

# **Gemalto UK Limited**

Registered Number: 1278148

## **Annual Report and Financial Statements**

**Year Ended 31 December 2017**



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## **Strategic Report**

### **For the Year Ended 31 December 2017**

The Directors present their strategic report for Gemalto UK Limited, ("the Company"), for the year ended 31 December 2017.

#### **Principal Activity**

The Company personalises and distributes smart cards and magnetic stripe cards to the banking and telecoms industries.

#### **Review of the Business**

Turnover for 2017 was £112.2 million compared to £99.4 million achieved in the prior year. The business recorded a profit before taxation of £5.5 million (2016: £5.1 million profit).

The fast and efficient integration of 3M's Identity Management business' Cogent range of Biometric technology contributed to the performance during the year by contributing £4.9m of revenue.

The deficit on the defined benefit pension scheme increased to £14.79m at 31 December 2017 from £13.95m at the start of the year.

The average number of staff employed during the year was 329 compared to 324 during 2016.

The Directors consider the financial position of the company at the year-end to be satisfactory.

#### **Future Developments**

The Directors expect the business to continue at a similar level for the foreseeable future.

#### **Financial Risk Management**

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

The risk factors mentioned below are those material risk factors of which the Company's Directors are aware. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

##### *Credit risk*

The Company is exposed to credit related losses in the event of non-payment by its customers. The Company mitigates this exposure by ensuring adequate background on credit risk is known prior to contracting with customers and through selection of customers with suitable credit ratings.

##### *Liquidity risk*

The Company's exposure to external liquidity risk is not significant as long-term and short-term finance for the Company is provided by other Group companies to ensure the Company has sufficient available funds for operations. However, a liquidity problem at the Gemalto Group level could impact the Company.

##### *Currency risk*

The Company has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Company's functional currency. However, given the size of the Company's operations, the costs of managing exposure to currency risk are considered to exceed any potential benefits and therefore the Company does not engage in any hedging in respect of currency risks, any hedging being managed elsewhere in the Gemalto group as part of a cash pooling arrangement to settle intercompany balances between entities. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

## **Strategic Report**

### **For the Year Ended 31 December 2017** *(continued)*

#### **Financial Risk Management** *(continued)*

##### *Price risk*

The Company is exposed to commodity and other price risk as a result of its operations. However, given the size of the Company's operations and that the majority of purchases are made from other Group companies, the costs of managing exposure to commodity price risk are 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.

#### **Key Performance Indicators**

The Directors of the ultimate parent undertaking, Gemalto NV, manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators at the Company level (financial and non-financial) is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

#### **Principal Business Risks**

The risk factors mentioned below are those material risk factors of which the Company's Directors are aware. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

##### *Technological advances*

Card manufacturing and personalisation technology is constantly evolving and therefore it is necessary to keep up to date with developments and ensure that cards produced will work with the new and different technologies.

##### *UK pension scheme*

The Company is the participating employer of the Gemplus Limited Staff Pension Scheme, which closed to new members in August 2004 and to all other future accrual in March 2007. The independent pension scheme trustees calculated a deficit for the UK scheme in the 1 January 2013 valuation and a recovery plan was put in place. A schedule of contributions to be paid by the Company was signed in March 2014, the details of which can be found in Note 20.

#### **Employees**

The Company seeks to ensure that it operates sound and progressive employment policies to the mutual benefit of employees and the Company.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the intranet (internal website), newsletters and staff meetings.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

By order of the board



L Smith  
Director

22 May 2018

## **Directors' Report For the Year Ended 31 December 2017**

The Directors present their report and audited financial statements for the Company for the year ended 31 December 2017.

### **Results and Dividends**

The Company's results before taxation amounted to a profit of £5.5 million (2016: £5.1 million profit). No dividends were paid in the year (2016: £nil). The Directors do not propose a dividend for the year (2016: £nil).

### **Directors**

The following Directors held office during the year and up to the date of signing the financial statements.

H Berg  
L Smith  
S Francis  
C Ruegg

### **Political contributions**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2016: £nil).

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



L Smith  
Director

Gemalto UK Limited  
Concorde Way,  
Segensworth North  
Fareham, Hampshire  
PO15 5RX

22 May 2018

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEMALTO UK LIMITED**

## **Opinion**

We have audited the financial statements of Gemalto UK Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive Income/(loss), Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

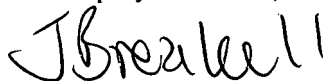
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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 auditor's 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.



