

Company Registration No. 3693883 (England and Wales)

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**ATMEL SMART CARD ICS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

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# ATMEL SMART CARD ICS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	B Pruniaux	
	P Reutens	(Appointed 6 October 2006)
	R Avery	(Appointed 6 October 2006)
	S Laub	(Appointed 6 October 2006)
<b>Secretary</b>	EPS Secretaries Limited	
<b>Company number</b>	3693883	
<b>Registered office</b>	Lacon House Theobald's Road London WC1X 8RW	
<b>Auditors</b>	Eacotts Limited Grenville Court, Britwell Road Burnham Buckinghamshire SL1 8DF	
<b>Business address</b>	The Maxwell Building Scottish Enterprise Technology Park East Kilbride Glasgow G75 0QR	
<b>Bankers</b>	Bank of Scotland 41 Princess Mall East Kilbride Glasgow G74 1LA	

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# ATMEL SMART CARD ICS LIMITED

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# ATMEL SMART CARD ICS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2006

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The directors present their report and financial statements for the year ended 31 December 2006

#### Principal activities and review of the business

The principal activity of the company continued to be that of the design, testing and marketing of smart card IC chips

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future. Compared to the previous year, the turnover has decreased slightly by 6%

At the end of the year, the company was in a sound financial position with net assets of £7.05m (2005: £5.8m)

The continuing success of the company is dependant on it keeping pace with technical developments within the industry and identifying and responding to customer requirements

#### Results and dividends

The results for the year are set out on page 5

#### Directors

The following directors have held office since 1 January 2006

B Pruniaux	
G Perlegos	(Resigned 6 October 2006)
P Reutens	(Appointed 6 October 2006)
J M Ross	(Resigned 6 October 2006)
R Avery	(Appointed 6 October 2006)
A Perlegos	(Resigned 6 October 2006)
S Laub	(Appointed 6 October 2006)

Charitable donations	2006 £	2005 £
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During the year the company made the following payments

Charitable donations	299	598
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#### Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Eacotts Limited, will be deemed to be reappointed for each succeeding financial year

# ATMEL SMART CARD ICS LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2006**

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### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with 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 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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

### **Statement of disclosure to auditors**

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



June 4, 2008

# **ATMEL SMART CARD ICS LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF ATMEL SMART CARD ICS LIMITED**

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We have audited the financial statements of Atmel Smart Card ICS Limited for the year ended 31 December 2006 set out on pages 5 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the 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).

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.

# ATMEL SMART CARD ICS LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE SHAREHOLDERS OF ATMEL SMART CARD ICS LIMITED

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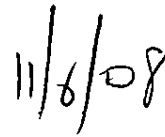
#### Opinion

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 2006 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 directors' report is consistent with the financial statements



**Eacotts Limited**



Chartered Accountants

**Registered Auditor**

Grenville Court, Britwell Road  
Burnham  
Buckinghamshire  
SL1 8DF

# ATMEL SMART CARD ICS LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	2	14,270,194	15,285,475
Cost of sales		(2,588,054)	(2,654,195)
Gross profit		11,682,140	12,631,280
Administrative expenses		(10,787,910)	(11,428,743)
Other operating income		304,409	296,667
Operating profit	3	1,198,639	1,499,204
Other interest receivable and similar income	4	40,618	124,949
Interest payable and similar charges	5	(25,147)	(4,912)
Profit on ordinary activities before taxation		1,214,110	1,619,241
Tax on profit on ordinary activities	6	340,947	150,928
Profit for the year	15	1,555,057	1,770,169

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



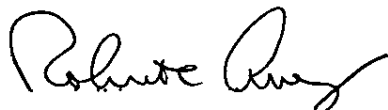
# ATMEL SMART CARD ICS LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006 £	£	2005 £	£
<b>Fixed assets</b>					
Tangible assets	7	6,900,958		7,418,928	
<b>Current assets</b>					
Debtors	8	5,631,664		6,032,806	
Deferred tax asset	8	754,131		413,184	
Cash at bank and in hand		1,333,844		167,087	
		7,719,639		6,613,077	
<b>Creditors amounts falling due within one year</b>	9	(1,672,159)		(1,924,836)	
<b>Net current assets</b>		6,047,480		4,688,241	
<b>Total assets less current liabilities</b>		12,948,438		12,107,169	
<b>Creditors amounts falling due after more than one year</b>	10	(5,554,649)		(6,045,104)	
<b>Accruals and deferred income</b>	12	-		(223,333)	
		7,393,789		5,838,732	
<b>Capital and reserves</b>					
Called up share capital	14	1		1	
Profit and loss account	15	7,393,788		5,838,731	
<b>Shareholders' funds</b>	16	7,393,789		5,838,732	

