

Registered number: 03446594

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**



MICROSEMI STORAGE SOLUTIONS EUROPE LTD

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MICROSEMI STORAGE SOLUTIONS EUROPE LTD

COMPANY INFORMATION

Directors	S G Litchfield (appointed 29 February 2016) P H Pickle (appointed 29 February 2016) N Schneider
Registered number	03446594
Registered office	Portwall Place Portwall Lane Bristol North Somerset BS1 9HS
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW
Bankers	Bank of America NA Bromley Kent BR1 1WA

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

The directors present their annual report and the audited financial statements for Microsemi Storage Solutions Europe Ltd (the "company") for the 9 months ended 30 September 2016. The prior year comparatives are for the year ended 31 December 2015.

Principal activity

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

Directors

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

S G Litchfield (appointed 29 February 2016)
P H Pickle (appointed 29 February 2016)
N Schneider
K Pruden (resigned 29 February 2016)
A Flaminia (resigned 29 February 2016)

Going concern

Microsemi Storage Solutions Europe LTD (the "company") has net current assets of £5,243,608 (2015: £4,067,554) and cash of £172,788 (2015: £614,405) as at 30 September 2016. 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 2 in the financial statements.

Branches outside the United Kingdom

The company operates in branches in Italy and Finland.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

On 31 March 2017 the company redenominated its preference share capital from \$5,890.62 each to \$1,890.62 each. The redenomination was achieved through a reduction in share capital via the directors' solvency statement method and the surplus arising was repaid to the preference share holders.

Independent auditors

During the year Ernst & Young resigned as auditors and were replaced by PricewaterhouseCoopers LLP.

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

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

Small companies exemption

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

This report was approved by the board on June 28, 2017 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'N Schneider', with a long horizontal stroke extending to the right.

N Schneider
Director

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSEMI STORAGE SOLUTIONS EUROPE LTD

Report on the financial statements

Our opinion

In our opinion Microsemi Storage Solutions Europe Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the 9 month period (the "period") then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 30 September 2016;
- the Statement of Comprehensive Income for the period ended;
- the Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSEMI STORAGE SOLUTIONS EUROPE LTD

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

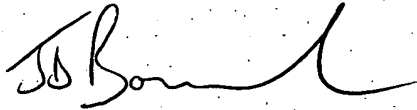
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSEMI STORAGE SOLUTIONS EUROPE LTD

In addition, we read all the financial and non-financial information in the Annual Report 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 implications for our report. With respect to the Directors' Report, we consider whether this report includes the disclosures required by applicable legal requirements.



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

Date: 29 June 2017

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

		9 months ended 30 September 2016 £	12 months ended 31 December 2015 £
	Note		
Turnover	4	4,014,266	5,666,892
Gross profit		4,014,266	5,666,892
Administrative expenses		(2,587,636)	(4,703,172)
Other operating income	5	8,846	-
Operating profit	6	1,435,476	963,720
Profit before taxation		1,435,476	963,720
Tax on profit	9	(294,778)	(180,482)
Profit for the financial period/year		1,140,698	783,238
Total comprehensive income for the financial period/year		1,140,698	783,238

MICROSEMI STORAGE SOLUTIONS EUROPE LTD
REGISTERED NUMBER: 03446594

BALANCE SHEET
AS AT 30 SEPTEMBER 2016

	Note	30 September 2016 £	31 December 2015 £
Non-current assets			
Tangible assets	10	42,106	48,633
Investments	11	4,537,354	-
Long-term deposits		32,459	30,188
		<u>4,611,919</u>	<u>78,821</u>
Current assets			
Debtors: amounts falling due within one year	12	8,573,468	6,776,386
Cash at bank and in hand	13	172,788	614,405
		<u>8,746,256</u>	<u>7,390,791</u>
Creditors: amounts falling due within one year	14	(3,502,648)	(3,323,237)
Net current assets		<u>5,243,608</u>	<u>4,067,554</u>
Total assets less current liabilities		<u>9,855,527</u>	<u>4,146,375</u>
Creditors: amounts falling due after more than one year		(4,645,719)	(77,265)
Net assets		<u><u>5,209,808</u></u>	<u><u>4,069,110</u></u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Additional paid-in capital	17	2,101,771	2,101,771
Profit and loss account	17	3,107,037	1,966,339
Total shareholders' funds		<u><u>5,209,808</u></u>	<u><u>4,069,110</u></u>

