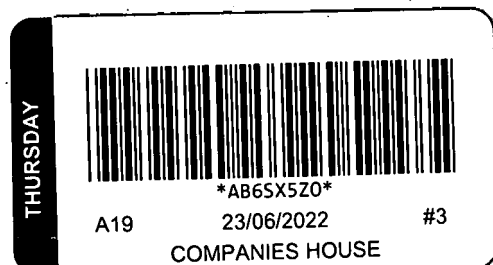


Registered number: 00705031

**MICROCHIP TECHNOLOGY CALDICOT LIMITED (FORMERLY KNOWN AS
MICROSEMI SEMICONDUCTOR LIMITED)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



MICROCHIP TECHNOLOGY CALDICOT LIMITED

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MICROCHIP TECHNOLOGY CALDICOT LIMITED

COMPANY INFORMATION

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

MICROCHIP TECHNOLOGY CALDICOT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present the Strategic Report of Microchip Technology Caldicot Limited (formerly known as Microsemi Semiconductor Limited) (the "Company") for the year ended 31 March 2021.

Business review

There was a significant reduction in revenues in FY21 compared with FY20, with turnover decreasing by 46% to \$54,690,000 (2020: \$102,200,000) as a result of a Group restructuring in the prior year, resulting in the Company becoming an intragroup sales entity and no longer selling its products directly to third parties. Gross margin has increased to 41% from 33% due to a change in the product mix as a result of the Group restructure and continued reduction in cost of goods sold. The profit before taxation for the financial year amounted to \$1,386,000 (2020: \$7,952,000).

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 2021 the Company had net assets of \$65,592,000 (2020: \$64,342,000).

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 selling semiconductor products to other Microchip Group companies which are subsequently sold to third party customers. External 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 year are as follows:

	2021 \$'000	2020 \$'000
Turnover	54,690	102,200
Profit before taxation	1,386	7,952

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Directors' statement of compliance with duty to promote the success of the Company

Introduction

The directors, in line with their duties under section 172(1) ("s172") of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long-term.

Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

Board training and support on s172 duties

Directors are supported in the discharge of their duties by the office of the Company Secretary. All directors receive guidance on their statutory duties including s172 and were briefed on the governance and reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018.

Stakeholders

The Company Board's responsibility to promote the long-term success of the Company, relies on inputs from, and positive relationships with, a wide range of stakeholders.

Employees

The Company directors are actively involved in promoting employee engagement. The Company directors believe its employees are at the centre of why the Company continues to be recognised as one of the top companies to work for on a national level. By fostering a family-focused culture based on regular employee feedback used to direct new employee programs and services, the Company continues to build strong core values based on communication, integrity, innovation, continuous improvement and job satisfaction.

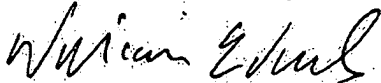
Other Stakeholders

As the Company provides semiconductor products to other Microchip Group companies which contribute and drive Microchip Group revenues, the key strategic decisions and stakeholder engagement is addressed at the Group Board level. The Group Board takes account of all stakeholders, including the stakeholders of the Company. This includes directing employees of the Company and other Group companies to work alongside customers to help support their future products. To the extent matters are raised relating to the Company, these are brought to the attention of the Company Board. The Chief Financial Officer of the Group sits on the Company's Board and discuss the decisions made at the Group Board with the other Company directors.

Principal Decisions

When making decisions, the directors have regard to the longer-term impact of such decisions and any possible impact on all stakeholders. No principal decision were made during the year.

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



W N Edwards
Director

Date: 23 June 2022

MICROCHIP TECHNOLOGY CALDICOT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and the audited financial statements of Microchip Technology Caldicot Limited (formerly known as Microsemi Semiconductor Limited) (the "Company") for the year ended 31 March 2021.

The Company changed its name from Microsemi Semiconductor Limited to Microchip Technology Caldicot Limited on 1 April 2020.

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 \$1.37/£ (2020: \$1.24/£) and an average rate of \$1.31/£ (2020: \$1.27/£).

Results and dividends

The profit for the financial year amounted to \$1,250,000 (2020: \$8,760,000).

During the year, a dividend of \$Nil (2020: \$Nil) was paid. The directors do not recommend the payment of a final dividend (2020: \$Nil).

Directors

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

J E Bjornholt
M N Sharif (resigned 17 June 2021)
W N Edwards (appointed 21 April 2021)

MICROCHIP TECHNOLOGY CALDICOT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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, Microchip Technology Incorporated.

Future developments

The Company's future plan continues to be based on 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 continues to introduce 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. 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, and opportunities to utilise capacity at the Caldicot site continue to be examined.

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.

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. Management does not believe that the impact of the COVID-19 virus will have a material adverse effect on the Company's financial condition or liquidity.

