alternative	136,134	45,285	181,419	208,696
Derivatives	3,058	1,079	4,137	13,203
Total Unitised funds	1,258,095	423,303	1,681,398	1,550,999
Non unitised funds				
Fixed interest bonds	193,219	58,061	251,280	271,822
	1,451,314	481,364	1,932,678	1,822,821
AVC investments	2,435	18,016	20,451	20,607
	1,453,749	499,380	1,953,129	1,843,428

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

Non unitised fixed bonds represent investments designated as collateral. However none was pledged at the year end.

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2013

11 Investments (continued)

The movements of investments in the year:

	Market Value at 31 December 2012 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Market Value at 31 December 2013 £'000
Fixed interest securities	379,678	207,559	(216,205)	(41,325)	329,707
Equities	140,597	147,468	(192,305)	40,428	136,188
Index linked securities	230,725	4,755	-	(4,581)	230,899
Pooled investment vehicles	1,017,687	206,228	(132,092)	84,883	1,176,706
Derivatives					
Swaps	3,608	-	-	(13,078)	(9,470)
Futures	2,545	1,578	(19,177)	17,844	2,790
Variation margin futures	(2,545)	-	-	(245)	(2,790)
Forward contracts	7,049	8,423,961	(8,431,058)	10,865	10,817
AVC investments	20,607	-	(2,601)	2,445	20,451
	<u>1,799,951</u>	<u>8,991,549</u>	<u>(8,993,438)</u>	97,236	<u>1,895,298</u>
Cash - Sterling	15,720			-	14,147
Cash - Foreign currency	21,673			(2,389)	38,164
Investment income receivable	6,340			-	5,945
Other investment liabilities	(256)			-	(425)
	<u>1,843,428</u>			<u>94,847</u>	<u>1,953,129</u>

Included within the above purchases and sales figures are transaction costs of £829,119 (2012: £895,910). 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 of 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.

Included within pooled investment vehicles as at 31 December 2013 is an investment in new investment vehicle with a year-end value of £92m. At the year end, the Scheme owned 79% of the shares issued by the Fund. However, the Scheme has no ability to control the investing activities of the Fund, and as such the substance of the investment is that the investment is a pooled investment vehicle, and has been treated as such in the financial statements.

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2013

11 Investments (continued)

Section One

The movements of investments in the year:

	Market Value at 31 December 2012 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Market Value at 31 December 2013 £'000
Fixed interest securities	289,758	158,544	(164,868)	(31,462)	251,972
Equities	105,448	110,601	(144,229)	30,321	102,141
Index linked securities	177,230	3,635	-	(3,520)	177,345
Pooled investment vehicles	760,028	151,527	(100,330)	63,652	874,877
Derivatives					
Swaps	2,758	-	-	(9,996)	(7,238)
Futures	1,945	1,206	(14,658)	13,639	2,132
Variation margin futures	(1,945)	-	-	(187)	(2,132)
Forward contracts	5,348	6,408,296	(6,413,687)	8,207	8,164
AVC investments	2,884	-	(645)	196	2,435
	<u>1,343,454</u>	<u>6,833,809</u>	<u>(6,838,417)</u>	70,850	<u>1,409,696</u>
Cash - Sterling	11,837			-	10,629
Cash - Foreign currency	16,566			(1,815)	29,207
Investment income receivable	4,840			-	4,542
Other investment liabilities	(196)			-	(325)
	<u>1,376,501</u>			<u>69,035</u>	<u>1,453,749</u>

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2013

11 Investments (continued)

Section Two

The movements of investments in the year:

	Market Value at 31 December 2012 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Market Value at 31 December 2013 £'000
Fixed interest securities	89,920	49,015	(51,337)	(9,863)	77,735
Equities	35,149	36,867	(48,076)	10,107	34,047
Index linked securities	53,495	1,120	-	(1,061)	53,554
Pooled investment vehicles	257,659	54,701	(31,762)	21,231	301,829
Derivatives					
Swaps	850	-	-	(3,082)	(2,232)
Futures	600	372	(4,519)	4,205	658
Variation margin futures	(600)	-	-	(58)	(658)
Forward contracts	1,701	2,015,665	(2,017,371)	2,658	2,653
AVC investments	17,723	-	(1,956)	2,249	18,016
	<u>456,497</u>	<u>2,157,740</u>	<u>(2,155,021)</u>	26,386	<u>485,602</u>
Cash - Sterling	3,883			-	3,518
Cash - Foreign currency	5,107			(574)	8,957
Investment income receivable	1,500			-	1,403
Other investment liabilities	(60)			-	(100)
	<u>466,927</u>			<u>25,812</u>	<u>499,380</u>

