

Company Registration No. 03446594

Microsemi Storage Solutions Europe Ltd

Annual Report and Financial Statements

31 December 2015

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Microsemi Storage Solutions Europe Ltd

Annual report and financial statements 2015

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Microsemi Storage Solutions Europe Ltd

Annual report and financial statements 2015

Directors, officers and professional advisors

Directors

A Flaminia
N Schneider
K Pruden

Secretary

Huntsmoor Nominees Limited

Registered office

5 New Street Square
London
EC4A 3TW

Bankers

Bank of America NA
26 Elmfield Road
Bromley
Kent
BR1 1WA

Independent auditor

Ernst & Young LLP
Barony House
Stoneyfield Business Park
Inverness
IV2 7PA

Microsemi Storage Solutions Europe Ltd

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2015. The company changed its name from PMC-Sierra Europe Limited to Microsemi Storage Solutions Europe Ltd on 25 March 2016.

Principal activity

The company's principal activity is to sell custom and other semiconductors in the UK and provide research & development services to Microsemi Storage Solutions Malaysia Sdn. Bhd. (formerly known as PMC-Sierra International Sdn. Bhd.).

Dividends

Nil dividend was paid during the year.

Directors

The directors, who served throughout the year except as noted, were as follows:

A Flaminia (resigned on 29 Feb 2016)

N Schneider

K Pruden (resigned on 29 Feb 2016)

Going concern

Microsemi Storage Solutions Europe Ltd ("The Company") has net current assets of £4,067,554 (2014 - £3,185,536) and cash of £614,405 (2014 - £267,950) as at 31 December 2015. The Company is expected to continue to generate positive cash flows for the foreseeable future. On the basis of their assessment of the Company's financial position the Company's directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note 1 in the financial statements.

Independent auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

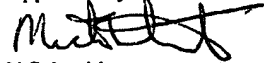
- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s 418 of the Companies Act 2006.

The directors have taken advantage of the small companies exemption provided by section 414B of the Companies Act 2006 not to prepare a strategic report.

In preparing this report the directors have taken advantage of the small companies' exemption provided by section 415A of the Companies Act 2006.

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



N Schneider

Director

9 June 2016

Microsemi Storage Solutions Europe Ltd

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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. They 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.

Independent auditor's report to the members of Microsemi Storage Solutions Europe Ltd

We have audited the financial statements of Microsemi Storage Solutions Europe Ltd for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

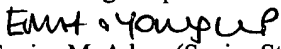
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in not preparing the strategic report and take advantage of the small companies' exemption in preparing the directors' report.


Eunice McAdam (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
Inverness

26 July 2016

Microsemi Storage Solutions Europe Ltd

Statement of Comprehensive Income

	Note	2015 £	2014 £
Turnover	2	5,666,892	6,359,071
Administrative expenses		4,703,172	5,445,191
Operating profit on ordinary activities before taxation	4	963,720	913,880
Tax on profit on ordinary activities	5	(180,482)	(135,569)
Profit for the financial year		783,238	778,311
Other comprehensive income		-	-
Total comprehensive income for the year		783,238	778,311

All results are derived from continuing operations.

Microsemi Storage Solutions Europe Ltd

Statement of Changes in Equity Year ended 31 December 2015

	Share Capital	Additional Paid-in Capital	Profit Loss	And	Total Equity
	£	£	£		£
At 1 January 2014	1,000	1,935,837	404,790		2,341,627
Profit for the year	-	-	778,311		778,311
Other comprehensive income	-	-	-		-
Total comprehensive income for the year	-	-	778,311		778,311
Share based payment expense	-	84,840	-		84,840
At 31 December 2014	1,000	2,020,677	1,183,101		3,204,778
Profit for the year	-	-	783,238		783,238
Other comprehensive income	-	-	-		-
Total comprehensive income for the year	-	-	783,238		783,238
Share based payment expense	-	81,094	-		81,094
At 31 December 2015	1,000	2,101,771	1,966,339		4,069,110

