Gemalto Terminals Limited

(Registered Number: 534821)

Directors' Report and Financial Statements

Year Ended 31 December 2008



Gemalto Terminals Limited

Director's Report for the Year Ended 31 December 2008

The Directors have pleasure in submitting their annual report together with the financial statements of Gemalto Terminals Limited (the Company) for the year ended 31 December 2008.

Principal Activity

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

Change of Name

On 7 January 2008, the company changed its name from Axalto Terminals Limited to Gemalto Terminals Limited.

Results and Dividends

The profit before taxation on the year's trading was £70,000 (2007: £207,000). The Directors do not recommend payment of a dividend (2007: nil).

Review of the Business and Future Developments

Both the level of business and the year end financial position were in line with budget and expectations and therefore satisfactory. The repair centre continued to operate in line with projections and began to service customers from the European market. This is continuing to expand during 2009. During 2008 Gemalto Terminals Limited generated revenue of £5,195,000 (2007: £8,495,000) resulting in a profit before tax of £70,000. (2007: £207,000).

The Directors expect the results in 2009 to continue to be satisfactory.

Political Contributions and Charitable Donations

No political contributions were made during the year (2007: nil). No charitable donations were made during the year (2007: nil).

Directors Report for the Year Ended 31 December 2008 (Continued)

Financial and other 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 summarized 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.

Currency risk
The Company has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Company's local 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.

Price Risk
The Company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the cost of managing exposure to commodity price risk is considered to exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Other risks & Key Performance Indicators (KPI's)

Given the size, ownership and relatively straightforward nature of the business, the Directors consider there to be no benefit in setting out any additional information on risks, or on KPI's.

Directors

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

A B Bruce
L Smith

Gemalto Terminals Limited

Directors Report for the Year Ended 31 December 2008 (Continued)

Statement of Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that; so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Statement of Directors' Responsibilities In Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report including, as described below, the financial statements in accordance with the applicable law and regulations.

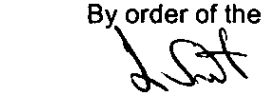
Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions and qualifications as necessary.

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.

By order of the Board



L Smith
Director
29th September 2009

Gemalto Terminals Limited

Independent Auditors' Report to the Members of Gemalto Terminals Limited

We have audited the financial statements of Gemalto Terminals Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

Independent Auditors' Report to the Members of Gemalto Terminals Limited (Continued)

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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton
29th September 2009

Gemalto Terminals Limited

Profit and Loss Account
For the Year Ended 31 December 2008

	Notes	Year Ended 31 December 2008 £'000	Year Ended 31 December 2007 £'000
Turnover	2	**5,195**	8,495
Cost of sales		**(4,777)**	(7,982)
Gross profit		**418**	513
Net operating expenses	4	**(348)**	(350)
Operating profit		**70**	163
Interest receivable	5	**-**	44
Profit on ordinary activities before taxation	6	**70**	207
Tax charge profit on ordinary activities	8	**(32)**	64
Profit on ordinary activities after taxation and retained profit for the year	15	**38**	271

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 8 to 17 form part of these financial statements.

Gemalto Terminals Limited

Balance Sheet as at 31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
Fixed assets			
Tangible assets	9	179	128
Investments	10	-	-
			128
Current assets			
Stocks		145	119
Debtors	11	3,873	2,888
Cash at bank and in hand		639	3,126
		4,657	6,133
Creditors: Amounts falling due within one year	12	(2,645)	(4,108)
Net current assets		2,012	2,025
Total assets less current liabilities		2,191	2,153
Capital and reserves			
Called up share capital	13	27,718	27,718
Share premium account	14	36	36
Profit and loss account	15	(25,563)	(25,601)
Total Shareholders' Funds	16	2,191	2,153

The notes on pages 8 to 17 form part of these financial statements.

The financial statements on pages 6-17 were approved by the board of directors on 29th September 2009 and were signed on its behalf by:

L Smith
Director

Notes to the Financial Statements
For the Year Ended 31 December 2008

1. Principal Accounting Policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. The particular accounting policies adopted by the Directors are described below.

Basis of Accounting

The accounts have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards. The Company is exempt from preparing and delivering group financial statements under section 228 of the Companies Act 1985.

Turnover

Turnover represents amounts receivable (excluding VAT) for sales of products and for the supply of services.

Turnover is recognised upon delivery of products and services to customers and when the appropriate terms and conditions of sale have been met.

Research and Development

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

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.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on the estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the Financial Statements
For the Year Ended 31 December 2008 (Continued)

1. Principal Accounting Policies (Continued)

Fixed Assets

Tangible fixed assets are stated at historic purchase 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.

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.

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 at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

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

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.

1. Principal Accounting Policies (Continued)

Related Party Disclosures

The Company has utilized exemptions under Financial Reporting Standard No. 8 as a wholly owned subsidiary of Gemalto NV (See Note 19) not to disclose transactions with other group entities.

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.

2 Segmental Reporting

All turnover originated in the United Kingdom.