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

Thales UK Pension Scheme

Notes to the Financial Statements

For the year ended 31 December 2013

11 Investments (continued)

Sub-analysis of year end investment holdings by section:

	Section One £'000	Section Two £'000	2013 £'000	2012 £'000
Fixed interest securities:				
UK public sector quoted	9,381	2,949	12,330	15,251
UK corporate quoted	19,928	6,143	26,071	35,406
Overseas public sector quoted	19,452	5,997	25,449	13,553
Overseas corporate quoted	203,211	62,646	265,857	315,468
	251,972	77,735	329,707	379,678
Equities:				
UK quoted	86,522	28,841	115,363	121,607
Overseas quoted	15,619	5,206	20,825	18,990
	102,141	34,047	136,188	140,597
Index linked securities:				
UK public sector quoted	138,700	42,011	180,711	178,759
UK corporate quoted	38,645	11,543	50,188	51,966
	177,345	53,554	230,899	230,725
Pooled investment vehicles:				
Other	846,331	292,314	1,138,644	982,970
Property	28,546	9,515	38,061	34,717
	874,877	301,829	1,176,706	1,017,687

Thales UK Pension Scheme

Notes to the Financial Statements For the year ended 31 December 2013

11 Investments (continued)

The table below shows the investment classes split by strategic type.

	£'000	£'000	£'000	£'000	£'000	2013 £'000
	Equity and Illiquid	Invest Grade	Liquid Alternative	Cash and Derivatives	Matching Assets	Total Funds
Fixed Interest						
UK Public Quoted	-	-	-	-	12,330	12,330
UK Corporate Quoted	-	26,071	-	-	-	26,071
Overseas Public Quoted	-	25,449	-	-	-	25,449
Overseas Corporate Quoted	-	265,857	-	-	-	265,857
Equities						
UK quoted	115,363	-	-	-	-	115,363
Overseas quoted	20,825	-	-	-	-	20,825
Index Linked						
UK Public Quoted	-	4,375	-	-	176,336	180,711
UK Corporate Quoted	-	-	-	-	50,188	50,188
Pooled Investment Vehicles						
Other	696,449	222,547	180,247	27,777	11,626	1,138,646
Property	38,061	-	-	-	-	38,061
	870,698	544,299	180,247	27,777	250,480	1,873,501
Derivatives	-	-	-	4,138	-	4,138
	870,698	544,299	180,247	31,915	250,480	1,877,639
Cash	9,214	38,712	1,172	-	-	49,098
Investment Income Receivable	561	4,570	-	14	800	5,945
	880,473	587,581	181,419	31,929	251,280	1,932,682

AVC assets are not included in the above analysis.

Notes to the Financial Statements
For the year ended 31 December 2013

11 Investments (continued)

Derivative assets/(liabilities)

Objectives and Policies

The Trustee has authorised the use of derivatives by the investment managers as part of the overall investment strategy for the Scheme. The main objectives for the use of derivatives are summarised as follows:

Futures

Futures contracts are entered into as a method of balancing the Scheme's exposure to a particular market or sector. Futures often provide a cheap and efficient way of modifying portfolio risk to remain within asset allocations governed by the investment strategy of the Scheme.

Swaps

Swaps are used to modify the Scheme's exposure to various asset classes. Interest rate swaps were held to decrease the Scheme's risk to the impact of interest rate fluctuations on floating rate loans.

Forward foreign exchange contracts

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.

Section one

Swaps (Exchange traded)	Economic exposure £	Expiry	2013	
			Assets £'000	Liabilities £'000
Interest rate swaps – Libor to fixed rate	25,517,000	May 2024	-	(1,535)
Interest rate swaps – Libor to fixed rate	25,517,000	June 2025	-	(1,692)
Interest rate swaps – Libor to fixed rate	26,878,000	June 2026	-	(1,939)
Interest rate swaps – Libor to fixed rate	26,878,000	May 2027	-	(2,072)
			-	(7,238)

Section two

Swaps (Exchange traded)	Economic exposure £	Expiry	2013	
			Assets £'000	Liabilities £'000
Interest rate swaps – Libor to fixed rate	7,866,000	May 2024	-	(473)
Interest rate swaps – Libor to fixed rate	7,866,000	June 2025	-	(522)
Interest rate swaps – Libor to fixed rate	8,286,000	June 2026	-	(598)
Interest rate swaps – Libor to fixed rate	8,286,000	May 2027	-	(639)
			-	(2,232)

Swaps – The notional principle (economic exposure) of the swaps is the amount used to determine the value of swapped interest receipts and payments.