Microsemi Storage Solutions Europe Ltd

Balance Sheet

Year ended 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible fixed assets	7	48,633	57,870
Long-term deposits		30,188	31,792
Current assets			
Debtors	8	6,776,386	5,760,535
Cash at bank and in hand		614,405	267,950
		7,390,791	6,028,485
Creditors: amounts falling due within one year	9	(3,323,237)	(2,842,949)
Net current assets		4,067,554	3,185,536
Total assets less current liabilities		4,146,375	3,275,198
Creditors: amounts falling due after more than one year	10	(77,265)	(70,420)
Total assets less long term liabilities		4,069,110	3,204,778
Capital and reserves			
Called up share capital	11	1,000	1,000
Additional paid-in capital	12	2,101,771	2,020,677
Profit and loss account	12	1,966,339	1,183,101
Total shareholders' funds		4,069,110	3,204,778

The financial statements of Microsemi Storage Solutions Europe Ltd, registered number 03446594 were approved by the board of directors and authorised for issue on 9 June 2016.

Signed on behalf of the Board of Directors



N Schneider
Director

Microsemi Storage Solutions Europe Ltd

Notes to the accounts Year ended 31 December 2015

1. Accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards.

The company's financial statements are presented in Sterling.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. On transition there were no differences arising, and accordingly a reconciliation from previous UK GAAP profits or reported assets and liabilities is not presented.

The Company has taken advantage of the following disclosure exemptions under FRS 102:

- (a) the requirements of Section 4 Statement of Financial Position paragraph 4.12 (a)(iv)
- (b) the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d);
- (c) the requirements of Section 11 paragraphs 1.39 to 1.48A and Section 12, paragraphs 12.26 to 12.29A ;
- (d) the requirements of Section 26 Share Based Payment paragraphs 26.18(b); 26.19 to 26.21; and 26.23
- (e) the requirements of Section 33 Related Party Disclosures

Accounting convention

The financial statements are prepared on the historical cost basis except where FRS102 requires the use of fair value.

Going Concern

The Company had net current assets of £4,067,554 (2014 - £3,185,536) and cash of £614,405 (2014 - £267,950) as at 31 December 2015. The Company is expected to continue to generate positive cash flows for the foreseeable future. On the basis of their assessment of the Company's financial position the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Management do not consider they have made any significant judgements or estimates in preparing these financial statements.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The estimated useful economic lives are as follows:

Leasehold improvements	Period of lease
Equipment	2-5 years
Fixtures and fittings	2-5 years
Software	3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable.

Microsemi Storage Solutions Europe Ltd

Notes to the accounts

Year ended 31 December 2015

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited to equity if it relates to items charged or credited directly to equity. Otherwise income tax is recognised in the income statement.

Foreign exchange

The currency of the primary economic environment in which the Company operates (its functional currency) is United States Dollar (USD) and the Company has presented its financial statement in Pound Sterling (GBP) only for statutory reporting purpose. The rate of exchange at 31 December 2015 was \$1.49/£1 GBP.

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (USD) are recorded at the rate of exchange prevailing on the dates of the transactions. At the balance sheet date, monetary items carried at fair value or cost, which are denominated in foreign currencies, are translated into USD at the rates prevailing. Differences are recognised in profit and loss.

For statutory reporting, the Company's balance sheet accounts are translated into the presentation currency (GBP) at exchange rates prevailing on the balance sheet date. Income and expense items are translated at average exchange rates for the period. Exchange differences arising are recognised in the profit and loss.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

Rendering of services

Revenue represents amounts earned for services provided and is recognised when those services have been provided.

Pension costs

The ultimate parent company, Microsemi Storage Solutions, Inc. (formerly known as PMC-Sierra, Inc.), operates a defined contribution pension scheme for all qualified employees. The contribution by the Company is charged to the profit and loss account as it falls due. Any difference between contributions paid and payable is recorded in the balance sheet as a prepayment or accrual.

Microsemi Storage Solutions Europe Ltd

Notes to the accounts Year ended 31 December 2015

1. Accounting policies (continued)

Share-based payment

The Company has applied the requirements of FRS 102 in respect of Share-Based Payments.