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

June 28, 2017

by:



N Schneider
Director

The notes on pages 11 to 25 form part of these financial statements.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Called up share capital £	Additional Paid-in Capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2015	1,000	2,020,677	1,183,101	3,204,778
Comprehensive income for the financial year				
Profit for the financial year	-	-	783,238	783,238
Total comprehensive income for the financial year	-	-	783,238	783,238
Contributions by and distributions to owners				
Share based payment expense	-	81,094	-	81,094
Total transactions with owners	-	81,094	-	81,094
At 1 January 2016	1,000	2,101,771	1,966,339	4,069,110
Comprehensive income for the financial period				
Profit for the financial period	-	-	1,140,698	1,140,698
Total comprehensive income for the financial period	-	-	1,140,698	1,140,698
At 30 September 2016	1,000	2,101,771	3,107,037	5,209,808

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

1. General information

Microsemi Storage Solutions Europe Ltd's (the "company") principal activity is to sell custom and other semiconductors in the UK and provide research and development services to Microsemi Storage Solutions Malaysia Sdn. Bhd.

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies 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 judgment in applying the company's accounting policies (see note 3).

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

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 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Microsemi Solutions Sdn. Bhd. (formerly Microsemi Storage Solutions Malaysia Sdn. Bhd.) at 30 September 2016 and their financial statements may be obtained from Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Sy. Putra, 59200, Kuala Lumpur, Malaysia.

2.3 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

2. Accounting policies (continued)

2.4 Going concern

Microsemi Storage Solutions Europe Ltd (the "company") has net current assets of £5,243,608 (2015: £4,067,554) and cash of £172,788 (2015: £614,405) as at 30 September 2016. 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.

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.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Tangible assets

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

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

2. Accounting policies (continued)

2.6 Tangible assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Leasehold improvements	- Period of lease
Fixtures and fittings	- 2-7 years
Equipment	- 2-7 years
Software	- 3 years

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

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

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.8 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.

2.9 Cash and cash equivalents

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

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

2. Accounting policies (continued)

2.10 Financial instruments

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

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

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

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

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

2.11 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.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2.14 Operating leases

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

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

2. Accounting policies (continued)

2.15 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.

2.16 Taxation

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.

3. Judgements in applying accounting policies 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.

4. Turnover

Turnover represents commission earned on sales made by Microsemi Solutions Sdn. Bhd. (formerly Microsemi Storage Solutions Malaysia 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.

5. Other operating income

	9 months ended 30 September 2016 £	12 months ended 31 December 2015 £
Other operating income	8,846	-

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

6. Operating profit

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

	9 months ended 30 September 2016 £	12 months ended 31 December 2015 £
Depreciation of tangible assets	12,871	31,028
Exchange differences	(625,906)	180,482
Operating lease rentals	76,527	41,486

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

7. Auditors' remuneration

	9 months ended 30 September 2016 £	12 months ended 31 December 2015 £
Fees payable to the company's auditors for the audit of the company's annual financial statements	16,000	6,272
Fees payable to the company's auditors in respect of:		
Other services relating to taxation	5,000	33,024
All other services	1,500	-
	6,500	33,024

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

8. Employees

Staff costs were as follows:

	9 months ended 30 September 2016 £	12 months ended 31 December 2015 £
Wages and salaries	2,323,554	1,347,496
Social security costs	229,364	348,243
Other pension costs	60,790	81,862
	<u>2,613,708</u>	<u>1,777,601</u>

