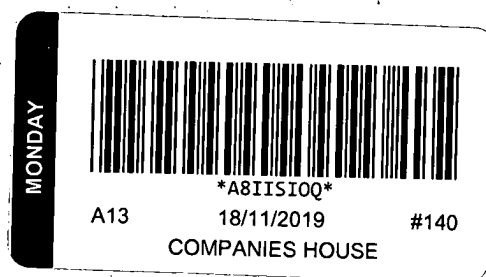


Registered number: 00705031

# **MICROSEMI SEMICONDUCTOR LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 MARCH 2019**



## **MICROSEMI SEMICONDUCTOR LIMITED**

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## **MICROSEMI SEMICONDUCTOR LIMITED**

### **COMPANY INFORMATION**

<b>Directors</b>	J E Bjornholt M N Sharif
<b>Company secretary</b>	Beach Secretaries Limited
<b>Registered number</b>	00705031
<b>Registered office</b>	Dac Beachcroft Llp Portwall Place Portwall Lane Bristol United Kingdom BS1 9HS
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW
<b>Bankers</b>	HSBC plc The Forum Marlborough Road Swindon SN3 1QN

## MICROSEMI SEMICONDUCTOR LIMITED

### STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

The directors present the Strategic Report of Microsemi Semiconductor Limited (the "Company") for the 18 months period ended 31 March 2019. The comparatives presented are for the year ended 30 September 2017.

#### Business review

There was an improvement in revenues in FY19 compared with FY17, with turnover increasing by 8% (pro-rating for 18 months) to \$364,879,000 (2017: \$226,270,000) and increasing gross margin to 23% from 24% due to a broadly similar product mix and continued reduction in cost of goods sold. The profit before taxation for the financial period/year amounted to \$28,464,000 (2017: \$5,728,000).

Looking forward, the directors are encouraged by the market opportunities available and plan to further build the business by focusing on immediate and long-term opportunities across target markets. The directors consider the Company to be well positioned to take advantage of any new opportunities that may arise.

As at 31 March 2019 the Company had net assets of \$63,800,000 (2017: \$40,449,000).

#### Principal risks and uncertainties

The directors consider that the principal risk and uncertainties facing the Company are as follows:

##### Competition

The Company's business model involves building close working relationships with its customers. Customers are able to seek sound source supply arrangements to meet their own business continuity planning policies. As such, there is a risk that demand may diminish. The directors believe that the strategy to ensure supply for all leading product lines provides an effective mitigation against this risk.

##### Technological Change

Any technology based company faces a threat from technology changes that have not been anticipated. The Company's involvement in R&D activities ensures a forward looking approach, and ensures that the Company advances with technological change.

##### Supply Chain

Changes in the supply chain such as scarcity of key raw materials could impact the business. The Company builds close relationships with its key suppliers in order to keep well informed about potential supply issues. The raw materials which sustain the Company's products are not scarce resources.

#### Financial key performance indicators

The performance indicators used by management to assess the performance of the Company are turnover and profit before taxation. The Company's key performance indicators during the period/year are as follows:

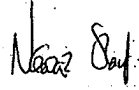
	18 months period ended 31 March 2019 \$000	Year ended 30 September 2017 \$000
Turnover	364,879	226,270
Profit before taxation	28,464	5,728

The Company does not make use of any non-financial key performance indicators.

**MICROSEMI SEMICONDUCTOR LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 31 MARCH 2019**

This report was approved by the board and signed on its behalf by:



**M N Sharif**  
Director

Date: 14th November, 2019

## **MICROSEMI SEMICONDUCTOR LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2019**

The directors present their annual report and the audited financial statements of Microsemi Semiconductor Limited (the "Company") for the period ended 31 March 2019.

The Company changed its period end to 31 March, therefore the period presented is for 18 months to 31 March 2019 (prior year, 12 months to 30 September 2017).

#### **Principal activities**

The principal activities of the Company are the development, manufacture and marketing of semiconductor integrated circuits.

The functional currency of the Company is US Dollars because this is the environment in which the Company primarily generates and expends cash. All sales are billed and collected in this currency as well as the majority of production costs and intercompany transactions being denominated and settled in this currency. The foreign exchange rates used by the management are a closing rate of \$1.30/£ and an average rate of \$1.33/£.