Thales UK Pension Scheme

Notes to the Financial Statements For the year ended 31 December 2013

11 Investments (continued)

Derivative assets/(liabilities) (continued)

Number of Contracts	Futures (Exchange traded)	Economic exposure £	Expiry	2013	
				Assets £'000	Liabilities £'000
338	10 Year USA Treasury Notes	(25,110,849)	March 2014	454	-
28	10 Year USA Treasury Notes	2,080,189	March 2014	-	(36)
9	5 Year USA Treasury Notes	(5,258,755)	March 2014	-	(9)
73	5 Year USA Treasury Notes	648,340	March 2014	64	-
17	CBT UL Treasury Bonds	1,398,490	March 2014	-	(11)
819	CBT UL Treasury Bonds	(67,374,340)	March 2014	895	-
6	Eurx E-Schatz	609,102	March 2014	-	(12)
235	Eurx Eur-Schatz	21,565,075	March 2014	-	(46)
39	Eurx Eur-Bobl	4,037,358	March 2014	-	(49)
65	Eurx Eur-Bund	(7,526,041)	March 2014	145	-
32	Eurx Eur-BTP	(3,056,857)	March 2014	-	(7)
51	LIF Long Gilt	(5,434,560)	March 2014	96	-
54	ME 10 Year Canadian Bond	3,889,132	March 2014	-	(49)
18	SFE 10 year Treasury Bond	1,114,870	March 2014	10	-
13	TSE 10 year JGB	(10,702,886)	March 2014	52	-
112	USA Treasury Bonds	8,676,830	March 2014	-	(147)
913	USA Treasury Bonds	(70,731,660)	March 2014	1,510	-
268	2 Year USA Treasury Notes	35,568,151	March 2014	-	(71)
				3,226	(437)

Futures – The economic exposure represents the notional value of stocks purchased under the futures contract and therefore the value is subject to market movements.

The futures contracts are not split by section as the contracts are in the name of the Scheme, and not separately by section.

Notes to the Financial Statements
For the year ended 31 December 2013

11 Investments (continued)

Derivative assets/(liabilities) (continued)

Forward foreign currency contracts (over the counter)

2013

Number of Contracts	Settlement date	Currency bought	Currency Sold	Assets £'000	Liabilities £'000
1	1 month	GBP	USD	2,487	-
3	1 month	USD	GBP	-	(296)
5	1 month	MYR	USD	-	(87)
2	1 month	CLP	USD	-	(57)
3	1 month	USD	RUB	11	-
2	1 month	PHP	USD	-	(8)
2	1 month	USD	Various	66	-
1	1 month	PEN	USD	11	-
2	1 month	Various	USD	-	(61)
1	1 month	USD	MXN	5	-
1	1 month	USD	MXN	-	(7)
2	1 month	EUR	CZK	399	-
2	1 month	CZK	EUR	-	(48)
12	2 month	GBP	USD	5,282	-
3	2 months	GBP	JPY	2,256	-
6	2 months	GBP	EUR	1,426	-
2	2 months	GBP	EUR	-	(356)
2	2 months	JPY	USD	-	(61)
2	2 months	Various	USD	-	(14)
3	2 months	EUR	Various	-	(15)
1	2 months	AUD	CAD	-	(80)
1	2 months	CHF	JPY	1	-
1	2 months	NOK	EUR	-	(37)
				11,944	(1,127)

The forward foreign currency contracts are not split by section as the contracts are in the name of the Scheme, and not separately by section.

Notes to the Financial Statements
For the year ended 31 December 2013

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, who provide custodian services for Legal and General directly.

The Scheme does not hold any direct employer related investments. Due to the nature of the pooled funds the Scheme invests in, the Trustee recognises there will be exposure to indirect employer related investments by virtue of composition of some of the pooled investment vehicles. The Trustee has considered the quantum of the potential exposure, and have concluded that the indirect exposure is minimal and certainly less than 5% of the net assets of the Scheme at the year end.

The following investments represent more than 5% of the net assets of the Scheme at the Scheme year end:

	At 31 December 2013 £'000	%	At 31 December 2012 £'000	%
Black Rock Selection Fund	129,510	6.6	-	-
RX - WORLD (EX UK) DEV Equity Index	131,907	6.7	105,540	5.7
L&G YX - FTSE RAFI AW 3000 Equity Index	<u>230,010</u>	11.7	<u>183,896</u>	9.9

Capital commitments

At the Scheme year end, the Scheme had undrawn but committed investments with existing investment managers of £68m.

Notes to the Financial Statements
For the year ended 31 December 2013

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 included in the net assets statement.