COVID-19

The emergence and subsequent spread of the coronavirus (COVID-19) is something that the directors of the Company have and continue monitor closely, both through government advice and commentary, as well as from a strategic planning perspective through an internal corporate team set up for the specific purpose of managing the impact of COVID-19 on the global business. The nature of the supply chain of the Company, its channels to market and end customer has experienced disruption, but the impact was not considered significant due to strong demand in the semiconductors market globally and further recovery is expected in the business of the Company due to the upcycle dynamics strategy.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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 \$1,779,070 during the year (2020: \$8,765,000).

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 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 they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

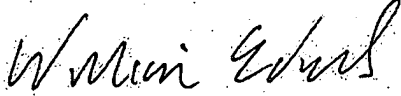
Independent auditors

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 financial statements with the registrar, whichever is earlier.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

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

A handwritten signature in black ink, appearing to read 'W N Edwards', is written over a horizontal line.

W N Edwards
Director

Date: 23 June 2022

MICROCHIP TECHNOLOGY CALDICOT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROCHIP TECHNOLOGY CALDICOT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Microchip Technology Caldicot Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year 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 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year 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

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

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.

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.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROCHIP TECHNOLOGY CALDICOT LIMITED (CONTINUED)

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 year ended 31 March 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and Industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment legislation and health & safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax law. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate accounting entries designed to overstate the financial performance or position of the company. Audit procedures performed by the engagement team included:

- holding discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- identifying and testing journal entries, in particular those that have unusual account combinations or those posted by senior management;
- obtaining third party confirmations of all of the company's banking arrangements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. This description forms part of our auditors' report.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROCHIP TECHNOLOGY CALDICOT LIMITED (CONTINUED)

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.

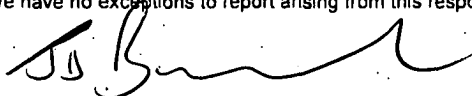
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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
23 June 2022

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 \$000	2020 \$000
Turnover	4	54,690	102,200
Cost of sales		(32,372)	(68,797)
Gross profit		22,318	33,403
Administrative expenses		(21,506)	(25,682)
Other operating income	5	103	55
Operating profit	6	915	7,776
Interest receivable and similar income	10	2,511	2,138
Interest payable and similar expenses	11	(2,040)	(1,962)
Profit before taxation		1,386	7,952
Tax on profit	12	(136)	808
Profit for the financial year		1,250	8,760
Total comprehensive income for the financial year		1,250	8,760

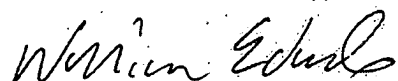
The notes on pages 14 to 28 form part of these financial statements.

MICROCHIP TECHNOLOGY CALDICOT LIMITED
REGISTERED NUMBER: 00705031

BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 \$000	2020 \$000
Fixed assets			
Intangible assets	13	6,545	18,962
Tangible assets	14	1,923	2,596
		<u>8,468</u>	<u>21,558</u>
Current assets			
Stocks	15	6,008	5,156
Debtors: amounts falling due after more than one year	16	8,981	8,906
Debtors: amounts falling due within one year	16	189,435	131,960
Cash at bank and in hand	17	1,981	17,002
		<u>206,405</u>	<u>163,024</u>
Creditors: amounts falling due within one year	18	(149,281)	(120,240)
Net current assets		<u>57,124</u>	<u>42,784</u>
Total assets less current liabilities		<u>65,592</u>	<u>64,342</u>
Capital and reserves			
Called up share capital	20	15,000	15,000
Profit and loss account	21	50,592	49,342
Total shareholders' funds		<u>65,592</u>	<u>64,342</u>

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



W N Edwards
Director

Date: 23 June 2022

The notes on pages 14 to 28 form part of these financial statements.

MICROCHIP TECHNOLOGY CALDICOT LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital \$000	Profit and loss account \$000	Total shareholders' funds \$000
At 1 April 2019	15,000	40,582	55,582
Comprehensive income for the financial year			
Profit for the financial year	-	8,760	8,760
Total comprehensive income for the financial year	-	8,760	8,760
At 31 March 2020 and 1 April 2020	15,000	49,342	64,342
Comprehensive income for the financial year			
Profit for the financial year	-	1,250	1,250
Total comprehensive income for the financial year	-	1,250	1,250
At 31 March 2021	15,000	50,592	65,592

The notes on pages 14 to 28 form part of these financial statements.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. General information

Microchip Technology Caldicot Limited's (formerly known as Microsemi Semiconductor Limited) (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 and domiciled in the United Kingdom. The address of its registered office is Portwall Place, Portwall Lane, Bristol, 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 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 as at 31 March 2021 and these financial statements may be obtained from 1 Enterprise, Aliso Viejo, California, USD 92656.

