

Company Registration No 3693883 (England and Wales)

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

COMPANY INFORMATION

Directors	A Bear R Detourniere	(Appointed 1 October 2010) (Appointed 1 October 2010)
Company number	3693883	
Registered office	20-22 Bedford Row London WC1 R4RS	
Auditors	Eacotts Limited Grenville Court, Britwell Road Burnham Buckinghamshire SL1 8DF	
Business address	The Maxwell Building Scottish Enterprise Technology Park East Kilbride Glasgow G75 0QR	
Bankers	Bank of Scotland 41 Princess Mall East Kilbride Glasgow G74 1LA	

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

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VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and financial statements for the year ended 31 December 2010

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

We aim to present a balanced and comprehensive review of the development and performance of the year and its position at year end. Our review is consistent with the size and non complex nature of our business and is written in the context of the risks and uncertainties we face

The company has gone through change ownership and name change in 2010 with Vault-IC UK Limited now being a 100% subsidiary of Inside Secure, SA. The company continues to be involved in the design, testing and marketing of smart card IC chips. Our activities are organised into 4 product lines -

Smart Cards Readers
Secure Solutions
Secure micro-controllers
NFC Products

The majority of our revenue is generated through inter-company billing of all site overhead costs to Inside Secure, SA in France subject to an inter-company transfer pricing agreement

We consider our key financial performance indicator of revenue to be a good reflection of the scale of operations at East Kilbride. In comparison to 2009, revenue in 2010 has fallen by £2,501,904 (27%) and the number of employees has fallen by 34 (30%) reflecting the discontinuation of manufacture and various testing activities at our site. The financial position of the company is in line with expectations and consistent with the size and complexity of the business

As for many businesses of our size, the business environment in which we operate continues to be challenging. The global market for smart card IC chips is highly competitive and margins are tight. We are aware that any future developments of our business may be subject to unforeseen future events outside our control

Significant Items on the 2010 Accounts

1. Included in balance sheet liabilities is a net balance of £1.35m that existed between the company and Atmel group companies, prior to its acquisition by the Inside Secure group. The intention of seller was that these intercompany balances were settled prior to the change in control. The corresponding assignment of the debt to the Inside Secure group is in the process of being formalised at the date of signing of this report

2. The legal liability to repay the Scottish Enterprise RSA grant of £300,000 remains with Vault-IC UK Limited and will remain on the balance sheet of Vault-IC UK Limited until the Scottish Government claim it. If Vault-IC settles the liability and the indemnity is invoked, Atmel Corporation shall pay Inside Secure the full value of the settled funds

Results and dividends

The results for the year are set out on page 5

The directors declared and paid dividends of £5,625,000 during the year

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

Directors

The following directors have held office since 1 January 2010

A Bear	(Appointed 1 October 2010)
Mr S Cumming	(Resigned 1 October 2010)
R Detourniere	(Appointed 1 October 2010)
S Laub	(Resigned 1 October 2010)

Auditors

Eacotts Limited are deemed to be re-appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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.

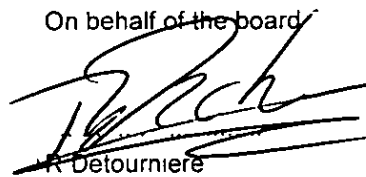
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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



R Detourniere

Director

20/5/11

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

We have audited the financial statements of Vault- IC UK Limited (Formerly Atmel Smartcard ICS Limited) for the year ended 31 December 2010 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Mr Martin Gatehouse ACA (Senior Statutory Auditor)
for and on behalf of Eacotts Limited**

13/7/11

**Chartered Accountants
Statutory Auditor**

Grenville Court, Britwell Road
Burnham
Buckinghamshire
SL1 8DF

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Turnover	2		
Continuing operations		6,849,091	5,485,369
Discontinued activities		-	3,865,626
		<u>6,849,091</u>	<u>9,350,995</u>
Cost of sales		(897,996)	(1,027,389)
Gross profit		<u>5,951,095</u>	<u>8,323,606</u>
Administrative expenses		(5,886,817)	(7,387,063)
Other operating income		110,629	-
		<u>174,907</u>	<u>936,543</u>
Operating profit	4		
Continuing operations		174,907	548,846
Discontinued activities		-	387,697
		<u>174,907</u>	<u>936,543</u>
Profit/loss on the termination of operations		(114,559)	(109,544)
		<u>(114,559)</u>	<u>(109,544)</u>
Profit on ordinary activities before interest		<u>60,348</u>	<u>826,999</u>
Other interest receivable and similar income	5	231,697	53,929
Interest payable and similar charges	6	(136,105)	(84,544)
		<u>155,940</u>	<u>796,384</u>
Profit on ordinary activities before taxation		<u>155,940</u>	<u>796,384</u>
Tax on profit on ordinary activities	7	(496,259)	(17,374)
(Loss)/profit for the year	16	<u>(340,319)</u>	<u>779,010</u>