The ultimate parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period. The fair value of stock option awards granted to employees during the year ended 31 December 2015, was estimated using a lattice-binomial valuation model. The binomial model considers the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of termination or retirement of the option holder in computing the value of the option.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative expenses.

2. Turnover

Turnover represents commission earned on sales made by PMC-Sierra International Sdn. Bhd in the United Kingdom when the sale is recorded by the principal company.

The turnover, which arises in the United Kingdom, is attributable to the Company's principal activity.

3. Information regarding directors and employees

No director received any emoluments for their services as a director of the Company in the years ended 31 December 2015 and 2014.

	2015	2014
	No.	No.
Average number of persons employed		
Research and development	5	4
Marketing and distribution	13	10
	<u>18</u>	<u>14</u>
	2015	2014
	£	£
Staff costs during the year		
Wages and salaries	1,347,496	1,241,542
Social security costs	348,243	286,843
Pension costs	81,862	87,953
	<u>1,777,601</u>	<u>1,616,338</u>

Microsemi Storage Solutions Europe Ltd

Notes to the accounts

Year ended 31 December 2015

4. Operating profit on ordinary activities before taxation

	2015 £	2014 £
Operating profit on ordinary activities before taxation is after charging/ crediting:		
Depreciation		
Owned assets	31,028	30,732
Rentals under operating leases		
Minimum lease payments	41,486	73,838
Fees payable to the Company's auditor for the audit of the Company's annual accounts	6,272	5,837
Fees payable to the Company's auditor for other services related to taxation	33,024	30,606
Net foreign exchange (gain)/loss debited to the profit and loss account	180,482	(173,972)
	<u>180,482</u>	<u>(173,972)</u>

5. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

	2015 £	2014 £
Current tax		
United Kingdom corporation tax at 20.25% (2014 – 21.5%)	133,920	111,205
Adjustment in respect of prior years	-	(66,408)
Foreign tax	46,562	43,411
Total current tax	<u>180,482</u>	<u>88,208</u>
Deferred tax		
Timing differences, origination and reversal	-	47,361
Total deferred tax	<u>-</u>	<u>47,361</u>
Tax on profit on ordinary activities	<u>180,482</u>	<u>135,569</u>

Microsemi Storage Solutions Europe Ltd

Notes to the accounts

Year ended 31 December 2015

5. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge for the year

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20.25% for the year ended 31 December 2015 (2014: 21.5%). The actual tax charge for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2015 £	2014 £
Profit on ordinary activities before tax	963,720	913,880
Tax on profit on ordinary activities at standard rate	195,153	196,484
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	196	1,792
Income not taxable for tax purposes	(14,867)	(43,660)
Prior period adjustments	-	(19,047)
Total expense for the year	180,482	135,569

The UK corporation tax rate for financial years beginning 1 April 2015 was 20%.

6. Share-based payments

At 31 December 2015, the ultimate parent company has two share-based compensation programs, which are described below.

The fair values of the Company's share option and Employee Stock Purchase Plan, ("ESPP") awards were estimated using the following weighted average assumptions:

<u>Share Options:</u>	2015	2014
Expected life (years)	5.89	5.75
Expected volatility	30.54%	32.46%
Risk free interest rate	1.69%	1.83%
 <u>Employee Share Purchase Plan:</u>	 2015	 2014
Expected life (years)	0.5	0.5
Expected volatility	33.69%	35.36%
Risk free interest rate	0.15%	0.08%

Microsemi Storage Solutions Europe Ltd

Notes to the accounts

Year ended 31 December 2015

6. Share-based payments (continued)

Equity-settled share option scheme

PMC-Sierra, Inc. issues its common stock under the provisions of various share option schemes. Share option awards are granted with an exercise price equal to the closing market price of the ultimate parent company's common stock at the grant date. The options generally expire within five to ten years and vest over four years.

The weighted average share price at the date of exercise for share options exercised during the period was £8.10 (2014 - £4.11). The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 0.05 years (2014 – 4.29 years).