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

	9 months ended 30 September 2016 Number	12 months ended 31 December 2015 Number
Research and development	5	5
Marketing and distribution	7	18
	<u>12</u>	<u>23</u>

9. Tax on profit

	9 months ended 30 September 2016 £	12 months ended 31 December 2015 £
Corporation tax		
Current tax on profit for the period/year	289,535	133,920
	<u>289,535</u>	<u>133,920</u>
Foreign tax		
Foreign tax on income for the year	5,243	46,562
	<u>5,243</u>	<u>46,562</u>
Total current tax	<u>294,778</u>	<u>180,482</u>

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

9. Tax on profit (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	9 months ended 30 September 2016 £	12 months ended 31 December 2015 £
Profit on ordinary activities before taxation	1,435,476	963,720
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	287,095	195,153
Effects of:		
Expenses not deductible for tax purposes	2,020	196
Capital allowances for period/year in excess of depreciation	5,663	(14,867)
Total tax charge for the period/year	294,778	180,482

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

10. Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Equipment £	Software £	Total £
Cost					
At 1 January 2016	45,281	6,603	85,201	4,390	141,475
Additions	-	5,924	1,639	-	7,563
Disposals	(651)	-	-	(568)	(1,219)
At 30 September 2016	44,630	12,527	86,840	3,822	147,819
Accumulated depreciation					
At 1 January 2016	30,410	4,346	56,213	1,873	92,842
Charge for the period	4,509	1,551	6,534	277	12,871
At 30 September 2016	34,919	5,897	62,747	2,150	105,713
Net book value					
At 30 September 2016	9,711	6,630	24,093	1,672	42,106
At 31 December 2015	14,871	2,257	28,988	2,517	48,633

11. Investments

	Investments in associates £
Cost	
At 1 January 2016	-
Additions	4,537,354
At 30 September 2016	4,537,354
Net book value	
At 30 September 2016	4,537,354
At 31 December 2015	-

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

11. Investments (continued)

Participating interests

Associates

Name	Registered office	Class of shares	Holding	Principal activity
Wintegra Inc.	6850 Austin Center Blvd, Suite 215, Austin, TX 78731	Preference shares	31%	Design and sale of specialized semiconductors for communication technologies

12. Debtors

	30 September 2016 £	31 December 2015 £
Due after more than one year		
Long-term deposits	<u>32,459</u>	<u>30,188</u>
Due within one year		
Amounts owed by group undertakings	8,556,744	6,568,860
Other debtors	408	-
Prepayments and accrued income	16,316	67,896
Corporation tax receivable	-	139,630
	<u>8,573,468</u>	<u>6,776,386</u>

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

13. Cash at bank and in hand

	30 September 2016 £	31 December 2015 £
Cash at bank and in hand	<u>172,788</u>	<u>614,405</u>

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

14. Creditors: Amounts falling due within one year

	30 September 2016 £	31 December 2015 £
Trade creditors	5,588	434
Amounts owed to group undertakings	2,746,876	2,811,655
Other taxation and social security	-	141,873
Accruals and deferred income	746,070	369,275
Corporation tax	4,114	-
	<u>3,502,648</u>	<u>3,323,237</u>

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

15. Creditors: Amounts falling due after more than one year

	30 September 2016 £	31 December 2015 £
Accruals and deferred income	108,365	77,265
Preference share capital treated as debt (note 16)	4,537,354	-
	<u>4,645,719</u>	<u>77,265</u>

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

16. Called up share capital

	30 September 2016 £	31 December 2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1,000 (2015: 1,000) Ordinary shares of £1 (2015: £1) each shares of £1 each	<u>1,000</u>	<u>1,000</u>
Shares classified as debt		
Allotted, called up and fully paid		
1,000 Preference shares shares of \$5890.62 each	<u>4,537,354</u>	<u>-</u>

On 28 September 2016, the company issued 1,000 preferences shares of \$5,890.62 each at par in exchange for the shares in an associated undertaking as part of a wider group restructuring exercise.