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

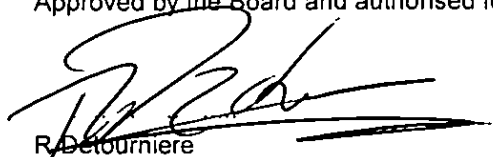
VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes	2010 £	£	2009 £	£
Fixed assets					
Tangible assets	9	2,014,920		2,547,366	
Current assets					
Debtors	10	2,206,963		13,574,740	
Deferred tax asset	10	1,093,843		1,590,102	
Cash at bank and in hand		1,136,762		111,608	
		<u>4,437,568</u>		<u>15,276,450</u>	
Creditors' amounts falling due within one year	11	<u>(2,630,889)</u>		<u>(1,733,485)</u>	
Net current assets		<u>1,806,679</u>		<u>13,542,965</u>	
Total assets less current liabilities		<u>3,821,599</u>		<u>16,090,331</u>	
Creditors' amounts falling due after more than one year	12		-	(6,303,413)	
Provisions for liabilities	13				
		<u>3,821,599</u>		<u>9,786,918</u>	
Capital and reserves					
Called up share capital	15		1		1
Profit and loss account	16	3,821,598		9,786,917	
Shareholders' funds	17	<u>3,821,599</u>		<u>9,786,918</u>	

Approved by the Board and authorised for issue on 20/5/11



R. Detourniere
Director

Company Registration No 3693883

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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% - 20% 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

2 Turnover

Geographical market

	Turnover 2010 £	2009 £
Europe	6,849,091	9,350,995
	<u>6,849,091</u>	<u>9,350,995</u>

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

3 Cost of sales and net operating expenses

	2010		Total £	2009		Total £
	Continuing £	Discontinued £		Continuing £	Discontinued £	
Cost of sales	897,996	-	897,996	474,006	553,383	1,027,389
Administrative expenses	5,886,817	-	5,886,817	4,462,517	2,924,546	7,387,063
Other operating income	(110,629)	-	(110,629)	-	-	-
	<u>6,674,184</u>	<u>-</u>	<u>6,674,184</u>	<u>4,936,523</u>	<u>3,477,929</u>	<u>8,414,452</u>

4 Operating profit

	2010 £	2009 £
Operating profit is stated after charging		
Depreciation of tangible assets	666,273	1,158,263
Loss on foreign exchange transactions	144,148	-
Auditors' remuneration (including expenses and benefits in kind)	17,250	15,000
and after crediting		
Profit on foreign exchange transactions	-	(526,146)

5 Investment income

	2010 £	2009 £
Bank interest	11,484	293
Other interest	220,213	53,636
	<u>231,697</u>	<u>53,929</u>

6 Interest payable

	2010 £	2009 £
On amounts payable to group companies	136,105	78,314
On bank loans and overdrafts	-	6,230
	<u>136,105</u>	<u>84,544</u>

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

7	Taxation	2010	2009
		£	£
	Total current tax	-	-
	Deferred tax		
	Deferred tax credit current year	496,259	17,374
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	155,940	796,384
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28 00% (2009 - 28 00%)	43,663	222,988
	Effects of		
	Non deductible expenses	145	145,304
	Capital allowances in excess of depreciation	(43,808)	(17,374)
	Group loss relief	-	(350,918)
		(43,663)	(222,988)
	Current tax charge for the year	-	-
8	Dividends	2010	2009
		£	£
	Ordinary interim paid	5,625,000	-

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

9 Tangible fixed assets

	Land & buildings leasehold £	Leasehold improvements £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 January 2010	1,387,596	3,385,600	5,152,072	9,925,268
Additions	-	-	133,827	133,827
At 31 December 2010	1,387,596	3,385,600	5,285,899	10,059,095
Depreciation				
At 1 January 2010	770,124	2,033,475	4,574,303	7,377,902
Charge for the year	68,187	280,265	317,821	666,273
At 31 December 2010	838,311	2,313,740	4,892,124	8,044,175
Net book value				
At 31 December 2010	549,285	1,071,860	393,775	2,014,920
At 31 December 2009	617,472	1,352,125	577,769	2,547,366

10 Debtors

	2010 £	2009 £
Amounts owed by parent and fellow subsidiary undertakings	423,986	13,453,359
Corporation tax	41,000	-
Other debtors	1,368,232	36,977
Prepayments and accrued income	373,745	84,404
Deferred tax asset (see note 13)	1,093,843	1,590,102
	<u>3,300,806</u>	<u>15,164,842</u>

Amounts falling due after more than one year and included in the debtors above are

