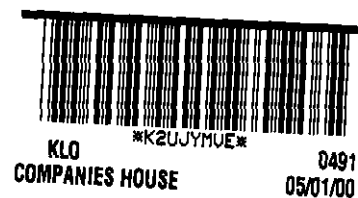


**PMC-SIERRA EUROPE LTD**  
**(formerly Law 906 Ltd)**

**Report and Financial Statements**

**31 December 1998**

**Deloitte & Touche**  
**Hill House**  
**1 Little New Street**  
**London**  
**EC4A 3TR**



**PMC-SIERRA EUROPE LTD**  
**(formerly Law 906 Ltd)**

**REPORT AND FINANCIAL STATEMENTS 1998**

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**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J Sullivan (appointed 17 December 1997)  
R Bailey (appointed 29 April 1999)  
S Perna (appointed 29 April 1999)

**SECRETARY**

Huntsmoor Nominees Limited (appointed 8 October 1997)

**REGISTERED OFFICE**

Carmelite  
50 Victoria Embankment  
Blackfriars  
London EC4Y 0DX

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Hill House  
1 Little New Street  
London EC4A 3TR

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the period from incorporation on 8 October 1997 to 31 December 1998.

### **ACTIVITY**

The company changed its name on 29 December 1997 from Law 906 Limited to PMC-Sierra Europe Ltd. The principal activity of the company during the period was to support the sale of custom and other semiconductors.

### **RESULTS AND DIVIDENDS**

The profit and loss account is set out on page 5. The company made a profit of £34,028 before tax. The directors do not recommend the payment of a dividend.

### **DIRECTORS AND THEIR INTERESTS**

The membership of the Board during the period and since 8 October 1997 is set out on page 1.

The director who served during the period is J Sullivan who was appointed on 17 December 1997. The director did not have any interest in the share capital of the company. At 31 December 1998 J Sullivan held 1,000 US\$0.001 ordinary shares in the ultimate parent company, PMC-Sierra Inc., out of a total 31,415,000 US\$ 0.001 ordinary shares.

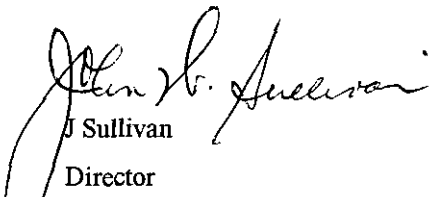
### **YEAR 2000**

The directors of the ultimate parent company, PMC-Sierra Inc., have recognised the problems that may be caused by the millennium date change. A programme has been underway to identify and resolve Year 2000 issues associated with the group's internal IT systems and material third party relationships. The cost of the systems upgrade for the group's operating and financial applications, is charged to the profit and loss account as and when it is incurred and future costs are not expected to be material.

### **AUDITORS**

Deloitte & Touche were appointed auditors during the period and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

  
J Sullivan  
Director  
December 14, 1999

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## AUDITORS' REPORT TO THE MEMBERS OF

### PMC-SIERRA EUROPE LTD (formerly Law 906 Ltd)

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

#### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the period from incorporation on 8 October 1997 to 31 December 1998 and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*  
Chartered Accountants  
and Registered Auditors  
23 December 1999

**PROFIT AND LOSS ACCOUNT**

**Period from incorporation on 8 October 1997 to 31 December 1998**

	Note	Period from incorporation on 8 October 1997 to 31 December 1998 £
<b>TURNOVER</b>	2	907,236
Administrative expenses		<u>(873,208)</u>
<b>OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	34,028
Tax on profit on ordinary activities	5	<u>(22,292)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE PERIOD</b>		<u><u>11,736</u></u>

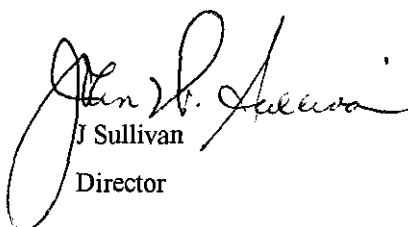
All activities are derived from continuing operations.

There are no recognised gains or losses in the period other than as shown above. Accordingly no statement of total recognised gains and losses or statement of movements on reserves is presented in these accounts.