AVC investments

	Section One £'000	Section Two £'000	2013 £'000	2012 £'000
Zurich	702	17,926	18,628	17,641
Legal & General Assurance Society Limited	-	-	-	806
Equitable Life Assurance Society	1,073	14	1,087	1,221
MGM Assurance	96	-	96	144
Phoenix	67	16	83	130
Prudential	425	-	425	464
Friends Provident	9	-	9	9
Scottish Widows	63	-	63	127
Barclays	-	-	-	11
Clerical Medical	-	60	60	54
	<u>2,435</u>	<u>18,016</u>	<u>20,451</u>	<u>20,607</u>

During 2012 Zurich was appointed as the Scheme AVC provider during the year. AVC assets held with BNY Mellon, Legal & General and F & C Managed Pension Fund on behalf of Section 2 were migrated to the new Zurich AVC provider during the year. Post the Scheme year end, the Scheme has completed the transfer of all section 2 AVC holdings to Zurich.

During 2013 the transfer of Section 1 AVC holdings held with Legal & General to Zurich was completed.

The fund unit values and movement will continue to be maintained for the two sections separately.

Thales UK Pension Scheme

Notes to the Financial Statements For the year ended 31 December 2013

	Section One £'000	Section Two £'000	2013 £'000	2012 £'000
12 Current assets				
Pensions paid in advance	3,460	909	4,369	4,076
Contributions Employer normal	772	787	1,559	1,218
Contributions Employee	292	328	620	646
Contributions Employer other – PPF levy	-	-	-	2,763
Contributions Employer - Deficit	3,667	717	4,384	4,167
Life assurance premiums paid in advance	370	351	721	1,567
AVC benefit receivable from provider	79	128	207	178
Annuities receivable	123	-	123	-
PPF levy paid in advance	527	248	775	-
Compensation receivable	-	-	-	414
Cash deposits held with Scheme Administrator	2,546	1,445	3,991	2,683
Inter section balance	39	-	39	338
	11,875	4,913	16,788	18,050

The contributions due as at 31 December 2013 were received after the year end in accordance with the due date set out in the Schedule of contributions.

Compensation receivable at the Scheme year end of £414k for Section 2 related to the resolution of an historical administrative error, where a disinvestment was made in error from the Scheme AVC holdings in Equitable Life in respect of members of the Thompson Retirement Savings Plan (TRPS), rather than divesting from Equitable Life AVC assets held within the TRPS. An agreement between the various parties involved was signed in December 2012, directing that £414,237 was to be paid to the Scheme in compensation. This was fully settled in January 2013 with £348,237 being paid from TRSP and £66,000 directly from TRSP's administrator.

13 Current liabilities

Lump sums on retirement	425	552	977	188
Death benefits	212	66	278	237
Accrued expenses	5,232	1,782	7,014	3,543
Equitable Life compensation payments	-	588	588	-
Other creditors	527	249	776	4
Inter section balance	-	39	39	338
	6,396	3,276	9,672	4,310

Notes to the Financial Statements
For the year ended 31 December 2013

The Equitable Life compensation payments relate to proceeds received by the Scheme in respect of compensation from the Equitable Life Payment Scheme. This compensation is to be distributed to the membership that previously held benefits via the Schemes group policy with Equitable Life.

14 Related party transactions

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

Certain pensions ("top ups") are paid on behalf of the Principle Employer. The Scheme is reimbursed in advance by the Principle Employer for these unfunded pension payments (details are on Page 46).

15 Post balance sheet events

No post balance sheet events have occurred that have not been reported elsewhere in the Trustee report.

**CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS
SECTION 1**



TALENT • HEALTH • RETIREMENT • INVESTMENTS

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Name of Scheme and name of Section Thales UK Pension Scheme – Section 1

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2011 to be met by the end of the period specified in the recovery plan dated 30 April 2013.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 30 April 2013.

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 Mark Condon

Qualification Fellow of the Institute and Faculty of Actuaries

Date of signing 30 January 2014

Name of employer Mercer Limited

Address Tower Place West
London
EC3R 5BU



Mercer Limited is authorized and regulated by the Financial Conduct Authority.
Registered in England No. 084275 Registered Office: 1 Tower Place West
London, EC3R 5BU



CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS
SECTION 2



TA FNT • HEALTH • RETIREMENT • INVESTMENTS

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Name of Scheme and name of Section

Thales UK Pension Scheme – Section 2

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected to on 31 December 2011 be met by the end of the period specified in the recovery plan dated 30 April 2013.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 30 April 2013.

