

Report of the Director and
Financial Statements
for the Year Ended 31st December 2020
for
SCM Microsystems Limited

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SCM Microsystems Limited

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for the Year Ended 31st December 2020

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SCM Microsystems Limited
Company Information
for the Year Ended 31st December 2020

DIRECTOR:	Dr M Mueller
REGISTERED OFFICE:	5 London Wall Buildings London EC2M 5NS
BUSINESS ADDRESS:	Identiv GmbH Oskar-Messter-Str. 12 85737 Ismaning
REGISTERED NUMBER:	02693479 (England and Wales)
SENIOR STATUTORY AUDITOR:	David Cary LLB FCA
AUDITORS:	Azets Audit Services Chartered Accountants Statutory Auditor Anglo House Bell Lane Office Village Bell Lane Amersham Buckinghamshire HP6 6FA

SCM Microsystems Limited

Report of the Director
for the Year Ended 31st December 2020

The director presents his report with the financial statements of the Company for the year ended 31st December 2020.

DIRECTOR

Dr M Mueller held office during the whole of the period from 1st January 2020 to the date of this report.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS

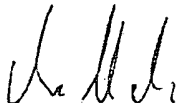
So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, Azers Audit Services, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
Dr M Mueller - Director

Date: Sept 16, 2021

Report of the Independent Auditors to the Members of SCM Microsystems Limited

Opinion

We have audited the financial statements of SCM Microsystems Limited (the 'Company') for the year ended 31st December 2020 which comprise the Income Statement, Statement of Financial Position and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2020 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Other information

The director is responsible for the other information. The other information comprises the information in the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Director has been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of
SCM Microsystems Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Director.

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Director.

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities set out on page two, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Report of the Independent Auditors to the Members of SCM Microsystems Limited

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report of the Independent Auditors to the Members of
SCM Microsystems Limited

Use of our report

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 a Report of the Auditors 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.

Azets Audit Services

David Cary LLB FCA (Senior Statutory Auditor)
for and on behalf of Azets Audit Services
Chartered Accountants
Statutory Auditor
Anglo House
Bell Lane Office Village
Bell Lane
Amersham
Buckinghamshire
HP6 6FA

Date: **16 September 2021**
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SCM Microsystems Limited

Income Statement
for the Year Ended 31st December 2020

	Notes	2020 £	2019 £
TURNOVER		282,000	585,244
Cost of sales		<u>246,946</u>	<u>529,665</u>
GROSS PROFIT		35,054	55,579
Administrative expenses		<u>(415,019)</u>	<u>16,780</u>
OPERATING PROFIT and PROFIT BEFORE TAXATION		450,073	38,799
Tax on profit		<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>450,073</u></u>	<u><u>38,799</u></u>

The notes form part of these financial statements


SCM Microsystems Limited (Registered number: 02693479)

Statement of Financial Position
31st December 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Investments	6	1,210,337	757,000
CURRENT ASSETS			
Debtors	7	4,038	16,330
Cash at bank		<u>9,250</u>	<u>4,339</u>
		13,288	20,669
CREDITORS			
Amounts falling due within one year	8	<u>2,426,952</u>	<u>2,431,069</u>
NET CURRENT LIABILITIES		<u>(2,413,664)</u>	<u>(2,410,400)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,203,327)</u>	<u>(1,653,400)</u>
CAPITAL AND RESERVES			
Called up share capital		200,000	200,000
Retained earnings	9	<u>(1,403,327)</u>	<u>(1,853,400)</u>
SHAREHOLDERS' FUNDS		<u>(1,203,327)</u>	<u>(1,653,400)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the director and authorised for issue on Sept 16, 2021 and were signed by:



.....
Dr M Mueller - Director

The notes form part of these financial statements

SCM Microsystems Limited

Notes to the Financial Statements **for the Year Ended 31st December 2020**

1. STATUTORY INFORMATION

SCM Microsystems Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. These financial statements have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and financing from other group companies. As the financial statements show an overall net liabilities position at the year-end, a letter of support from the ultimate parent company, Identiv, Inc. has been provided, confirming continued financial and non-financial support for the upcoming twelve months.