**BALANCE SHEET**  
**31 December 1998**

	Note		1998 £
<b>TANGIBLE FIXED ASSETS</b>	6		<u>18,636</u>
<b>CURRENT ASSETS</b>			
Debtors	7	593,811	
Cash at bank and in hand		<u>53,936</u>	
		647,747	
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(653,647)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(5,900)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u><u>12,736</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9		1,000
Profit and loss account			<u>11,736</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			<u><u>12,736</u></u>

These financial statements were approved by the Board of Directors on December 14, 1999.  
Signed on behalf of the Board of Directors

  
J Sullivan  
Director



## NOTES TO THE ACCOUNTS

Period from incorporation on 8 October 1997 to 31 December 1998

### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards. The particular accounting policies adopted by the directors are described below.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Tangible fixed assets

Depreciation is provided using the straight line method to write off the cost in equal annual instalments over the estimated useful economic lives of the assets. The estimated useful economic lives are as follows:

Fixtures and fittings	2-5 years
Equipment	2-5 years
Leasehold improvements	Period of lease.

#### Pension schemes

The ultimate parent company, PMC-Sierra Inc., operates a defined contribution scheme for all qualified employees. The contribution by the company is charged to the profit and loss account in the period in which it is incurred.

### 2. TURNOVER

Turnover represents management charges to the parent company, PMC-Sierra International Inc., net of sales related taxes. All income derives from the UK.

### 3. OPERATING PROFIT

Operating profit is stated after charging:

	Period from incorporation on 8 October 1997 to 31 December 1998 £
Depreciation	4,664
Rentals under other operating leases	75,836
Auditors' remuneration	1,500
Foreign exchange loss	14,056

## NOTES TO THE ACCOUNTS

Period from incorporation on 8 October 1997 to 31 December 1998

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No director was remunerated by the company during the period.

	Period from incorporation on 8 October 1997 to 31 December 1998 £
Employee costs during the period:	
Wages and salaries	380,257
Social security costs	31,189
Other pension costs	35,094
	<hr/> 446,540 <hr/>

The average weekly number of full time employees (including the director) during the period was as follows:

	Period from incorporation on 8 October 1997 to 31 December 1998 No.
Marketing and distribution	5
Administration	1
	<hr/> 6 <hr/>

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Period from incorporation on 8 October 1997 to 31 December 1998 £
UK corporation tax at 31%	<hr/> 22,292 <hr/>

The tax charge is disproportionately high due to the high number of associated companies and due to a relatively high proportion of permanent disallowable costs.

**NOTES TO THE ACCOUNTS**

**Period from incorporation on 8 October 1997 to 31 December 1998**

**6. TANGIBLE FIXED ASSETS**

	Equipment £	Leasehold improvements £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 8 October 1997	-	-	-	-
Additions	20,951	1,297	1,052	23,300
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	20,951	1,297	1,052	23,300
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>				
At 8 October 1997	-	-	-	-
Charge for the period	4,198	143	323	4,664
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	4,198	143	323	4,664
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 1998	16,753	1,154	729	18,636
	<hr/>	<hr/>	<hr/>	<hr/>

**7. DEBTORS**

	1998 £
Amounts owed by group undertakings	590,458
Prepayments	3,199
Other debtors	154
	<hr/>
	593,811
	<hr/>

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £
Trade creditors	7,666
Amounts owed to group undertakings	550,349
Corporation tax payable	22,292
Accruals	73,340
	<hr/>
	653,647
	<hr/>

## NOTES TO THE ACCOUNTS

Period from incorporation on 8 October 1997 to 31 December 1998

### 9. CALLED UP SHARE CAPITAL

	1998 £
<b>Authorised:</b>	
1,000 ordinary shares of £1 each	1,000
	<hr/>
<b>Called up, allotted and fully paid:</b>	
1,000 ordinary shares of £1 each	1,000
	<hr/>

Upon incorporation, two ordinary shares of £1 each were issued at par for cash. On 17 December 1997 998 ordinary shares of £1 each were issued at par for cash.

### 10. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 8 paragraph 3(c) - Related Party Transactions not to disclose transactions with other group companies.

### 11. OPERATING LEASE COMMITMENTS

At 31 December 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	Other operating leases 1998 £
Leases which expire:	
Within one year	1,108
Within two to five years	43,462
	<hr/>
	44,570
	<hr/>

### 12. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is PMC-Sierra International Inc., a company incorporated in Barbados. The parent company does not prepare consolidated financial statements.

The ultimate parent company and controlling party is PMC-Sierra Inc., a company incorporated in the USA.

Copies of the group financial statements are available from Suite 105, 8555 Baxter Place, Burnaby, B.C., Canada, V5A 4V7.