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

Mark Condon

Qualification

Fellow of the Institute and Faculty of Actuaries

Date of signing

30 January 2014

Name of employer

Merger Limited

Address

Tower Place West
 London
 EC3R 5BU



Merger Limited is a company registered in England and Wales, registered office: Tower Place West, Tower Place, London EC3R 5BU



CERTIFICATE OF TECHNICAL PROVISIONS – SECTION 1

ACTUARIAL VALUATION AS AT 31 DECEMBER 2011
SCHEME FUNDING REPORT

THALES UK PENSION SCHEME – SECTION 1

APPENDIX F

Certificate of technical provisions


Name of the 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 2011 is made in accordance with regulations under section 222 of the Pensions Act 2004. This calculation uses a method and assumptions determined by the trustees of the section and set out in the statement of funding principles dated 30 April 2013.

Signature



Name

Mark Condron

Date of signing

30 April 2013

Name of employer

Marcer Limited

Address

Tower Place
London
EC3R 5BU

Qualification

Fellow of the Institute and Faculty of Actuaries

VERIFIER

CERTIFICATE OF TECHNICAL PROVISIONS – SECTION 2

THALES UK PENSION SCHEME – SECTION 2

ACTUARIAL VALUATION AS AT 31 DECEMBER 2011
SCHEME FUNDING REPORT

APPENDIX F

Certificate of technical provisions

Name of the 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 2011 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 section and set out in the statement of funding principles dated 30 April 2013.

Signature



Name

Mark Condron

Date of signing

30 April 2013

Name of employer

Merco Limited

Address

Tower Place
London
EC3R 5BU

Qualification

Fellow of the Institute and Faculty of Actuaries

MEP/CR

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 2012 on page 46.

This statement is made solely to the Trustees, 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 Trustees 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 Trustees 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 Statement of Trustee's Responsibilities, the Scheme's Trustees are 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 Trustees are 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 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 summaries of contributions have in all material respects been paid at least in accordance with the schedules 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 schedules of contributions.

Statement about Contributions payable under the schedules of contributions

In our opinion contributions for the Scheme year ended 31 December 2013 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid for the period from 1 January 2013 to 29 April 2013 at least in accordance with the schedule of contributions certified by the scheme actuary on 1 April 2010, and for the period from 30 April 2013 to 31 December 2013 at least in accordance with the schedule of contributions certified by the scheme actuary on 30 April 2013.



Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom

12 June 2014

Thales UK Pension Scheme

SUMMARY OF CONTRIBUTIONS

The contributions payable to the Scheme during the year are shown below, split between those contributions paid per the schedules of contributions and those paid in addition to the amounts required by the schedules of contributions.

	Section1 £'000	Section 2 £'000	2013 £'000
Contributions from Employer:			
Normal	13,155	13,032	26,187
Deficit funding	44,000	7,950	51,950
Other – PPF Levy	2,232	947	3,179
Total contributions payable under the schedules of contributions (as reported on by the Scheme Auditor)	59,387	21,929	81,316
Other contributions payable:			
Employer Other contributions – top ups	320	-	320
Augmentations	50	28	78
Total contributions payable per the fund account	59,757	21,957	81,714

Normal contributions from the employer include £3,857,000 and £3,703,000 (2012: £4,053,000 and £4,031,000) member contributions paid through a salary sacrifice arrangement in respect of Section one and Section two respectively.

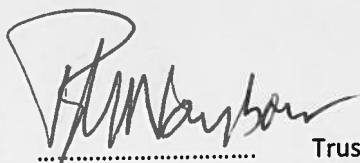
Normal contributions are based on members' Pensionable Earnings. Throughout 2013 member contribution rates were 6% of CARE Salary up to £40,040 and in excess of that 9%, as per the scheme rules. The employer rates were 11.9% for Section one and 12.8% for Section two, as set out in the Schedule of Contributions dated 1 April 2010. The introduction of a new schedule of contributions effective 1 April 2013 changed the employer rates to 17.7% for Section 1 and 17.8% for Section 2.

Ongoing deficit funding of £44m per annum is payable for Section One for the period 1 April 2011 to 31 December 2028, to reduce the funding shortfall.

Ongoing deficit funding of £6m per annum is payable for Section Two for the period 1 April 2011 to 31 March 2013 and then £8.6m per annum from 1 April 2013 to 31 December 2028, to reduce the funding shortfall.

Employer other top up contributions relate to amounts received from the Employer to fund additional employer benefit payments made to existing pensioners and are outside the scope of the auditor's statement about contributions.

Signed on behalf of THALES PENSION TRUSTEES LIMITED



Trustee Director
Date



.....

Trustee Director
Date