Current economic conditions have been impacted by the spread of COVID-19 and continue to create uncertainty, particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that with ongoing group support, the company should be able to operate within the level of its current cash reserves and borrowings.

After making enquiries, the director has a reasonable expectation that the company has adequate resources and support from group to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Preparation of consolidated financial statements

The financial statements contain information about SCM Microsystems Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 401 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it, and its subsidiary undertakings, are included in the consolidated financial statements of Identiv, Inc., the ultimate controlling party and smallest and largest group to consolidate financial statements. The registered office of Identiv, Inc. is 2201 Walnut Ave., Suite 100, Fremont, CA 94538 USA.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Significant judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

Turnover

Turnover is the amount derived from the recharge and mark-up on the provision of consultancy services. Revenue is recognised as the significant risk and rewards of ownership have been transferred. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included in part of creditors due within one year.

SCM Microsystems Limited

Notes to the Financial Statements - continued for the Year Ended 31st December 2020

3. ACCOUNTING POLICIES - continued

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost less any provision for impairment.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Employee benefits

The company recognises an accrual for accumulated annual leave accrued by employees as a result of services rendered in the current period for which employees can carry forward and use within the next year. The accrual is measured at the salary cost of the respective employee in relation to the period of absence.

Debtors

Other debtors are measured at transaction price less any impairment unless the arrangement constitutes a financing transaction in which case the transaction is measured at the present value of the future receipts discounted at the prevailing market rate of interest. Loans are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment.

Creditors

Trade and other creditors are measured at their transaction price unless the arrangement constitutes a financing transaction in which case the transaction is measured at present value of future payments discounted at prevailing market rate of interest.

4. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 2 (2019 - 3).

5. EXCEPTIONAL ITEMS

	2020	2019
	£	£
Exceptional items	<u>453,337</u>	<u>-</u>

During the year the decision was made to reverse the £453k provision set against the £1.21m investment in the shares of Identiv Private Ltd - a 99.999% subsidiary company registered in India. The decision followed a review of the performance of the subsidiary, which for the last three years has traded profitably and reported net assets that exceed the original investment cost.

The provision was first recognised in 2012 against the 99.999% investment in the shares of SCM Microsystems (India) Private Ltd whose assets and trading activities were transferred into the new company, Identiv Private Limited, in 2018.

Details of the transaction are summarized further in note 6 below and the £453k credit adjustment to overheads has been included within administrative expenses in the Income Statement on page 7.

SCM Microsystems Limited

Notes to the Financial Statements - continued
for the Year Ended 31st December 2020

6. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1st January 2020 and 31st December 2020	<u>1,210,337</u>
PROVISIONS	
At 1st January 2020	453,337
Provision written back	<u>(453,337)</u>
At 31st December 2020	-
NET BOOK VALUE	
At 31st December 2020	<u><u>1,210,337</u></u>
At 31st December 2019	<u><u>757,000</u></u>

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Other debtors	1,910	15,805
VAT	<u>2,128</u>	<u>525</u>
	<u><u>4,038</u></u>	<u><u>16,330</u></u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	498	-
Amounts owed to group undertakings	2,389,806	2,365,565
Social security and other taxes	7,718	8,916
Accruals	<u>28,930</u>	<u>56,588</u>
	<u><u>2,426,952</u></u>	<u><u>2,431,069</u></u>

9. RESERVES

	Retained earnings £
At 1st January 2020	(1,853,400)
Profit for the year	<u>450,073</u>
At 31st December 2020	<u><u>(1,403,327)</u></u>

10. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Identiv, Inc. a publicly traded company and its common stock is listed on the NASDAQ Capital Market in the U.S. under the symbol INVE.

SCM Microsystems Limited

Notes to the Financial Statements - continued
for the Year Ended 31st December 2020

11. EVENTS AFTER THE REPORTING DATE

We are closely monitoring the current development and spread of COVID-19. The Group continues to operate satisfactorily. As stated in the accounting policies note the ultimate parent company, Identiv, Inc. has confirmed its continued financial and non-financial support and the group retains sufficient liquidity.

There are no other subsequent events which would require adjustments or disclosures to the financial statements.