**Julie Breakell (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
KPMG LLP  
Gateway House,  
Tollgate,  
Chandlers Ford,  
Hampshire,  
SO53 3TG

25 May 2018



**Profit and Loss Account and Other Comprehensive Income  
for the year ended 31 December 2017**

	<i>Note</i>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Turnover</b>	<b>2</b>	<b>112,157</b>	<b>99,376</b>
<b>Cost of sales</b>		<b>(98,534)</b>	<b>(86,230)</b>
<b>Gross profit</b>		<b>13,623</b>	<b>13,146</b>
Distribution costs		(7,415)	(7,713)
Administrative expenses		(3,365)	(2,471)
<b>Operating profit</b>	<b>3</b>	<b>2,843</b>	<b>2,962</b>
Income from other fixed asset investments	10	-	605
Income from shares in group undertakings	10	3,000	1,800
Interest receivable and similar income	5	48	52
Interest payable and similar charges	6	(377)	(289)
<b>Profit before taxation</b>		<b>5,514</b>	<b>5,130</b>
Tax on profit	7	(488)	(639)
<b>Profit for the financial year</b>		<b>5,026</b>	<b>4,491</b>
<b>Other comprehensive Income/(loss):</b>			
Actuarial loss on pension scheme	20	(2,530)	(7,860)
Movement in current tax on pension scheme		326	278
Movement in deferred tax on pension scheme		142	1,029
<b>Other comprehensive loss for the year, net of tax</b>		<b>(2,062)</b>	<b>(6,553)</b>
<b>Total comprehensive Income/(loss) for the year</b>		<b>2,964</b>	<b>(2,062)</b>

The items dealt with in the above Statement of comprehensive income relate to continuing operations.

The notes on pages 12 to 34 form part of these financial statements.

# Gemalto UK Limited

Registered Number 1278148

## Balance Sheet at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Fixed Assets</b>			
Intangible assets	8	4,517	1,085
Tangible assets	9	4,107	4,973
Investments in subsidiaries	10	-	-
		<b>8,624</b>	<b>6,058</b>
<b>Current assets</b>			
Stocks	11	6,671	7,397
Debtors	12	45,656	38,356
Cash at bank and in hand		150	142
		<b>52,477</b>	<b>45,895</b>
<b>Creditors:</b>			
Amounts falling due within one year	13	(19,729)	(14,710)
<b>Net current assets</b>		<b>32,748</b>	<b>31,185</b>
<b>Total assets less current liabilities</b>		<b>41,372</b>	<b>37,243</b>
<b>Creditors:</b>			
Amounts falling due after more than one year		-	-
<b>Post-retirement benefits</b>	20	(14,789)	(13,951)
<b>Provisions for liabilities</b>	14	(1,814)	(1,814)
<b>Net Assets</b>		<b>24,769</b>	<b>21,478</b>
<b>Capital and reserves</b>			
Called up share capital	17	54,656	54,656
Other Reserves		(7,410)	(7,410)
Accumulated Losses		(22,477)	(25,768)
<b>Total shareholders' Funds</b>		<b>24,769</b>	<b>21,478</b>

The financial statements on pages 9 to 34 were approved by the board of Directors on 27 May 2018 and were signed on its behalf by:

  
L Smith  
Director

The notes on pages 12 to 34 form part of these financial statements.

# Gemalto UK Limited

Registered Number 1278148

## Statement of changes in equity For the year ended 31 December 2017

	Note	Called up share capital £'000	Accumulated losses £'000	Other Reserves £'000	Total shareholder funds £'000
<b>Balance as at 1 January 2016</b>	17	54,656	(23,820)	(7,410)	23,426
Profit for the financial year		-	4,491	-	4,491
Other comprehensive income:					
Actuarial loss on pension scheme	20	-	(7,860)	-	(7,860)
Current tax relating to pension liability		-	278	-	278
Deferred tax relating to pension liability		-	1,029	-	1,029
Other comprehensive income for the year, net of tax		-	(6,553)	-	(6,553)
Total comprehensive income for the year		-	(2,062)	-	(2,062)
Adjustment in respect of employee share option schemes		-	114	-	114
Total transactions with owners, recognised directly in equity		-	114	-	114
<b>Balance as at 31 December 2016</b>	17	54,656	(25,768)	(7,410)	21,478
Profit for the financial year		-	5,026	-	5,026
Other comprehensive income:					
Actuarial loss on pension scheme	20	-	(2,530)	-	(2,530)
Current tax relating to pension liability		-	326	-	326
Deferred tax relating to pension liability		-	142	-	142
Other comprehensive expense for the year, net of tax		-	(2,062)	-	(2,062)
Total comprehensive expense for the year		-	2,964	-	2,964
Adjustment in respect of employee share option schemes		-	327	-	327
Total transactions with owners, recognised directly in equity		-	327	-	327
<b>Balance as at 31 December 2017</b>	17	54,656	(22,477)	(7,410)	24,769