#### **Results and dividends**

The profit for the financial period/year amounted to \$23,351,000 (2017: \$4,762,000).

During the period/year, a dividend of \$Nil (2017: \$38,423,000) was paid. The directors do not recommend the payment of a final dividend (2017: \$Nil).

#### **Directors**

The directors who served during the period and up to the date of signing the financial statements, unless otherwise stated, were:

J E Bjornholt (appointed 27 July 2018)  
M N Sharif (appointed 27 July 2018)  
M W Lin (resigned 27 July 2018)

#### **Future developments**

The Company's future plan is based on continued reductions in cost of goods sold by increasing production volumes in its Caldicot fabrication facilities. The Company's goal is to maximise the value of this operation with minimal impact on customers. The Company has not established a definitive timeline with regard to this facility, but has initiated a series of actions that include improvements in capacity utilisation and yields. The Company continues to review its assets with the intention of disposing of under-utilised properties. With costs continuing to decline, the Company's primary challenge will be revenue growth. As set out in note 27, the bulk of the Company's revenue in the future will arise from transactions with other group companies within the Microchip group rather than directly with third parties.

## **MICROSEMI SEMICONDUCTOR LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2019**

#### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include price risk, credit risk and foreign exchange risk.

##### **Price Risk**

The Company is exposed to commodity and energy price risks as a result of its operations. The Company has taken steps to purchase energy inputs at fixed prices but, given the size of the Company, the costs of managing exposure to commodity price risk exceed any potential benefits.

##### **Credit Risk**

The Company's financial assets are bank balances and cash, trade and other debtors. The Company's credit risk is primarily attributable to its trade debtors which are presented in the Balance Sheet net of allowances for doubtful debts. The Company has policies that require appropriate credit checks on potential customers before sales are made.

##### **Foreign Exchange Risk**

The functional currency of the Company is the US Dollar but costs are incurred in pounds sterling - for example, staff, property and energy costs. Foreign exchange risk is managed by the Company's ultimate parent company, Microsemi Corporation.

#### **Company's policy for payment of creditors**

It is, and will continue to be, the policy of the Company to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period of settlement and, having agreed those terms, to abide by them. Trade creditors represented 22 days (2017: 35 days) of purchases at the period-end.

#### **Going concern**

The directors have concluded, having regard to the most recent projections available that the Company and group will have in place sufficient funding to enable it to continue trading and to meet its liabilities to third parties as they fall due for the foreseeable future.

#### **Research and development activities**

The Company's research and development activities include the enhancement of semiconductor integrated circuit technology. The Company incurred research and development costs of \$18,320,000 during the period/year (2017: \$12,565,000).

## **MICROSEMI SEMICONDUCTOR LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2019**

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

#### **Disclosure of information to auditors**

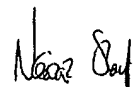
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Independent auditors**

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf by:



**M N Sharif**  
Director

Date: 14th November, 2019



## Report on the audit of the financial statements

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### Opinion

In our opinion, Microsemi Semiconductor Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the period 18 month then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity for the 18 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSEMI SEMICONDUCTOR LIMITED  
(CONTINUED)**

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

*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 an auditors' report 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSEMI SEMICONDUCTOR LIMITED  
(CONTINUED)

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## Other required reporting

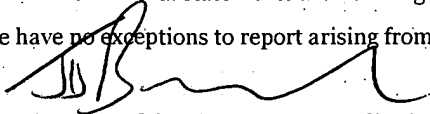
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### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jonathan Bound (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff

Date: 14 November 2019

**MICROSEMI SEMICONDUCTOR LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2019**

		<b>18 months period ended 31 March 2019 \$000</b>	<b>30 September 2017 \$000</b>
	<b>Note</b>		
Turnover	4	<b>364,878</b>	226,270
Cost of sales		<b>(276,158)</b>	(173,005)
<b>Gross profit</b>		<b>88,720</b>	53,265
Administrative expenses		<b>(63,341)</b>	(46,072)
Other operating income	5	<b>4,618</b>	314
<b>Operating profit</b>	6	<b>29,997</b>	7,507
Interest payable and similar expenses	11	<b>(1,533)</b>	(1,779)
<b>Profit before taxation</b>		<b>28,464</b>	5,728
Tax on profit	12	<b>(5,113)</b>	(966)
<b>Profit for the financial period/year</b>		<b>23,351</b>	4,762
<b>Total comprehensive income for the financial period/year</b>		<b>23,351</b>	4,762

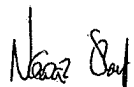
The notes on pages 13 to 30 form part of these financial statements.