	2010 £	2009 £
Amounts owed by group undertakings	-	11,227,167

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

11 Creditors amounts falling due within one year	2010 £	2009 £
Bank loans and overdrafts	-	524
Trade creditors	107,074	75,519
Amounts owed to parent and fellow subsidiary undertakings	338,982	908,324
Taxes and social security costs	98,372	113,458
Other creditors	1,354,578	-
Accruals and deferred income	731,883	635,660
	<u>2,630,889</u>	<u>1,733,485</u>
12 Creditors: amounts falling due after more than one year	2010 £	2009 £
Other loans	-	6,303,413
	<u>-</u>	<u>6,303,413</u>
Analysis of loans		
Wholly repayable within five years	-	6,303,413
	<u>-</u>	<u>6,303,413</u>
	-	6,303,413
	<u>-</u>	<u>6,303,413</u>
Loan maturity analysis		
In more than two years but not more than five years	-	6,303,413
	<u>-</u>	<u>6,303,413</u>

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

13 Provisions for liabilities

The deferred tax asset (included in debtors, note 10) is made up as follows

	2010 £
Balance at 1 January 2010	(1,590,102)
Profit and loss account	496,259
	<u> </u>
Balance at 31 December 2010	<u>(1,093,843)</u>

	2010 £	2009 £
Decelerated capital allowances	<u>(1,093,843)</u>	<u>(1,590,102)</u>

14 Pension and other post-retirement benefit commitments Defined contribution

	2010 £	2009 £
Contributions payable by the company for the year	<u>145,457</u>	<u>175,242</u>

15 Share capital

	2010 £	2009 £
Allotted, called up and fully paid		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

16 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2010	9,786,917
Loss for the year	(340,319)
Dividends paid	(5,625,000)
Balance at 31 December 2010	<u>3,821,598</u>

17 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
(Loss)/Profit for the financial year	(340,319)	779,010
Dividends	(5,625,000)	-
Net (depletion in)/addition to shareholders' funds	<u>(5,965,319)</u>	<u>779,010</u>
Opening shareholders' funds	9,786,918	9,007,908
Closing shareholders' funds	<u>3,821,599</u>	<u>9,786,918</u>

18 Directors' remuneration

	2010 £	2009 £
Remuneration for qualifying services	136,764	-
Company pension contributions to defined contribution schemes	4,633	-
	<u>141,397</u>	<u>-</u>

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

19 Employees

Number of employees

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

	2010 Number	2009 Number
Design and engineering	32	38
Administration	16	12
Manufacturing	30	62
	<u>78</u>	<u>112</u>

Employment costs

	2010 £	2009 £
Wages and salaries	3,153,856	4,360,073
Social security costs	388,608	490,678
Other pension costs	145,457	175,242
	<u>3,687,921</u>	<u>5,025,993</u>

20 Control

The ultimate parent company was Atmel Corporation, a company incorporated in the United States of America. On 1 October 2010 the company's share was purchased by Inside Secure S A, a company registered in France and the company was renamed Vault IC UK Limited.

Consolidate accounts which include the company's financial data are made available from the parent company Inside Secure S A at 41 Parc Club du Golf, 13856 Aix-en Provence, France.

21 Related party relationships and 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.

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2010

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

		2010		2009
	£	£	£	£
Turnover				
Sales		6,849,091		9,350,995
Cost of sales				
Purchases	135,426		415,567	
Direct costs	175,044		211,891	
Development cost	587,526		399,931	
		(897,996)		(1,027,389)
Gross profit	86.89%	5,951,095	89.01%	8,323,606
Administrative expenses		(5,886,817)		(7,387,063)
		64,278		936,543
Other operating income				
Sundry income		110,629		-
Operating profit		174,907		936,543
Profit/loss on the termination of operations		(114,559)		(109,544)
Other interest receivable and similar income				
Bank interest received	11,484		293	
Interest received from group companies	220,213		53,636	
		231,697		53,929
Interest payable				
Interest payable to group undertakings	136,105		78,314	
Bank interest payable	-		6,230	
		(136,105)		(84,544)
Profit before taxation	2.28%	155,940	8.52%	796,384

VAULT- IC UK LIMITED (FORMERLY ATMEL SMARTCARD ICS LIMITED)

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	£	£
Administrative expenses		
Wages and salaries (excl N I)	3,017,898	4,360,073
Directors' remuneration	135,958	-
Employer's N I contributions	388,608	490,678
Directors' pension costs	4,633	-
Staff pension costs	140,824	175,242
Staff training	29,352	10,749
Premises costs	428,142	640,698
Repairs and maintenance	102,461	104,929
General administration expenses	573,502	341,222
Freight charges and services	2,698	27,292
Advertising	2,590	-
Equipment lease	8,755	325,389
Travelling expenses	186,258	107,056
Entertaining	518	-
Legal and professional fees	-	107,291
Recruitment costs	3,855	6,601
Audit fees	17,250	15,000
Bank charges	8,922	5,489
(Profit)/ loss on foreign currency	144,148	(526,146)
Subscriptions	24,172	37,237
Depreciation	666,273	1,158,263
	<u>5,886,817</u>	<u>7,387,063</u>