The Other reserve is a merger reserve of £7,410,000 (2016: £7,410,000) was created under merger accounting principles following the acquisition of the net assets of £3,590,000 of Gemplus Limited on 1 April 2007 for consideration of £11,000,000.

**Gemalto UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**1 Accounting Policies**

**General information**

Gemalto UK Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 01278148 and the registered address is Concorde Way, Segensworth North, Fareham, Hampshire. PO15 5RX.

The Company personalises and distributes smart cards and magnetic stripe cards to the banking and telecoms industries.

**Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") as issued in August 2014. The amendments issued in July 2015 have been applied. The presentation and functional currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Gemalto NV, includes the Company in its consolidated financial statements. The consolidated financial statements of Gemalto NV are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Barbara Strozzi laan 382, 1083 HN, Amsterdam, The Netherlands. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Gemalto NV include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and  
Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other financial instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

**Group accounts not prepared**

The financial statements contain information about Gemalto UK Limited as an individual Company and do not contain consolidated financial information as the parent of the group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of Gemalto NV, the Company's ultimate parent undertaking registered in the Netherlands.

**Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Gemalto UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**2 Accounting Policies (continued)**

**a) Measurement convention**

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

**b) Going concern**

On the basis of their assessment of the Company's financial position and resources, the directors believe that the Company is well placed to manage its business risks. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The company has a group cash pooling arrangement, on a regular basis, the funds are transferred to the group under this cash pooling intercompany arrangement since the costs of managing exposure to currency risk at the UK level, are considered to exceed any potential benefits.

**c) Foreign Currency**

*Functional and presentation currency*

The Company's functional and presentational currency is the pound sterling.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**d) Turnover**

Turnover represents amounts receivable (excluding VAT) for sales of products and for the supply of related services. Turnover is recognised upon delivery of products and services to customers and when the appropriate terms and conditions of sale have been met. Where sales invoices have been presented, but the Company still holds the related products under instruction from the customer ("bill and hold sales") revenue is only recognised where evidence is held that the risk and full reward of ownership has transferred to the customer.

Certain revenues are recognised using the percentage of completion method as services are provided (according to criteria applied on a consistent basis). These services include the provision of specific software platforms. Under the percentage of completion method, the extent of progress towards

**Gemalto UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**2 Accounting Policies (continued)**

**d) Turnover (continued)**

completion is measured based on actual costs incurred to total estimated costs. Losses on contracts are recognised during the period in which the loss first becomes probable and can be reasonably estimated.

Where the sales price of a contract includes an element of maintenance and support, an amount equal to the average selling price of the maintenance and support is attributed to this element of the turnover and deferred over the relevant period. Income deferred in this way is classified as deferred income, which is a deferral of profit, not a financial liability.

For software contracts the Company recognises revenue on the elements when there is persuasive evidence of an arrangement with customers with a fixed fee that is collectable and when delivery has occurred. The total revenue from such contracts is allocated to the elements of the arrangement based upon the relative fair value of each element. If a fair value method does not exist for all delivered elements, all revenue from the arrangement is further deferred until all elements of the arrangement have been delivered.

**e) Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

*Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

*Defined contribution pension plans and other long term employee benefits*

The Company operates a defined contribution plan for its employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Defined benefit pension plans*

Gemalto UK Limited operates a defined benefit pension scheme covering certain ex-Gemplus Limited employees, which was transferred in April 2007 as part of the merger with Gemplus Limited. The defined benefit scheme was closed to new entrants in August 2004 and closed to future benefit accruals in March 2007. Current employees were transferred to a defined contribution scheme from April 2007.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans and other long term employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method.

**Gemalto UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**2 Accounting Policies (continued)**

**e) Employee benefits (continued)**

The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

*Share-based payments*

Where the Company participates in a share-based payment arrangement established by a fellow Group company the Company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity. Where the Company is charged for the cost of share-based payments arrangements the amounts are treated as a reduction in the capital contribution. If the amount charged is in excess of the share-based payment charge the Company treats the excess as a notional distribution and charges this to retained earnings.