**MICROSEMI SEMICONDUCTOR LIMITED**  
**REGISTERED NUMBER: 00705031**

**BALANCE SHEET**  
**AS AT 31 MARCH 2019**

	Note	31 March 2019 \$000	30 September 2017 \$000
<b>Fixed assets</b>			
Intangible assets	13	31,458	48,448
Tangible assets	14	3,307	8,185
		<u>34,765</u>	<u>56,633</u>
<b>Current assets</b>			
Stocks	16	22,889	22,037
Debtors: amounts falling due after more than one year	17	10,175	12,594
Debtors: amounts falling due within one year	17	116,168	95,917
Cash at bank and in hand	18	28,928	10,541
		<u>178,160</u>	<u>141,089</u>
Creditors: amounts falling due within one year	19	(148,098)	(157,273)
<b>Net current assets/(liabilities)</b>		<u>30,062</u>	<u>(16,184)</u>
Deferred tax	20	(1,027)	-
		<u>(1,027)</u>	<u>-</u>
<b>Total assets less current liabilities</b>		<u><u>63,800</u></u>	<u><u>40,449</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	15,000	15,000
Profit and loss account	22	48,800	25,449
<b>Total shareholders' funds</b>		<u><u>63,800</u></u>	<u><u>40,449</u></u>

The financial statements on pages 10 to 30 were approved and authorised for issue by the board and were signed on its behalf by:



**M N Sharif**  
Director

Date: 14th November, 2019

The notes on pages 13 to 30 form part of these financial statements.

**MICROSEMI SEMICONDUCTOR LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2019**

	<b>Called up share capital \$000</b>	<b>Retained earnings \$000</b>	<b>Total shareholders' funds \$000</b>
<b>At 1 October 2016</b>	<b>15,000</b>	<b>59,110</b>	<b>74,110</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	4,762	4,762
<b>Total comprehensive income for the financial year</b>	-	4,762	4,762
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(38,423)	(38,423)
<b>Total transactions with owners</b>	-	(38,423)	(38,423)
<b>At 30 September 2017 and 1 October 2017</b>	<b>15,000</b>	<b>25,449</b>	<b>40,449</b>
<b>Comprehensive income for the financial period</b>			
Profit for the financial period	-	23,351	23,351
<b>Total comprehensive income for the financial period</b>	-	23,351	23,351
<b>At 31 March 2019</b>	<b>15,000</b>	<b>48,800</b>	<b>63,800</b>

The notes on pages 13 to 30 form part of these financial statements.

## **MICROSEMI SEMICONDUCTOR LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

#### **1. General information**

Microsemi Semiconductor Limited's (the "Company") principal activities are the development, manufacture and marketing of semiconductor integrated circuits.

The Company is a private company limited by shares and is incorporated in Bristol, England and domiciled in the United Kingdom. The address of its registered office is Portwall Place, Portwall Lane, Bristol, United Kingdom, BS1 9HS.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the period/year:

##### **2.2 Financial reporting standard 102 - reduced disclosure exemptions.**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Microsemi Corporation and these financial statements may be obtained from 1 Enterprise, Aliso Viejo, California, USD 92656.

##### **2.3 Going concern**

The directors have concluded, having regard to the most recent projections available that the Company will have in place sufficient funding to enable it to continue trading and to meet its liabilities to third parties as they fall due for the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**2. Accounting policies (continued)**

**2.4 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

**Sale of goods**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**2.5 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Intellectual property	-	5	years
Patents and licences	-	10	years



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**2. Accounting policies (continued)**

**2.6 Tangible assets**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- over lease term or 4%
Plant and machinery	- 10% to 25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**2.7 Development costs**

Research and development expenditure is written off as incurred.