2.3 Exemption from preparing consolidated financial statements

The Company is exempt from the preparation of consolidated financial statements under section 400 of the Companies Act 2006, because it is included in the Group financial statements of Microchip Technology Incorporated. The registered address of Microchip Technology Incorporated is 2355 West Chandler Blvd, Chandler, Arizona, USA, where the Group financial statements can be obtained.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.4 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. Management does not believe that the impact of the COVID-19 virus will have a material adverse effect on the Company's financial condition or liquidity.

COVID-19

The emergence and subsequent spread of the coronavirus (COVID-19) is something that the directors of the Company have and continue monitor closely, both through government advice and commentary, as well as from a strategic planning perspective through an internal corporate team set up for the specific purpose of managing the impact of COVID-19 on the global business. The nature of the supply chain of the Company, its channels to market and end customer has experienced disruption but the impact was not considered significant due to strong demand in the semiconductors market globally and further recovery is expected in the business of the Company due to the upcycle dynamics strategy.

2.5 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.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.6 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

2.7 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:

Plant and machinery	-	10% to 25%
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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.

2.8 Development costs

Research and development expenditure is written off as incurred.

2.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.10 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 the Statement of Comprehensive Income.

2.11 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.

2.12 Cash at bank and in hand

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.

2.13 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.14 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.

2.15 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.

2.16 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.

2.17 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.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year 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.

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.

Stock provision

The Company undertakes a regular assessment of the levels and nature of stock held to assess the risk obsolescence. When assessing impairment, management consider a number of factors such as the ageing profile of stock 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.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

4. Turnover

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

Analysis of turnover by country of destination:

	2021 \$000	2020 \$000
United Kingdom	1,225	2,990
Rest of Europe	23,835	1,297
Rest of the World	29,630	97,913
	<u>54,690</u>	<u>102,200</u>

5. Other operating (expense)/income

	2021 \$000	2020 \$000
Furlough income	126	-
Foreign exchange (loss)/gain	(23)	55
	<u></u>	<u></u>

6. Operating profit

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

	2021 \$000	2020 \$000
Research & development expenditure written off	1,779	8,765
Government grants	(1,145)	(852)
Depreciation of tangible assets	670	726
Amortisation of intangible assets	12,435	12,496
Operating lease rental	398	403
Foreign exchange loss/(gain)	23	(55)
	<u></u>	<u></u>

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

7. Auditors' remuneration

	2021 \$000	2020 \$000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	83	63
Fees payable to the Company's auditors in respect of:		
Tax compliance services	12	4
Financial statement preparation	3	3
	15	7

8. Employees

Staff costs were as follows:

	2021 \$000	2020 \$000
Wages and salaries	4,589	3,812
Social security costs	332	405
Other pension costs	196	244
	5,117	4,461

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

	2021 Number	2020 Number
Manufacture	95	94
Customer services	1	1
Support	6	4
	102	99

9. Directors' remuneration

The directors received no emoluments during the year or during the prior year, in respect of their services to the Company. The directors are remunerated by other companies within the Microchip Technology Incorporated group for their services to the Group as a whole. It is not possible to allocate their remuneration between their services as directors of different group companies. Key management personnel are deemed to be the directors of the Company.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

10. Interest receivable and similar income

	2021 \$000	2020 \$000
Interest receivable from group companies	2,511	2,138

11. Interest payable and similar expenses

	2021 \$000	2020 \$000
Bank interest payable	19	-
Interest payable to group companies	2,021	1,962
	2,040	1,962

12. Tax on profit

	2021 \$000	2020 \$000
Corporation tax		
Current tax on profit for the financial year	-	39
Adjustments in respect of prior years	210	(1,091)
Foreign tax	1	-
Total current tax	211	(1,052)
Deferred tax		
Origination and reversal of timing differences	231	1,484
Changes to tax rates	-	(1,094)
Adjustments in respect of prior years	(306)	(146)
Total deferred tax	(75)	244
Total tax	136	(808)

MICROCHIP TECHNOLOGY CALDICOT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

12. Tax on profit (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021	2020
	\$000	\$000
Profit before taxation	<u>1,386</u>	<u>7,952</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	263	1,511
Effects of:		
Expenses not deductible for tax purposes	(39)	1
Tax rate changes	-	(1,094)
Adjustments in respect of prior years	(96)	(1,237)
Share options	7	11
Foreign tax	1	-
Total tax charge/(credit) for the financial year	<u>136</u>	<u>(808)</u>

Factors that may affect future tax charges

Finance Act 2021 sets out an increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023). This decision was substantively enacted on 24 May 2021. The deferred tax asset at 31 March 2021 has therefore continued to be calculated at 19%.