The Company has taken advantage of the transition exemption under paragraph 35.10(b) of FRS 102 to continue to value the equity instruments that were granted before the date of transition to FRS 102 using the previous framework and not to apply Section 26 of FRS 102 at the date of transition.

**f) Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit or loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is also recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

**Gemalto UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**2 Accounting Policies (continued)**

**g) Intangible fixed assets**

Goodwill, representing the excess of the purchase consideration over the fair value of the net separable

assets acquired, is capitalised and amortised through the statement of comprehensive income over 20 years(Historic Goodwill), and 10 years (New Goodwill)which is the period over which the Directors estimate that the value of the underlying businesses are expected to exceed the value of underlying assets. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

The Company has taken advantage of the exemptions under paragraph 35.10(a) of FRS 102 and have elected not to apply Section 14 Business Combinations and Goodwill to business combinations that were completed before the date of transition.

Customer Relationships have a definite useful life and are carried at cost less accumulated amortisation, except for intangible assets acquired through a business combination. The fair value of these assets, when acquired upon business combinations, is determined by discounting estimated future net cash flows generated by the asset. The use of different assumptions for the expected future cash flows and the discounting rate used would materially change the valuation of the asset.

Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of between 5 and 9 years.

**h) Tangible fixed assets**

Tangible fixed assets are stated at their purchase cost, together with any incidental costs of acquisition, less accumulated depreciation and accumulated impairment losses. Depreciation is provided for on a straight line basis over the expected useful lives of each category of tangible fixed assets at the following rates:

Office equipment	-	20% per annum on cost
Fixtures and fittings	-	20% per annum on cost
Plant and machinery	-	10% to 33% per annum on cost
Short Leasehold improvements	-	7 - 10% per annum on cost or over the life of the leasehold if shorter
Computer equipment	-	33% per annum on cost

Where second hand assets are acquired, the depreciation is calculated so as to write off the cost over their remaining economic life. Assets in the course of construction are not depreciated until brought into operational use.

The assets' useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.



**Gemalto UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**2 Accounting Policies (continued)**

**i) Business combinations**

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

- At the acquisition date, the company recognises goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- directly attributable transaction costs; less
- The net recognised amount of the identifiable assets acquired and liabilities and contingent liabilities assumed.

**j) Leased assets**

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

*Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the profit and loss over the term of the lease as an integral part of the total lease expense.

**k) Impairment of non-financial assets**

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss.

**Gemalto UK Limited**  
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**2 Accounting Policies (continued)**

**l) Interest receivable and Interest payable**

Interest income and interest payable are recognised in the profit and loss account as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payment is established. Foreign currency gains and losses are reported on a net basis.

**m) Investments in subsidiaries**

Investment in subsidiary company is held at cost less accumulated impairment losses.

**n) Stocks**

Stocks are valued at the lower of cost and estimated selling price less cost to complete and sell. Cost is based on the weighted average principal and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Standard costs which approximate to actual costs are used to value stocks. Cost includes all relevant inward freight costs, import duty charges and labour where applicable.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit or loss. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit or loss.

**o) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**p) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made.

**q) Financial instruments**

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

*i) Financial assets*

Basic financial assets, including trade and other debtors, cash and bank balances and loans to fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

**Gemalto UK Limited**  
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**2 Accounting Policies (continued)**

**q) Financial instruments (continued)**

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite have retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

*ii) Financial liabilities*

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company does not hold or issue derivative financial instruments.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

*iii) Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

**r) Related party disclosures**

The Company has taken advantage of exemptions under paragraph 33.1A of FRS 102 as a wholly owned subsidiary of Gemalto NV not to disclose transactions with other 100% owned Group entities.

**Gemalto UK Limited**  
**Notes to the financial statements**  
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**2 Accounting Policies (continued)**

**s) Accounting estimates and judgements and key sources of estimation uncertainty**

*i) Key sources of estimation uncertainty*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

*Defined benefit pension scheme*

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 19 for the disclosures relating to the defined benefit pension scheme.

**Gemalto UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**2 Turnover**

Analysis of turnover by destination:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
United Kingdom	<b>106,929</b>	92,362
Europe	<b>4,013</b>	4,767
Rest of World	<b>1,215</b>	2,247
<b>Total</b>	<b>112,157</b>	99,376

All turnover relates to the sale of goods and services with all sales originating in the United Kingdom, principally for the personalisation and distribution of smart cards and magnetic stripe cards to the banking and telecoms industries.