**2.8 Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.9 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.10 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.11 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**2. Accounting policies (continued)**

**2.12 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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 the liability simultaneously.

**2.13 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**2. Accounting policies (continued)**

**2.14 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is USD.

**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 except when deferred in other comprehensive income as qualifying cash flow hedges.

**2.15 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.16 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**2.17 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**2.18 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.19 Interest expenses**

Interest expenses are recognised in the Statement of Comprehensive Income in the period to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**2. Accounting policies (continued)**

**2.20 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the period/year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**2.21 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Bad debt provision**

The Company undertakes a regular assessment of the recoverable value of trade and other debtors. When assessing impairment, management consider a number of factors such as the ageing profile of debtors, past and current payment history, and independent current credit rating checks.

**Stocks provision**

The Company undertakes a regular assessment of the levels and nature of stocks held to assess the risk obsolescence. When assessing impairment, management consider a number of factors such as the ageing profile of stocks and to assess if there are any facts or circumstances that are indicative that inventory values are irrecoverable.

**Impairment of intangible assets**

The Company considers whether there is any indication of impairment of intangible assets and where any indication is identified, the recoverable value is estimated as the higher of an asset's fair value less costs to sell and value in use.

**4. Turnover**

The whole of the turnover is attributable to the principal activity of the Company.

Analysis of turnover by country of destination:

	18 months period ended 31 March 2019 \$000	30 September 2017 \$000
United Kingdom	4,674	1,563
Rest of Europe	8,809	7,035
Rest of the world	351,396	217,672
	<u>364,879</u>	<u>226,270</u>

**MICROSEMI SEMICONDUCTOR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**5. Other operating income**

	<b>18 months period ended 31 March 2019 \$000</b>	<b>30 September 2017 \$000</b>
Write-off of intercompany creditors	<b>4,571</b>	-
Other	<b>47</b>	314
	<b><u>4,618</u></b>	<b><u>314</u></b>

**6. Operating profit**

The operating profit is stated after charging/(crediting):

	<b>18 months period ended 31 March 2019 \$000</b>	<b>30 September 2017 \$000</b>
Research & development expenditure written off	<b>18,320</b>	12,565
Depreciation of tangible assets	<b>2,359</b>	1,349
Government grants	<b>(1,625)</b>	(720)
Loss on sale of tangible assets	<b>216</b>	51
Operating lease rentals	<b>551</b>	290
Amortisation of intangible assets	<b>18,290</b>	12,063
Foreign exchange differences	<b>21</b>	(59)
	<b><u>21</u></b>	<b><u>(59)</u></b>

**MICROSEMI SEMICONDUCTOR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**7. Auditors' remuneration**

	<b>18 months period ended 31 March 2019 \$000</b>	<b>30 September 2017 \$000</b>
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	<b>93</b>	<b>75</b>
<b>Fees payable to the Company's auditors in respect of:</b>		
Tax advisory services	-	4
Tax compliance services	7	16
Financial statement preparation	3	3
	<b>10</b>	<b>23</b>

**8. Dividends**

	<b>31 March 2019 \$000</b>	<b>30 September 2017 \$000</b>
Dividends paid on equity capital equivalent to \$Nil (2017: \$3.84) per share	-	38,423

**MICROSEMI SEMICONDUCTOR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**9. Employees**

Staff costs were as follows:

	<b>18 months period ended 31 March 2019 \$000</b>	<b>30 September 2017 \$000</b>
Wages and salaries	<b>5,664</b>	<b>3,207</b>
Social security costs	<b>602</b>	<b>353</b>
Other pension costs	<b>420</b>	<b>244</b>
	<b><u>6,686</u></b>	<b><u>3,804</u></b>

The average monthly number of employees, including the directors, during the period was as follows:

	<b>18 months period ended 31 March 2019 Number</b>	<b>30 September 2017 Number</b>
Manufacture	<b>97</b>	<b>84</b>
Customer services	<b>1</b>	<b>2</b>
Support	<b>4</b>	<b>4</b>
	<b><u>102</u></b>	<b><u>90</u></b>

**10. Directors' remuneration**

The directors received no emoluments during the period/year, in respect of their services to the Company. The directors are remunerated by other companies within the Microsemi Corporation group for his services to the group as a whole. It is not possible to allocate his remuneration between their services as a director of different group companies. Key management personnel is deemed to be the directors of the Company.