Approved by the Board and authorised for issue on *June 4, 2008*



Director

# ATMEL SMART CARD ICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a wholly owned subsidiary and the consolidated financial statements of the parent company are publicly available

#### 1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Land & buildings leasehold	5% straight line on leasehold building
Leasehold improvements	10 - 15% straight line
Fixtures, fittings & equipment	10% - 33 33% straight line

#### 1.4 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

#### 1.5 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### 1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 1.7 Government grants

Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

### 2 Turnover

#### Geographical market

	Turnover	
	2006	2005
	£	£
Rest of the World	14,270,194	15,285,475
	<u>14,270,194</u>	<u>15,285,475</u>

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# ATMEL SMART CARD ICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

<b>3</b>	<b>Operating profit</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Operating profit is stated after charging		
	Depreciation of tangible assets	1,960,066	2,751,446
	Loss on disposal of tangible assets	-	20,383
	Loss on foreign exchange transactions	-	126,066
	Auditors' remuneration (including expenses and benefits in kind)	31,547	31,205
	and after crediting		
	Government grants	304,409	296,667
	Profit on foreign exchange transactions	(130,322)	-
		<u>          </u>	<u>          </u>
 <b>4</b>	 <b>Investment income</b>	 <b>2006</b>	 <b>2005</b>
		<b>£</b>	<b>£</b>
	Bank interest	40,618	124,949
		<u>          </u>	<u>          </u>
 <b>5</b>	 <b>Interest payable</b>	 <b>2006</b>	 <b>2005</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	25,147	4,912
		<u>          </u>	<u>          </u>

# **ATMEL SMART CARD ICS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2006**

<b>6</b>	<b>Taxation</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	Adjustment for prior years	-	1,311
		<u>-</u>	<u>1,311</u>
	<b>Current tax charge</b>	-	1,311
	<b>Deferred tax</b>		
	Deferred tax credit current year	(340,947)	(152,239)
		<u>(340,947)</u>	<u>(150,928)</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	1,214,110	1,619,241
		<u>1,214,110</u>	<u>1,619,241</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	364,233	485,772
		<u>364,233</u>	<u>485,772</u>
	<b>Effects of</b>		
	Non deductible expenses	18,926	-
	Depreciation add back	588,019	831,549
	Capital allowances	(661,231)	(592,418)
	Government grants received	(11,000)	(11,000)
	Adjustments to previous periods	-	1,311
	Group loss relief	(298,947)	(713,903)
		<u>(364,233)</u>	<u>(484,461)</u>
	<b>Current tax charge</b>	-	1,311
		<u>-</u>	<u>1,311</u>

# ATMEL SMART CARD ICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 7 Tangible fixed assets

	Land & buildings leasehold £	Leasehold improvements £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>				
At 1 January 2006	1,205,623	2,818,631	12,859,403	16,883,657
Additions	222,781	31,064	1,282,013	1,535,858
Disposals	-	-	(159,415)	(159,415)
At 31 December 2006	1,428,404	2,849,695	13,982,001	18,260,100
<b>Depreciation</b>				
At 1 January 2006	494,206	658,017	8,312,505	9,464,728
On disposals	-	-	(65,652)	(65,652)
Charge for the year	137,565	185,893	1,636,608	1,960,066
At 31 December 2006	631,771	843,910	9,883,461	11,359,142
<b>Net book value</b>				
At 31 December 2006	796,633	2,005,785	4,098,540	6,900,958
At 31 December 2005	711,417	2,160,614	4,546,897	7,418,928