**3 Expenses and auditor's remuneration**

Operating profit is stated after charging/(crediting) the following items:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Staff costs (note 4)	<b>17,494</b>	16,153
Amortisation of intangible fixed assets	<b>475</b>	210
Depreciation of tangible fixed assets	<b>1,668</b>	1,585
Operating lease rentals	<b>663</b>	736
Exchange gain	<b>(57)</b>	(387)
Gain on the disposal of tangible fixed assets	<b>(7)</b>	(38)
Auditor's remuneration for audit service	<b>57</b>	54

**Gemalto UK Limited**  
**Notes to the financial statements**  
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**4 Information regarding employees and Directors**

	2017 £'000	2016 £'000
Wages and salaries	14,634	13,719
Social security costs	1,602	1,464
Other pension costs (see note 20)	931	856
Share award costs	327	114
	<b>17,494</b>	<b>16,153</b>

The average monthly number of persons (including Directors) employed by the Company during the year was:

By Activity	2017 Number	2016 Number
Production	189	195
Selling and distribution	96	80
Administration	44	49
	<b>329</b>	<b>324</b>

**Directors' emoluments**

	2017 £'000	2016 £'000
Aggregate emoluments	701	494
Pension contributions paid during the year	32	45
	<b>733</b>	<b>539</b>

Retirement benefits were accrued for 4 (2016: 4) Directors under a defined contribution scheme during 2017 and no Directors under a defined benefit scheme (2016: None). Number of directors who exercised share options in the year were nil (2016: 2).

**Emoluments of the highest paid Director**

	2017 £'000	2016 £'000
Aggregate emoluments	388	181
Pension contributions paid during the year	9	12
	<b>397</b>	<b>193</b>

The highest paid director is accruing benefits under a defined contribution pension scheme.

**5 Interest receivable and similar income**

	2017 £'000	2016 £'000
Interest receivable on amounts due from fellow Group undertakings	48	52

**Gemalto UK Limited**  
**Notes to the financial statements**  
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**6 Interest payable and similar charges**

	2017 £'000	2016 £'000
Interest payable on amounts due to fellow Group undertakings	-	5
Net interest expense on post-employment benefits (Note 20)	377	284
	<b>377</b>	<b>289</b>

**7 Tax expense**

**a) Tax expense included in profit or loss**

	2017 £'000	2016 £'000
<b>Analysis of the charge in the year:</b>		
UK corporation tax at 19.25% (2016: 20.00%)	569	703
Adjustments in respect of prior years	(208)	-
Current Tax charge	361	703
Deferred taxation charge/(credit) current year (note 12)	127	(64)
Deferred taxation		
<b>Tax on profit</b>	<b>488</b>	<b>639</b>

The current tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%).

The differences are explained below:

	2017 £'000	2016 £'000
Profit before taxation	5,514	5,130
Tax on profit at standard UK corporation tax rate of 19.25% (2016: 20.00%)	1,061	1,026
Effects of:		
Expenses not deductible for tax	175	480
Income not deductible for tax	(578)	(704)
Tax rate changes	(16)	60
Share options	54	(103)
Adjustments to tax charge in respect of the prior year	(208)	-
Non-taxable accounting gain on liquidation of Gemalto Terminals Limited	-	(120)
	-	-
<b>Total tax charge for the year</b>	<b>488</b>	<b>639</b>

**b) Tax credit included in other comprehensive income**

	2017 £'000	2016 £'000
Current tax		
- Current tax credit in OCI for the year	(326)	(278)
Deferred tax		
- Deferred tax credit in OCI for the year	(142)	(1,029)
<b>Total tax credit included in other comprehensive income</b>	<b>(468)</b>	<b>(1,307)</b>

**Gemalto UK Limited**  
**Notes to the financial statements**  
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**7 Tax expense (continued)**

**c) Deferred tax**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax charge		
Origination and reversal of timing differences	<b>172</b>	<b>(124)</b>
Adjustments in respect of prior years	<b>(1)</b>	<b>-</b>
Effect of changes in tax rates	<b>(44)</b>	<b>60</b>
<b>Total deferred tax charge/(credit)</b>	<b>127</b>	<b>(64)</b>

**d) Tax rate changes**

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The recognised deferred tax asset has been calculated using the rate of 17% (2016: 17%) as this was the rate enacted at the balance sheet date.