**MICROSEMI SEMICONDUCTOR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**11. Interest payable and similar expenses**

	<b>18 months period ended 31 March 2019 \$000</b>	<b>30 September 2017 \$000</b>
Other interest payable and similar expense	<b>1,533</b>	<b>1,779</b>

**12. Tax on profit**

	<b>18 months period ended 31 March 2019 \$000</b>	<b>30 September 2017 \$000</b>
<b>Corporation tax</b>		
Current tax on profits for the period/year	<b>2,626</b>	<b>16</b>
Adjustment in respect of previous periods	<b>69</b>	<b>36</b>
<b>Total current tax</b>	<b>2,695</b>	<b>52</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>2,695</b>	<b>1,055</b>
Effect of changes in tax rates	<b>(267)</b>	<b>(135)</b>
Adjustment in respect of previous periods	<b>(10)</b>	<b>(6)</b>
<b>Total deferred tax</b>	<b>2,418</b>	<b>914</b>
<b>Total tax</b>	<b>5,113</b>	<b>966</b>

# **MICROSEMI SEMICONDUCTOR LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

### **12. Tax on profit (continued)**

#### **Factors affecting tax charge for the period/year**

The tax assessed for the period/year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%). The differences are explained below:

	<b>18 months period ended 31 March 2019 \$000</b>	<b>30 September 2017 \$000</b>
Profit before tax	<b>28,464</b>	<b>5,728</b>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	<b>5,408</b>	<b>1,117</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>34</b>	<b>-</b>
Non-taxable income	<b>-</b>	<b>(62)</b>
Tax rate changes	<b>(388)</b>	<b>(135)</b>
Adjustment in respect of previous periods	<b>59</b>	<b>30</b>
Effects of group relief / other reliefs	<b>-</b>	<b>16</b>
<b>Total tax charge for the financial period/year</b>	<b>5,113</b>	<b>966</b>

#### **Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Balance Sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**MICROSEMI SEMICONDUCTOR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**13. Intangible assets**

	<b>Patents and licences \$000</b>	<b>Intellectual property \$000</b>	<b>Total \$000</b>
<b>Cost</b>			
At 1 October 2017	606	60,000	60,606
Additions	1,300	-	1,300
At 31 March 2019	<u>1,906</u>	<u>60,000</u>	<u>61,906</u>
<b>Accumulated amortisation</b>			
At 1 October 2017	158	12,000	12,158
Charge for the period	290	18,000	18,290
At 31 March 2019	<u>448</u>	<u>30,000</u>	<u>30,448</u>
<b>Net book value</b>			
At 31 March 2019	<u>1,458</u>	<u>30,000</u>	<u>31,458</u>
At 30 September 2017	<u>448</u>	<u>48,000</u>	<u>48,448</u>

**MICROSEMI SEMICONDUCTOR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**14. Tangible assets**

	<b>Plant and machinery \$000</b>
<b>Cost</b>	
At 1 October 2017	22,957
Additions	3,599
Disposals	(11,680)
At 31 March 2019	<u>14,876</u>
<b>Accumulated depreciation</b>	
At 1 October 2017	14,772
Charge for the period	2,359
Disposals	(5,562)
At 31 March 2019	<u>11,569</u>
<b>Net book value</b>	
At 31 March 2019	<u><u>3,307</u></u>
At 30 September 2017	<u><u>8,185</u></u>

**15. Investments**

**Subsidiary and related undertakings**

The following were subsidiary undertakings of the Company held at \$Nil (2017: \$Nil):

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Microsemi Semiconductor GmbH	Lohweg 27, 85375 Neufahrn Germany	Dormant Company	Ordinary	100%

# MICROSEMI SEMICONDUCTOR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 16. Stocks

	31 March 2019 \$000	30 September 2017 \$000
Raw materials	1,635	2,298
Work in progress	13,521	11,058
Finished goods	7,733	8,681
	<u>22,889</u>	<u>22,037</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Inventories are stated after provision for impairment of \$8,836,000 (2017: \$8,985,000).