The preference shares are fixed cumulative shares attracting a non-compounding coupon at 8%. The share are redeemable at the discretion of the company in the first three years from the date of issue and then redeemable at the discretion of the holder after 15 years.

17. Reserves

Additional Paid-in Capital reserve

Additional paid-in Capital represents additional proceeds paid in capital by the shareholder.

Profit and loss account

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

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

18. Share based payments

Microsemi Storage Solutions Inc. (formerly known as PMC-Sierra, Inc.), the ultimate holding company of the Company as at 31 December 2015, operates an Employee Share Purchase Plan and Equity Incentive Plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The details of the compensation plans were as follows:

(a) Employee stock purchase plan

The Employee Share Purchase Plan ("ESPP") allows eligible participants to purchase shares of PMC's common stock through payroll deductions at a price of 85% of the lower of the fair market value of PMC'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 10 February and 10 August, or on the next business day.

For financial period ended 30 September 2016, 4,328 (2015: 10,594) shares were issued to the company's employees at a weighted average price of £4.33 (2015: £5.91).

On 15 January 2016, upon Microsemi Storage Solutions Inc. being acquired by Microsemi Corporation, the ESPP was terminated.

(b) Equity incentive plan

(i) Microsemi Storage Solutions Inc. issues its common stock under the provisions of various share option scheme. Share option awards are granted with an exercise price equal to the closing market price of Microsemi Storage Solutions Inc.'s common stock at the grant date. The options expire within five to 10 years and vest over four years.

Upon Microsemi Storage Solutions Inc. being acquired by Microsemi Corporation, all outstanding Microsemi Storage Solutions Inc. stock options were accelerated and settled in a combination of cash and Microsemi Corporation's common stock, with a charge of £11,438 attributable to the period.

(ii) Microsemi Storage Solutions 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. The grants vest over varying terms, to a maximum of four years from the date of grant.

Upon Microsemi Storage Solutions Inc. being acquired by Microsemi Corporation, all unvested RSUs were converted into Microsemi Corporation RSU's based on an equity conversion ratio.

19. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £60,790 (2015 £81,862).

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

20. Commitments under operating leases

At 30 September 2016 and 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	30 September 2016 £	31 December 2015 £
Within one year	72,754	46,168
Within two to five years	85,020	54,747
	<u>157,774</u>	<u>100,915</u>

21. Post balance sheet events

On 31 March 2017 the company redenominated its preference share capital from \$5,890.62 each to \$1,890.62 each. The redenomination was achieved through a reduction in share capital via the directors' solvency statement method and the surplus arising was repaid to the preference share holders.

22. Related party transactions

The company is a wholly owned subsidiary of Microsemi Corporation and has taken advantage of the exemption not to disclose transactions with Microsemi Corporation or other wholly owned subsidiaries within the group.

23. Controlling party

The company's immediate parent undertaking is Microsemi Solutions Sdn. Bhd. (formerly Microsemi Storage Solutions Malaysia Sdn. Bhd.), a company incorporated in Malaysia. This is the smallest group into which the company is consolidated and their financial statements may be obtained from Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Sy. Putra, 59200, Kuala Lumpur, Malaysia.

Prior to 15 January 2016, the ultimate parent undertaking and controlling party was Microsemi Storage Solutions Inc. (formerly PMC Sierra Inc.). Following the acquisition of Microsemi Storage Solutions Inc. by Microsemi Corporation on 15 January 2016 the ultimate parent undertaking and controlling party is Microsemi Corporation, a company incorporated in the United States and whose shares are publicly traded in the NASDAQ stock exchange in the United States.

Microsemi Corporation is the largest group in which the company is consolidated. Copies of the ultimate parent company's consolidated financial statements are available from 1 Enterprise, Aliso Viejo, California, USA 92656 or through the company's website.