**8 Intangible assets and goodwill**

	<b>Customer Relationships</b>	<b>Goodwill</b>	<b>Total</b>
	<b>£,000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
<b>At 1 January 2017</b>	-	23,281	23,281
Acquisitions through business combination	1,213	2,694	3,907
<b>At 31 December 2017</b>	<b>1,213</b>	<b>25,975</b>	<b>27,188</b>
<b>Accumulated amortisation</b>			
<b>At 1 January 2017</b>	-	22,196	22,196
Amortisation for the period	99	376	475
<b>At 31 December 2017</b>	<b>99</b>	<b>22,572</b>	<b>22,671</b>
<b>Net book value</b>			
<b>At 31 December 2017</b>	<b>1,114</b>	<b>3,403</b>	<b>4,517</b>
<b>At 31 December 2016</b>	-	1,085	1,085

The opening Goodwill relates to the purchase/combination of another card manufacturing business in 2002, and is being amortised over its useful life (20 years). The remaining useful economic life is 5 years. The acquired customer relationships and goodwill relate to a business acquisition in 2017 and are to be amortised over a period of between 5 and 9 years (Customer Relationships) and 10 years (Goodwill). The amortisation is recognised under 'Administration expenses' in the profit and loss and other comprehensive income.



**Gemalto UK Limited**  
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**9 Tangible fixed assets**

	<b>Fixtures, fittings and office equipment £'000</b>	<b>Short Leasehold improvements £'000</b>	<b>Plant and machinery £'000</b>	<b>Computer Equipment £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 January 2017	559	9,625	9,865	1,022	21,071
Acquisition through business combination	-	50	87	10	147
Additions	23	185	314	134	656
Disposals	-	-	(188)	(1)	(189)
Reclassification	(37)	21	44	(28)	-
<b>At 31 December 2017</b>	<b>545</b>	<b>9,881</b>	<b>10,122</b>	<b>1,137</b>	<b>21,685</b>
<b>Accumulated depreciation</b>					
At 1 January 2017	405	8,069	6,816	808	16,098
Charge for the year	41	593	838	196	1,668
Disposals	-	-	(187)	(1)	(188)
Reclassification	(6)	(1)	111	(104)	-
<b>At 31 December 2017</b>	<b>440</b>	<b>8,661</b>	<b>7,578</b>	<b>899</b>	<b>17,578</b>
<b>Net book value at 31 December 2017</b>	<b>105</b>	<b>1,220</b>	<b>2,544</b>	<b>238</b>	<b>4,107</b>
At 31 December 2016	154	1,556	3,049	214	4,973

**Gemalto UK Limited**  
**Notes to the financial statements**  
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**10 Investments**

The Company has the following investments in subsidiaries:

Subsidiary Undertakings	Registered office address	Class of shares Held	Ownership 2017 %	Ownership 2016 %
Multos Limited	Gps House, 1st Floor, 215 Great Portland Street, London. W1W 5PN	Ordinary shares	100	100
Maosco Limited*	Gps House, 1st Floor, 215 Great Portland Street, London. W1W 5PN	Ordinary Shares	100	100

\* Indirectly held investments

**Income from fixed asset investments**

	2017 £'000
Dividend Income on financial assets	3,000

Dividends of £3.0 million were received during the year from Multos Limited (2016: £3.5 million).

**Gemalto UK Limited**  
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**11 Stocks**

	2017 £'000	2016 £'000
Raw materials	670	253
Work in progress	4,696	6,265
Finished goods	1,305	879
	<b>6,671</b>	<b>7,397</b>

The amount of stocks recognised as an expense during the year was £65,313,867 (2016: £53,756,437). There is no material difference between the carrying amount of inventory and the replacement cost. Inventory provisions at year end amounted to £54,575 (2016: £40,798)

**12 Debtors**

	2017 £'000	2016 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	23,739	16,447
Amounts owed by Group undertakings	14,936	15,342
Other debtors	80	101
Corporation tax	19	-
Prepayments	487	560
Accrued income	3,481	2,801
<b>Sub total</b>	<b>42,742</b>	<b>35,251</b>
<b>Amounts due after one year</b>		
Deferred tax asset (see below)	2,914	3,105
<b>Total debtors</b>	<b>45,656</b>	<b>38,356</b>

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

**Gemalto UK Limited**  
**Notes to the financial statements**  
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**12 Debtors (continued)**

