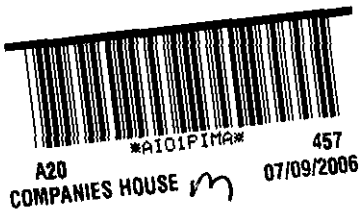
Axalto Terminals Limited

(Registered Number: 534821)

Directors' Report and Financial Statements

Year Ended 31 December 2005



Axalto Terminals Limited

Report of the Directors for the Year Ended 31 December 2005

The Directors have pleasure in submitting their annual report together with the financial statements of Axalto Terminals Limited ("the Company") for the year ended 31 December 2005.

Review of the Business

Both the level of business and the year end financial position were satisfactory and the Directors expect that the present level of activity will be sustained for the foreseeable future.

Principal Activities

The Company's principal activity during the year was the supply of equipment and services in respect of Point of Sale terminals.

Subsequent events

On the 2nd June 2006 the ultimate parent of Axalto Terminals Ltd, Axalto Holdings NV, set in motion the combining of Axalto Holdings NV with Gemplus International SA by acquiring 43.4% of Gemplus shares for Axalto shares and has initiated a voluntary public exchange for the balance of the Gemplus shares. At the same time Axalto Holdings NV has changed its name to Gemalto Holdings NV.

Results and Dividends

The profit before taxation on the year's trading was £159,000 (2004: £98,000). Amounts transferred to reserves and the financial position of the Company is shown in the annexed financial statements. The Directors do not propose a dividend (2004: nil).

Political Contributions and Charitable Donations

No political contributions were made during the year (2004: nil). No charitable donations were made during the year (2004: nil).

Financial risk management

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

Credit risk
The Company is exposed to credit related losses in the event of non-performance by counterparties in connection with financial instruments. The Company takes actions to mitigate this exposure by ensuring adequate background on credit risk is known about counterparties prior to contracting with them and through selection of counterparties with suitable credit ratings.

Liquidity risk
The Company's cash position is principally managed to ensure that sufficient equity funds are available to meet liquidity requirements.

Axalto Terminals Limited

Report of the Directors
For the Year Ended 31 December 2005 (Continued)

Financial risk management (continued)

Currency risk
The Company has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Company's functional currency. However, given the size of the Company's operations, the costs of managing exposure to currency risk exceed any potential benefits and therefore the Company does not engage in any hedging in respect of currency risks. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Directors

The following were Directors of the Company during the year and at the date of this report:

A B Bruce
A J Hancock

No Director had an interest in the shares of the Company or any other group company such as requires notification to the Company under Section 324 of the Companies Act 1985.

Statement of *Directors'* Responsibilities

The Directors are responsible for preparing the annual report including, as described below, the financial statements.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Axalto Terminals Limited

Report of the Directors
For the Year Ended 31 December 2005 (Continued)

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board

A J Hancock
Director
24th July 2006

Auditors' Report to the Members of Axalto Terminals Limited

We have audited the financial statements of Axalto Terminals Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton

4th September 2006

Axalto Terminals Limited

Profit and Loss Account for the Year Ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover	2	4,892	12,415
Cost of sales		(4,541)	(12,088)
Gross profit		351	327
Net operating expenses	4	(244)	(289)
Operating profit		107	38
Interest receivable	5	52	60
Profit on ordinary activities before taxation	6	159	98
Tax charge profit on ordinary activities	8	(52)	(23)
Profit on ordinary activities after taxation and retained profit for the year	15	107	75

The items dealt with in the above profit and loss account relate to continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 7 to 16 form part of these financial statements.

Axalto Terminals Limited

Balance Sheet as at 31 December 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	9	30	39
Investments	10	-	-
		30	39
Current assets			
Debtors	11	320	1,762
Cash and short term investments		1,807	981
		2,127	2,743
Creditors: Amounts falling due within one year	12	(436)	(1,168)
Net current assets		1,691	1,575
Total assets less current liabilities		1,721	1,614
Capital and reserves			
Called up share capital	13	27,718	27,718
Share premium account	14	36	36
Profit and loss account	15	(26,033)	(26,140)
Equity Shareholders' Funds	16	1,721	1,614

The notes on pages 7 to 16 form part of these financial statements.