### 8 Debtors

	2006 £	2005 £
Amounts owed by parent and fellow subsidiary undertakings	5,544,219	5,923,732
Other debtors	24,613	310
Prepayments and accrued income	62,832	108,764
Deferred tax asset (see note 11)	754,131	413,184
	<u>6,385,795</u>	<u>6,445,990</u>

# **ATMEL SMART CARD ICS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2006**

<b>9 Creditors: amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	-	342,846
Trade creditors	197,771	161,883
Amounts owed to parent and fellow subsidiary undertakings	630,992	591,604
Taxes and social security costs	236,481	233,153
Other creditors	224,682	-
Accruals and deferred income	382,233	595,350
	<u>1,672,159</u>	<u>1,924,836</u>

<b>10 Creditors: amounts falling due after more than one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Other loans	<u>5,554,649</u>	<u>6,045,104</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	<u>5,554,649</u>	<u>6,045,104</u>
	<u>5,554,649</u>	<u>6,045,104</u>
<b>Loan maturity analysis</b>		
In more than two years but not more than five years	<u>5,554,649</u>	<u>6,045,104</u>

# ATMEL SMART CARD ICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 11 Provisions for liabilities and charges

The deferred tax asset (included in debtors, note 8) is made up as follows:

	2006 £
Balance at 1 January 2006	(413,184)
Profit and loss account	(340,947)
Balance at 31 December 2006	<u>(754,131)</u>

	2006 £	2005 £
Decelerated capital allowances	<u>(754,131)</u>	<u>(413,184)</u>

### 12 Accruals and deferred income

	Government grants £
Grants received during the year	223,333
Amortisation in the year	<u>(223,333)</u>
Balance at 31 December 2006	<u>-</u>

### 13 Pension costs

#### Defined contribution

	2006 £	2005 £
Contributions payable by the company for the year	<u>212,707</u>	<u>204,300</u>

# ATMEL SMART CARD ICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

<b>14 Share capital</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000 Ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid</b>		
1 Ordinary shares of £1 each	1	1
<b>15 Statement of movements on profit and loss account</b>		<b>Profit and loss account</b>
		<b>£</b>
Balance at 1 January 2006		5,838,731
Profit for the year		1,555,057
Balance at 31 December 2006		7,393,788
<b>16 Reconciliation of movements in shareholders' funds</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	1,555,057	1,770,169
Opening shareholders' funds	5,838,732	4,068,563
Closing shareholders' funds	7,393,789	5,838,732

### 17 Contingent liabilities

The company received a total grant of £300,000 from The Scottish Government for capital expenditure and creation of jobs. The conditions state that the company must invest £2.2 million in fixed assets and create and maintain 32 jobs.

The company failed to maintain the required head count during the financial year. The company is in negotiations with The Scottish Government regarding the rectifications of the shortfall in employment figures and at the current time no claim for repayment has been issued.



# ATMEL SMART CARD ICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 18 Financial commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007

	2006 £	Other 2005 £
Operating leases which expire		
Within one year	127,891	-
Between two and five years	492,500	644,409
	<u>620,391</u>	<u>644,409</u>

### 19 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	2006 Number	2005 Number
Design and engineering	87	84
Marketing	1	1
Administration	7	6
Manufacturing	78	80
	<u>173</u>	<u>171</u>

#### Employment costs

	2006 £	2005 £
Wages and salaries	5,231,918	5,185,438
Social security costs	600,834	562,198
Other pension costs	212,707	204,300
	<u>6,045,459</u>	<u>5,951,936</u>

### 20 Control

The immediate parent company is Atmel Corporation, a company incorporated in the United States of America which is the only company to consolidate these financial statements. Copies of the parent company's consolidated financial statements may be obtained from the Secretary, Atmel Corporation, 2325 Orchard Parkway San Jose, CA95131, United States of America

There is no ultimate controlling party of the company

# **ATMEL SMART CARD ICS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2006**

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### **21 Related party transactions**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose related party transactions as it is a wholly owned subsidiary and is included in the consolidated accounts of its parent company. Consolidated accounts are made available from the parent company, Atmel Corporation at 2325 Orchard Parkway, San Jose, California 95131, USA