**Deferred tax**

	<b>Deferred Taxation £'000</b>
At 1 January 2017	3,105
Deferred tax charge in relation to other timing differences	(127)
Deferred tax credit in relation to pension deficit	142
Deferred tax in relation to acquisition of business	(206)
<b>At 31 December 2017</b>	<b>2,914</b>

Deferred taxation is comprised as follows:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Capital allowances in advance of depreciation	2	144
Other timing differences	600	585
Deferred tax asset on pension deficit	2,518	2,376
Deferred tax asset on business acquisition	(206)	-
<b>Total deferred tax asset</b>	<b>2,914</b>	<b>3,105</b>
Deferred tax asset recognised	2,914	3,105
Deferred tax asset unrecognised	866	866

**Deferred tax asset relating to pension deficit**

	<b>£'000</b>
At 1 January 2017	2,376
Deferred tax credit in statement of other comprehensive income	142
<b>At 31 December 2017</b>	<b>2,518</b>

The deferred tax asset is recognised to the extent that there is persuasive and reliable evidence that it can be realised. Operating budgets are used for deferred tax asset recognition purposes. The net deferred tax asset expected to reverse in 2018 is £2,000. This primarily relates to the reversal of other timing differences and capital allowances.

**Gemalto UK Limited**  
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**13 Creditors: amounts falling due within one year**

	2017 £'000	2016 £'000
Trade creditors	591	512
Amounts owed to Group undertakings	11,807	8,652
Corporation Tax	-	404
Other taxation and social security	639	88
Other creditors	2,842	2,089
Accruals	2,427	2,300
Deferred income	1,423	665
	<b>19,729</b>	<b>14,710</b>

Amounts owed by Group undertakings are unsecured trading balances. These loans are interest free and repayable on demand. There were no long term creditor amounts falling due after more than one year.

**14 Provisions for liabilities**

	Dilapidations £'000
At 1 January 2017	1,814
Additions during the year	-
Utilised during the year	-
<b>At 31 December 2017</b>	<b>1,814</b>

**Dilapidations**

The dilapidation provision relates to the Company's leased premises at Fareham, and the Nest site in Havant. The provision for Fareham and Nest sites are for future dilapidation and refurbishment costs that will be incurred at the end of the respective leases when the buildings have to be returned to their original condition.

**Gemalto UK Limited**  
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**15 Acquisition of business**

Acquisitions in the current period

On 1 May 2017, the Company acquired the 3M's Identity Management Businesses including its Cogent range of biometric technology. The business contributed revenue of £4.9m to the revenue of the year.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:	
Tangible fixed assets	147
Intangible assets, Customer relationships	1,213
Deferred tax liability	(206)
Net identifiable assets and liabilities	<u>1,154</u>
Total cost of business combination:	
Consideration paid:	<u>3,848</u>
Goodwill on acquisition	<u>2,694</u> =====
The expected useful life of assets stemming from this acquisition is:	
Goodwill	- 10 years
Customer relationships	- 5 to 9 years

**Gemalto UK Limited**  
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**16 Leasing commitments**

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017 £'000	2016 £'000
<b>Payments due</b>		
Not later than one year	944	843
Later than one year and not later than five years	1,915	2,551
Later than five years	-	-
	<b>2,859</b>	<b>3,394</b>

**17 Called up share capital**

	2017 £'000	2016 £'000
<b>Allotted, called up, issued and fully paid</b>		
54,656,227 ordinary shares of £1 each (2016: 54,656,227 shares)	<b>54,656</b>	<b>54,656</b>

There is a single class of ordinary shares. The holders of ordinary shares are entitled to receive dividends as disclosed from time to time and are entitled to one vote per share at meetings of the Company.

**18 Ultimate parent undertaking**

As at the balance sheet date, the immediate and ultimate parent company and controlling company was Gemalto NV, a company registered in The Netherlands which owns 100% of the issued share capital of the Company. Gemalto NV is the smallest and largest group to consolidate these results.

Copies of the consolidated financial statements of Gemalto NV can be obtained from Barbara Strozzilaan 382, 1083 HN, Amsterdam, The Netherlands.

**19 Capital commitments**

The Company had capital commitments at 31 December 2017 of £0.1 million (2016: £0.2 million).

**20 Pension costs**

**Defined contribution scheme**

Gemalto UK Limited operates a defined contribution scheme. The amount of contributions payable to the defined contribution pension scheme in respect of the accounting year and charged to the statement of comprehensive income was £931,113 (2016: £855,878). Accrued pensions not yet paid amounted to £136,677 (2016: £110,662) as at the balance sheet date.