Approved by the Directors on 26th July 2006.

A J Hancock

A J Hancock
Director

Axalto Terminals Limited

Notes to the Financial Statements at 31 December 2005

1 Accounting Policies

a) Accounting Policies

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of Accounting

The Company is exempt from preparing and delivering group financial statements under section 228 of the Companies Act 1985.

c) Turnover

Turnover represents the sales value of goods and services supplied to external customers and affiliated companies, excluding value added tax.

Revenue on Point of Sale equipment sales is recognised on full installation and acceptance of Point of Sales related software and applications on the clients' sites. Service revenue is recognised on completion and acceptance of the service performed.

d) Research and Development

Research and development expenditure is written off in the year in which it is incurred.

e) Leases

Finance and operating leases

Where the Company is a lessee under finance leases (including hire purchase contracts), the leased assets are capitalised and included in tangible fixed assets and the corresponding liability to the lessor is included in creditors. Finance charges payable are recognised over the periods of the leases, based on the interest rates implicit in the leases.

All other leases are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on the straight line basis over the periods of the leases.

Property Leases

The rents payable under the property leases, which are all classified as operating leases, are spread on a straight-line basis over the lease term or, if shorter than the full lease term, over the period to the first review date.

f) Stocks

Stocks are valued at the lower of cost and net realisable value.

Notes to the financial statements at 31 December 2005 (Continued)

1 Accounting Policies (Continued)

g) Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis over the expected useful lives of each category of tangible fixed assets at the following rates:

Plant and machinery	3-5 years
Fixtures, fittings, tools and equipment	2-10 years

Investments in subsidiary undertakings are valued at cost, less any provisions for impairment.

h) Impairment Review

The carrying values of investments, tangible fixed assets and goodwill are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets and goodwill below depreciated historical cost is charged to the profit and loss account.

i) Taxation including Deferred Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet dates where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. *Deferred tax is measured on a non-discounted basis.*

j) Pensions

The charge against profits is the amount of defined contributions payable to the pension scheme in respect of the accounting period.

k) Foreign Currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate in operation on the transaction date. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates in operation at the balance sheet date. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

Notes to the Financial Statements at 31 December 2005 (Continued)

1 Accounting Policies (Continued)

l) Related Party Disclosures

Transactions with other companies within the Group are not disclosed as the Company has taken advantage of the exemption available under Financial Reporting Standard 8 (FRS 8) "Related Party Disclosures" paragraph 3(c).

m) Cash Flow Statement

The Company has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard No. 1 (Revised 1996) "Cash Flow Statements" and accordingly has not prepared a cash flow statement.

Notes to the Financial Statements at 31 December 2005 (Continued)

2 Segmental Reporting

All turnover originated in the United Kingdom.

Turnover by destination was as follows:

	2005 **£'000**	2004 £'000
United Kingdom	4,573	11,149
Rest of Europe	319	1,266
	4,892	12,415

In the opinion of the Directors there is only one class of business.

3 Staff Numbers and Costs

The average number of persons employed by the Company during the year was as follows:

	2005 **Number**	2004 Number
Selling, marketing and distribution	1	1
Research and development	6	6
Administration	2	2
	9	9

The aggregate payroll costs were as follows:

	2005 **£'000**	2004 £'000
Wages and salaries	385	394
Social security costs	41	43
Other pension costs	55	37
	481	474

Notes to the Financial Statements at 31 December 2005 (Continued)

4 Analysis of Net Operating Expenses

	2005 £'000	2004 £'000
Selling, marketing and distribution costs	140	155
Other administrative costs	89	58
Other operating expense	15	76
Net Operating Expenses	244	289

5 Interest Receivable

	2005 £'000	2004 £'000
Interest on bank balances and short term investments	52	60

6 Profit on Ordinary Activities before Taxation

Profit before taxation is stated after charging the following items:

		2005 £'000	2004 £'000
Staff costs (Note 3)		481	474
Depreciation of owned assets		9	4
Auditors' remuneration	- Audit	12	16
Operating lease rentals:	- Plant and machinery	6	3
Loss on foreign exchange		15	76

7 *Directors' Emoluments*

Of the two Directors in office during the period, none (2004: none) were remunerated by the Company in their capacity as Directors.