Restricted Stock Units

Microsemi Storage Solutions, Inc. (formerly known as PMC-Sierra, Inc.)'s stock award plans also allow for the issuance of Restricted Stock Units ("RSUs") to the Company's employees and members of the Board of Directors of the ultimate parent company. The grants vest over varying terms, to a maximum of four years from the date of grant.

Employee Share Purchase Plan

The ESPP allows eligible participants to purchase shares of Microsemi Storage Solutions, Inc. (formerly known as PMC-Sierra, Inc.)'s common stock through payroll deductions at a price of 85% of the lower of the fair market value of Microsemi Storage Solutions, Inc. (formerly known as PMC-Sierra, Inc.)'s common stock on the close of the first trading day or last trading day of the six-month purchase period. Shares are purchased twice per year on February 10 and August 10, or on the next business day.

During 2015, 10,594 (2014 – 8,506) shares were issued to the Company's employees at a weighted average price of £5.91 (2014 - £3.39).

Microsemi Storage Solutions Europe Ltd

Notes to the accounts Year ended 31 December 2015

7. Tangible fixed assets

	Leasehold Improve- ments £	Equipment £	Fixtures and fittings £	Construction In Progress	Software	Total £
Cost						
At 1 January 2015	45,133	63,557	6,603	-	4,390	119,683
Additions in year	148	21,644	-	-	-	21,792
Write off in year	-	-	-	-	-	-
Transfer in year	-	-	-	-	-	-
At 31 December 2014	45,281	85,201	6,603	-	4,390	141,475
Accumulated depreciation						
At 1 January 2015	22,167	35,337	3,927	-	382	61,813
Charge in year	8,243	20,876	419	-	1,491	31,028
Write off in year	-	-	-	-	-	-
At 31 December 2015	30,410	56,213	4,346	-	1,873	92,841
Net book value						
At 31 December 2015	14,871	28,988	2,257	-	2,517	48,633
At 31 December 2014	22,966	28,220	2,676	-	4,008	57,870

8. Debtors

	2015 £	2014 £
Amounts due from group undertakings	6,568,860	5,686,212
Corporation tax receivable	139,630	-
Deferred tax asset	-	-
Prepayments and accrued income	67,896	74,323
	6,776,386	5,760,535

All amounts are due within one year.

Microsemi Storage Solutions Europe Ltd

Notes to the accounts Year ended 31 December 2015

9. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	434	16,783
Amounts due to group undertakings	2,811,655	2,426,277
Corporation tax	-	41,030
Accruals	369,275	345,069
Other taxation and social security	141,873	13,790
	<u>3,323,237</u>	<u>2,842,949</u>

10. Creditors: amounts falling due after more than one year

	2015 £	2014 £
Accruals	77,265	70,420
	<u>77,265</u>	<u>70,420</u>

11. Called up share capital

	2015 £	2014 £
Called up, allotted and fully paid		
1,000 (2010 – 1,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

12. Reserves

	Additional paid in capital £	Profit and loss account £	2015 Total £	2014 Total £
At 1 January	2,020,677	1,183,101	3,203,778	2,340,627
Profit for the financial year	-	783,238	783,238	778,311
Share based payment charge	81,094	-	81,094	84,840
Payment of dividend	-	-	-	-
At 31 December	<u>2,101,771</u>	<u>1,966,339</u>	<u>4,068,110</u>	<u>3,203,778</u>

Microsemi Storage Solutions Europe Ltd

Notes to the accounts Year ended 31 December 2015

13. Financial commitments

Operating lease commitments

At 31 December 2015, the Company was committed to making the following future minimum lease payments:

	2015	2014
	£	£
Within one year	46,168	22,715
Within two to five years	54,747	13,966
	<hr/>	<hr/>
	100,915	36,681
	<hr/>	<hr/>

14. Ultimate parent company

Microsemi Storage Solutions, Inc. (formerly known as PMC-Sierra, Inc.) is incorporated in the State of Delaware, USA, and is the ultimate parent company and controlling party. This is the largest and smallest group into which Microsemi Storage Solutions Europe Ltd is consolidated. Copies of the ultimate parent company's consolidated financial statements are available from 8555 Baxter Place, Burnaby, B.C., Canada, V5A 4V7.