Inventories recognised as an expense during the period/year ended 31 March 2019 amounted to \$266,447,000 (2017: \$170,473,000).

### 17. Debtors

	31 March 2019 \$000	30 September 2017 \$000
<b>Due after more than one year</b>		
Deferred tax asset	<u>10,175</u>	<u>12,594</u>
<b>Due within one year</b>		
Trade debtors	23,252	17,139
Amounts owed by group undertakings	82,394	61,663
Other debtors	216	198
Corporation tax recoverable	-	262
Prepayments and accrued income	<u>10,306</u>	<u>16,655</u>
	<u>116,168</u>	<u>95,917</u>

Trade debtors are stated after provision for impairment of \$1,289,000 (2017: \$6,522,000).

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

**MICROSEMI SEMICONDUCTOR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

**18. Cash at bank and in hand**

	31 March 2019 \$000	30 September 2017 \$000
Cash at bank and in hand	28,928	10,541

**19. Creditors: amounts falling due within one year**

	31 March 2019 \$000	30 September 2017 \$000
Trade creditors	11,135	16,708
Amounts owed to group undertakings	131,912	136,088
Corporation tax	1,464	-
Other taxation and social security	80	121
Accruals and deferred income	3,507	4,356
	<u>148,098</u>	<u>157,273</u>

The amounts owed to group undertakings are unsecured and repayable on demand. \$60,000,000 (2017: \$60,000,000) bears interest at a fixed rate of 3% with the remainder being interest free.

**20. Deferred taxation**

	2019 \$000
At beginning of period	12,594
Charged to profit or loss	(3,456)
Arising on business combinations	-
Adjustment in respect of prior years	10
At end of period	<u>9,148</u>

# **MICROSEMI SEMICONDUCTOR LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

### **20. Deferred taxation (continued)**

The deferred tax balance is made up as follows:

	31 March 2019 \$000	30 September 2017 \$000
Fixed asset timing differences	780	1,023
Tax losses carried forward	7,178	10,279
Short term timing differences - trading	1,190	1,206
R&D expenditure credit	-	86
	<u>9,148</u>	<u>12,594</u>
<b>Comprising:</b>		
Asset - due after one year	10,175	12,594
Liability	(1,027)	-
	<u>9,148</u>	<u>12,594</u>

The deferred tax asset at 31 March 2019 has been recognised in full as the directors believe that there is sufficient evidence that the asset will become recoverable.

### **21. Called up share capital**

	31 March 2019 \$000	30 September 2017 \$000
<b>Allotted, called up and fully paid</b>		
10,000,000 (2017: 10,000,000) Ordinary shares of \$1.50000 each	<u>15,000</u>	<u>15,000</u>

### **22. Profit and loss account**

#### **Profit and loss account**

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

### **23. Pension commitments**

The Company operates a defined contribution pension scheme. The pension cost charge for the period/year represents contributions payable by the Company to the scheme and amounted to \$420,000 (2017: \$244,000).

## MICROSEMI SEMICONDUCTOR LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

#### 24. Commitments under operating leases

At 31 March 2019 and 30 September 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2019 \$000	30 September 2017 \$000
Not later than 1 year	662	671
Later than 1 year and not later than 5 years	1,600	56
	<u>2,262</u>	<u>727</u>

#### 25. Related party transactions

The Company is a wholly owned subsidiary of Microchip Technology Inc and has taken advantage of the exemption not to disclose transactions with Microchip Technology Inc or other wholly owned subsidiaries within the group.

#### 26. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Microsemi Corporation a company incorporated in The United States.

Microchip Technology Inc is the parent undertaking of the smallest and largest group for which consolidated financial statements include the results of Microsemi Semiconductor Limited. The financial statements of Microchip Technology Inc are available from 2355 West Chandler Blvd, Chandler, Arizona, USA or through the company's website.

The shares of Microchip Technology Inc are publicly traded on the NASDAQ exchange.

#### 27. Subsequent events

Following the year end, on 1 May 2019, the bulk of the Company's inventory was transferred to a fellow group company in excess of its carrying value. The majority of the Company's future revenue will be through other entities in the Microchip group rather than directly within third parties.