8 Taxation

The taxation charge based on the profit for the year as adjusted for taxation purposes may be analysed as follows:

	2005 £'000	2004 £'000
Current year		
United Kingdom corporation tax at 30% (2004: 30%)	52	23
Prior year adjustments	-	-
	52	23
Deferred tax		
Current year	-	-
	52	23

The current year tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	159	98
Tax charge on profit before tax at standard rate of 30% (2004: 30%)	(48)	(29)
Non deductible items	(4)	(1)
Short term timing differences	-	7
	(52)	(23)

Notes to the Financial Statements at 31 December 2005 (Continued)

9 Tangible Fixed Assets

	Plant and machinery £'000	Fixtures fittings tools and equipment £'000	Total £'000
Cost			
Balance at 1 January 2005	1	65	66
Additions	-	-	-
Balance at 31 December 2005	*1*	*65*	*66*
Depreciation			
Balance at 1 January 2005	-	27	27
Charge for the year	-	9	9
Balance at 31 December 2005	-	36	36
Net book amount at 31 December 2005	1	29	30
Net book amount at 31 December 2004	1	38	39

10 Investments

	Cost £'000	Provision £'000	Net book amount £'000
Balance at 1 January 2005	2,500	(2,500)	-
Balance at 31 December 2005	2,500	(2,500)	-

On 31 December 2005, the Company owned the entire share capital of the following:

	Country of incorporation	Nature of business
Schlumberger Cards Limited	England	Dormant

Notes to the Financial Statements at 31 December 2005 (Continued)

11 Debtors – Amounts Due Within One Year

	2005 £'000	2004 £'000
Trade debtors	207	1,684
Prepayments and accrued income	113	78
	320	1,762

12 Creditors – Amounts Falling Due Within One Year

	2005 £'000	2004 £'000
Bank overdraft	6	-
Trade creditors	26	27
Amounts owed to other group companies	171	833
Taxation and social security	85	35
Other creditors	36	117
Accruals and deferred income	112	156
	436	1,168

13 Called Up Share Capital

	2005 £'000	2004 £'000
Authorised ordinary shares of 50p each (Number of shares 100,000,000)	50,000	50,000
Allotted and fully paid ordinary shares of 50p each at 31 December (Number of shares 55,436,508)	27,718	27,718

14 Share Premium

	2005 £'000	2004 £'000
Balance at 31 December	36	36

15 Reserves

	Profit and loss account £'000
As at 1 January 2005	(26,140)
Retained profit for the financial year	107
At 31 December 2005	(26,033)

16 Reconciliation of Movements in Shareholder's Funds

	2005 £'000	2004 £'000
Retained profit for the financial year	107	75
Opening shareholder's funds	1,614	1,539
Closing shareholders' funds	1,721	1,614

17 Pension Costs

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in an independently administered fund. The amount of contributions payable to the pension scheme in respect of the accounting period are charged to the profit and loss account and amounted to £54,940 (2004: £37,245).

18 Leasing Commitments

	Land and buildings £'000	Other leases £'000	2005 Total £'000	2004 Total £'000
Operating leases				
Amounts payable in the next year	-	6	6	6
Representing commitments expiring:				
Within one year	-	-	-	-
Between two and five years	-	6	6	6
In more than five years	-	-	-	-
	-	6	6	6

19 Subsequent Events and Financial Position

On the 2nd June 2006 the ultimate parent of Axalto Terminals Ltd, Axalto Holdings NV, set in motion the combining of Axalto Holdings NV with Gemplus International SA by acquiring 43.4% of Gemplus shares for Axalto shares and has initiated a voluntary public exchange for the balance of the Gemplus shares. At the same time Axalto Holdings NV has changed its name to Gemalto Holdings NV.

Notes to the Financial Statements at 31 December 2005 (Continued)

20 Ultimate Parent Company

At the balance sheet date, Axalto (UK) Limited was the immediate parent company. Axalto Holdings NV, a company registered in The Netherlands, was the ultimate parent company. (See also note 19). Axalto Holdings NV is the smallest and largest group to consolidate these results.

Copies of the financial statements of Axalto Holdings NV can be obtained from Parkstraat 83 – 89, 2514 JG The Hague, The Netherlands.