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

13. Intangible assets

	Patents and licences \$000	Intellectual property \$000	Software \$000	Total \$000
Cost				
At 1 April 2020	1,906	60,000	-	61,906
Additions	-	-	18	18
At 31 March 2021	1,906	60,000	18	61,924
Accumulated amortisation				
At 1 April 2020	944	42,000	-	42,944
Charge for the year	433	12,000	2	12,435
At 31 March 2021	1,377	54,000	2	55,379
Net book value				
At 31 March 2021	529	6,000	16	6,545
At 31 March 2020	962	18,000	-	18,962

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

14. Tangible assets

	Plant and machinery \$000
Cost	
At 1 April 2020	10,846
Additions	7
Disposals	(582)
At 31 March 2021	<u>10,271</u>
Accumulated depreciation	
At 1 April 2020	8,250
Charge for the year	670
Disposals	(572)
At 31 March 2021	<u>8,348</u>
Net book value	
At 31 March 2021	<u>1,923</u>
At 31 March 2020	<u>2,596</u>

15. Stocks

	2021 \$000	2020 \$000
Raw materials	2,484	2,618
Work in progress	3,173	1,778
Finished goods	351	760
	<u>6,008</u>	<u>5,156</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 \$1,485,000 (2020: \$1,520,000).

Inventories recognised as an expense during the year ended 31 March 2021 amounted to \$30,872,285 (2020: \$66,894,000).

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

16. Debtors

	2021 \$000	2020 \$000
Amounts due after more than one year		
Deferred tax asset (see note 19)	8,981	8,906
	2021 \$000	2020 \$000
Amounts due within one year		
Trade debtors	894	793
Amounts owed by group undertakings	184,726	123,362
Other debtors	-	82
Corporation tax recoverable	1,658	1,581
Prepayments and accrued income	2,157	6,142
	189,435	131,960

Trade debtors are stated after provision for impairment of \$Nil (2020: \$Nil).

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

There are three loans (2020: three) to group companies:

- One loan of \$77,000,000 (2020: \$77,000,000) bears interest at a fixed rate of 1.94%. An additional rate of 2.94% is payable on overdue interest.
- One loan of \$15,000,000 (2020: \$15,000,000) bears interest at a fixed rate of 5.56%.
- One loan of \$10,000,000 (2020: \$10,000,000) bears interest at a rate equal to the annually compounding mid-term Applicable Federal Rate which is updated on each anniversary of the loan. The interest rate for the year was 0.58% (2020: 2.37%).

The remaining amounts owed by group undertakings are interest free.

17. Cash at bank and in hand

	2021 \$000	2020 \$000
Cash at bank and in hand	1,981	17,002

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

18. Creditors: amounts falling due within one year

	2021 \$000	2020 \$000
Trade creditors	3,848	1,682
Amounts owed to group undertakings	144,874	117,218
Taxation and social security	-	114
Accruals and deferred income	559	1,226
	<u>149,281</u>	<u>120,240</u>

The amounts owed to group undertakings are unsecured and repayable on demand. \$60,000,000 (2020: \$60,000,000) bears interest at a fixed rate of 3% with the remainder being interest free.

The amounts owed to group undertakings are unsecured and repayable on demand.

19. Deferred taxation

	2021 \$000
At beginning of year	8,906
Charged to profit or loss	(231)
Adjustment in respect of prior years	306
At end of year	<u>8,981</u>

The deferred tax balance is made up as follows:

	2021 \$000	2020 \$000
Fixed asset timing differences	789	866
Tax losses carried forward	8,192	8,035
Short term timing differences - trading	-	5
	<u>8,981</u>	<u>8,906</u>
Comprising:		
Asset - due after one year	<u>8,981</u>	<u>8,906</u>
	<u>8,981</u>	<u>8,906</u>

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

MICROCHIP TECHNOLOGY CALDICOT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

20. Called up share capital

	2021 \$000	2020 \$000
Allotted, called up and fully paid		
10,000,000 (2020: 10,000,000) Ordinary shares of \$1.50000 (2020: \$1.50000)	15,000	15,000

21. Profit and loss account

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

22. Pension commitments

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to \$196,000 (2020: \$244,000).

23. Commitments under operating leases

At 31 March the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2021 \$000	2020 \$000
Not later than 1 year	132	634
Later than 1 year and not later than 5 years	879	889
	<u>1,011</u>	<u>1,523</u>

24. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Microsemi Ireland Holding Limited, a company incorporated in Ireland.

Microchip Technology Incorporated is the parent undertaking of the smallest and largest group for which consolidated financial statements include the results of Microchip Technology Caldicot Limited (formerly known as Microsemi Semiconductor Limited). The financial statements of Microchip Technology Incorporated are available from 2355 West Chandler Blvd, Chandler, Arizona, USA or through the Company's website.

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