**Gemalto UK Limited**  
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**20 Pension Costs (continued)**

**Defined benefit scheme**

On 1 April 2007 Gemalto UK Limited acquired the assets and liabilities of Gemplus Limited which included a liability for a defined benefit pension scheme.

The defined benefit pension scheme provides benefits based on final pensionable pay. The assets of the scheme are held in a separate trust fund and administered by professional investment managers. Contributions to the scheme are charged to the statement of comprehensive income so as to spread the cost of pensions over employees' working lives with the Company. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation was at 1 January 2016. The deficit as at 1 January 2016 was £12,033,000 and incremental contributions have been agreed for the period January 2016 to December 2022 as follows: (2016: £1,470,000, 2017: £1,820,000, 2018: £1,750,000, 2019: £1,870,000, 2020: £1,758,000, 2021: £1,758,000, 2022: £1,758,000). The scheme was closed to new members in August 2004 and closed to future benefit accrual on March 31 2007. Current employees were transferred to a defined contribution scheme from April 2007.

**Section 28 of FRS 102**

The present value of the scheme as at 31 December 2017 has been measured by the scheme actuary in accordance with the requirements of section 28 of FRS 102.

Net pension liability:

	2017 £'000	2016 £'000
Defined benefit obligation	(54,216)	(51,347)
Plan assets	39,427	37,396
Net pension liability	(14,789)	(13,951)

**Analysis of the amount charged to other finance income:**

	2017 £'000	2016 £'000
Interest expense (Note 6)	377	284

**Analysis of amount recognised in the other comprehensive income:**

	2017 £'000	2016 £'000
Actual return less interest income for pension scheme assets	137	2,406
Actuarial loss relating to the pension scheme	(2,667)	(10,266)
Actuarial loss recognised in other comprehensive income	(2,530)	(7,860)



**Gemalto UK Limited**  
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**20 Pension costs (continued)**

<b>Reconciliation of the net deficit in the scheme:</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Deficit in scheme at start of year	(13,951)	(7,482)
<b>Movement in year:</b>		
Contributions	2,069	1,675
Other finance expense	(377)	(284)
Actuarial loss	(2,530)	(7,860)
<b>Deficit in scheme at year end</b>	<b>(14,789)</b>	<b>(13,951)</b>

<b>Movement in fair value of plan assets</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Assets at beginning of year	37,396	33,314
Employer contributions	2,069	1,675
Benefits paid	(1,184)	(1,265)
Expected return on Plan Assets	1,009	1,266
Actual losses	137	2,406
<b>Assets at end of year</b>	<b>39,427</b>	<b>37,396</b>

The actual return on scheme assets was £1,146,881 (2016: £3,671,474)

<b>Movement in present value of defined benefit obligation</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Liabilities at beginning of year	51,347	40,796
Interest expenses	1,386	1,550
Benefits paid	(1,184)	(1,265)
Actuarial gains	2,667	10,266
<b>Liabilities at end of year</b>	<b>54,216</b>	<b>51,347</b>

**Gemalto UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**20 Pension costs (continued)**

The assets in the scheme:

	Market value 31 December 2017 £'000	Market value 31 December 2016 £'000
Equities	12,731	12,190
Absolute return funds	16,863	16,444
Government gilts	9,059	8,549
Corporate bonds	-	-
Cash	774	213
Total market value of assets	39,427	37,396
Present value of scheme liabilities	(54,216)	(51,347)
Deficit in the scheme	(14,789)	(13,951)

The major assumptions used by the actuary in measuring the present value of the scheme liabilities were:

	2017	2016
Rate of Increase in salaries	n/a	n/a
Increases for pensions in payment		
- Accrued prior to 6 April 1997	3.00%	3.00%
- Accrued prior to 1 July 2005	3.30%	3.35%
- Accrued on or after 1 July 2005	2.30%	2.30%
Liability discount rate	2.50%	2.70%
Inflation assumption - RPI	3.40%	3.45%
- CPI	2.40%	2.45%
Revaluation of deferred pensions	2.40%	2.45%
Cash commutation	80% take max cash	100% commute 25%

In valuing the liabilities of the pension fund at 31 December 2017 mortality assumptions have been made as indicated below:

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for number of years as follows:

- Current pensioner aged 65: 22.7 years (male), 24.3 years (female)
- Future retiree upon reaching 65: 24.1 years (male), 25.9 years (female)