Turnover by destination was as follows:

	2008	2007
	£'000	£'000
United Kingdom	**5,080**	8,322
Rest of Europe	**114**	173
Asia	**1**	-
	5,195	8,495

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

Notes to the Financial Statements
For the Year Ended 31 December 2008 (Continued)

3 Staff Numbers and Costs

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

By Activity	2008 Number	2007 Number
Production	14	11
Selling, marketing and distribution	2	2
Research and development	5	5
Administration	2	2
	23	20

The aggregate payroll costs were as follows:

	2008 £'000	2007 £'000
Wages and salaries	662	632
Social security costs	69	67
Other pension costs	47	62
	778	761

4 Analysis of Net Operating Expenses

	2008 £'000	2007 £'000
Selling, marketing and distribution costs	309	286
Other administrative costs	86	86
Other operating Income	(47)	(22)
Net operating expenses	348	350

5 Interest Receivable

	2008 £'000	2007 £'000
Interest on bank balances and short term investments	-	44

6 Profit on Ordinary Activities before Taxation

Profit before taxation is stated after charging the following items:

		2008 £'000	2007 £'000
Staff costs (Note 3)		778	761
Depreciation of owned assets		65	31
Auditors' remuneration	- Audit services	12	12
Operating lease rentals:	- Plant and machinery	9	6
Gain on foreign exchange		(47)	(22)

7 Directors' Emoluments

Of the two Directors in office during the year, none (2007: none) were remunerated by the Company in their capacity as Directors given the incidental nature of their duties on behalf of the Company compared to those on behalf of the group as a whole.

8 Taxation on Profit on Ordinary Activities

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

	2008 £'000	2007 £'000
Analysis of the Credit / (charge) In the year:		
UK corporation tax at 28.5% (2007: 30%)	**32**	-
Adjustment in respect of prior years	**-**	(64)
	32	(64)
Deferred tax	**-**	-
	32	(64)

The current year tax assessed for the year is higher (2007: lower) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	**70**	207
Tax charge on profit before tax at standard rate of 28.5% (2007: 30%)	**20**	62
Non deductible items	**1**	(4)
Accelerated capital allowances and other timing differences	**11**	6
Adjustments in respect of prior years	**-**	(64)
Group relief could claim from other Group companies	**-**	(64)
Current tax (credit) / charge for the year	**32**	(64)

The standard rate of UK corporation tax has been reduced from 30% to 28% with effect from 1 April 2008.

Notes to the Financial Statements
For the Year Ended 31 December 2008 (Continued)

9 Tangible Fixed Assets

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
Balance at 1 January 2008	46	157	203
Additions	3	113	116
Disposals	-	-	-
Balance at 31 December 2008	**49**	**270**	**319**
Depreciation			
Balance at 1 January 2008	9	66	75
Charge for the year	11	54	65
Disposals			
Balance at 31 December 2008	**20**	**120**	**140**
Net book value at 31 December 2008	**29**	**150**	**179**
Net book value at 31 December 2007	37	91	128

10 Investments

	Cost £'000	Provision £'000	Net book value £'000
Balance at 1 January 2008	2,500	(2,500)	-
Balance at 31 December 2008	**2,500**	**(2,500)**	**-**

On 31 December 2008, the Company owned the entire share capital of the following:

	Country of incorporation	Nature of business
Axalto Cards Limited	England	Dormant

11 Debtors

	2008 £'000	2007 £'000
Amounts falling Due Within one year		
Trade debtors	**1,592**	2,765
Prepayments and accrued income	**192**	123
Amounts owed by group undertakings	**2,089**	-
Total Debtors	**3,873**	2,888

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

12 Creditors – Amounts Falling Due Within One Year

	2008 £'000	2007 £'000
Bank overdraft	**-**	-
Trade creditors	**41**	33
Amounts owed to other group companies	**1,937**	2,884
Taxation and social security	**50**	17
Other creditors	**369**	1,013
Accruals and deferred income	**248**	161
	2,645	4,108

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

13 Called Up Share Capital

	2008 £'000	2007 £'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

	2008 £'000	2007 £'000
Balance at 31 December	**36**	36

15 Reserves

	Profit and loss account £'000
As at 1 January 2008	(25,601)
Profit for the financial year	38
At 31 December 2008	**25,563**

16 Reconciliation of Movements in Shareholder's Funds

	2008 £'000	2007 £'000
Profit for the financial year	**38**	271
Opening shareholder's funds	**2,153**	1,882
Closing shareholders' funds	**2,191**	2,153

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 £46,996 (2007: £62,210). At 31 December 2008 the company had accrued £4,963 (2006:£6,094) owed to the pension scheme.

18 Leasing Commitments

At 31 December 2008 the Company had annual commitments under non–cancellable operating leases as set out below:

Operating leases	Land and buildings £'000	Other leases £'000	2008 Total £'000	2007 Total £'000
Operating leases which expire:				
Within one year	-	-	-	-
Between two and five years	-	12	**12**	6
In more than five years	-	-	-	-
	-	12	**12**	6

Notes to the Financial Statements
For the Year Ended 31 December 2008 (Continued)

19 Ultimate Parent Company

At the balance sheet date, the immediate parent of the company was Gemalto UK Limited. Gemalto UK Limited has a 100% interest in the equity capital of the company at 31 December 2008. The ultimate parent company is Gemalto NV. Gemalto NV is the smallest and largest group to consolidate these results.

Copies of the ultimate parent's consolidated financial statements may be obtained from the investor relations page of the company's website, www.gemalto.com or from Barbara Strozzilaan 382, 1083 HN, Amsterdam, The Netherlands.