

Registered number: 03446594

**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2017**



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**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

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**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

**COMPANY INFORMATION**

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

## **MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017**

The directors present their annual report and the audited financial statements for Microsemi Storage Solutions Europe Ltd (the "company") for the year ended 30 September 2017.

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **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.

#### **Directors**

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

S G Litchfield  
P H Pickle  
N Schneider

#### **Going concern**

Microsemi Storage Solutions Europe LTD (the "company") has net current assets of £5,672,673 (2016: £5,243,608) and cash of £447,679 (2016: £172,788) as at 30 September 2017. 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.

**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**Branches outside the United Kingdom**

The company operates in branches in Italy and Finland.

**Disclosure of information to auditors**

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

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

**Independent auditors**

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

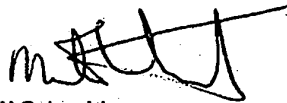
**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**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 *March 8, 2018* and signed on its behalf by:

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 audit of the financial statements**

### **Opinion**

In our opinion Microsemi Storage Solutions Europe Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 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 30 September 2017; the Statement of Comprehensive Income, 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**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

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

### **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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## **MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSEMI STORAGE SOLUTIONS EUROPE LTD (CONTINUED)**

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

#### *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 September 2017 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 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 set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

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



**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSEMI STORAGE SOLUTIONS  
EUROPE LTD (CONTINUED)**

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**Other required reporting**

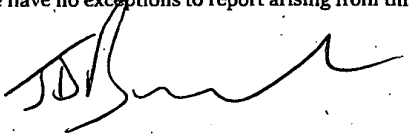
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**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Bound (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
Date: 8 March 2018

**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

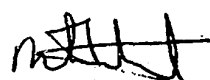
		<b>12 months ended 30 September 2017 £</b>	<b>9 months ended 30 September 2016 £</b>
	<b>Note</b>		
Turnover	4	<b>4,321,309</b>	4,014,266
<b>Gross profit</b>		<b>4,321,309</b>	4,014,266
Administrative expenses		<b>(2,950,900)</b>	(2,587,636)
Other operating income	5	-	8,846
<b>Operating profit</b>	6	<b>1,370,409</b>	1,435,476
Income from participating interests		<b>2,679,962</b>	-
<b>Profit before taxation</b>		<b>4,050,371</b>	1,435,476
Tax on profit	9	<b>(449,171)</b>	(294,778)
<b>Profit for the financial year</b>		<b>3,601,200</b>	1,140,698
<b>Total comprehensive income for the financial year</b>		<b>3,601,200</b>	1,140,698

**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**  
**REGISTERED NUMBER: 03446594**

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	11	141,638	42,106
Investments	12	4,537,354	4,537,354
Long-term deposits		-	32,459
		<u>4,678,992</u>	<u>4,611,919</u>
<b>Current assets</b>			
Debtors	13	9,227,412	8,573,468
Cash at bank and in hand	14	447,679	172,788
		<u>9,675,091</u>	<u>8,746,256</u>
Creditors: amounts falling due within one year	15	<u>(4,002,418)</u>	<u>(3,502,648)</u>
<b>Net current assets</b>		<u>5,672,673</u>	<u>5,243,608</u>
<b>Total assets less current liabilities</b>		<u>10,351,665</u>	<u>9,855,527</u>
Creditors: amounts falling due after more than one year	16	<u>(1,540,657)</u>	<u>(4,645,719)</u>
<b>Net assets</b>		<u><u>8,811,008</u></u>	<u><u>5,209,808</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	1,000	1,000
Additional paid-in capital	19	2,101,771	2,101,771
Profit and loss account	19	6,708,237	3,107,037
<b>Total shareholders' funds</b>		<u><u>8,811,008</u></u>	<u><u>5,209,808</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 March 2018 by:



**N Schneider**  
 Director

**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	<b>Called up share capital</b>	<b>Additional Paid-in Capital</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2016	1,000	2,101,771	1,966,339	4,069,110
<b>Comprehensive income for the financial period</b>				
Profit for the financial period	-	-	1,140,698	1,140,698
<b>Total comprehensive income for the financial period</b>	<b>-</b>	<b>-</b>	<b>1,140,698</b>	<b>1,140,698</b>
At 1 October 2016	1,000	2,101,771	3,107,037	5,209,808
<b>Comprehensive income for the financial year</b>				
Profit for the financial year	-	-	3,601,200	3,601,200
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>3,601,200</b>	<b>3,601,200</b>
At 30 September 2017	1,000	2,101,771	6,708,237	8,811,008

## **MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017**

#### **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 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 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 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 Storage Solutions Sdn. Bhd. as at 30 September 2017 and these 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 Investment in associates**

Associates are held at cost less impairment.

## **MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017**

#### **2. Accounting policies (continued)**

##### **2.4 Going concern**

Microsemi Storage Solutions Europe Ltd (the "company") has net current assets of £5,672,673 (2016: £5,243,608) and cash of £447,679 (2016: £172,788) as at 30 September 2017. 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 YEAR ENDED 30 SEPTEMBER 2017**

#### **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 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.

##### **2.8 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 YEAR ENDED 30 SEPTEMBER 2017**

#### **2. Accounting policies (continued)**

##### **2.9 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.

##### **2.10 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 YEAR ENDED 30 SEPTEMBER 2017**

#### **2. Accounting policies (continued)**

##### **2.11 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 'other operating income'.

##### **2.12 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.

##### **2.13 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 YEAR ENDED 30 SEPTEMBER 2017

#### 2. Accounting policies (continued)

##### 2.14 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.

##### 2.15 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 they have made any significant judgements or estimates in preparing these financial statements.

#### 4. Turnover

Turnover represents research and development services and commission earned on sales made by Microsemi Solutions 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

	12 months ended 30 September 2017 £	9 months ended 30 September 2016 £
Other operating income	-	8,846

# **MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017**

### **6. Operating profit**

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

	<b>12 months ended 30 September 2017 £</b>	<b>9 months ended 30 September 2016 £</b>
Depreciation of tangible assets	<b>22,176</b>	<b>12,871</b>
Exchange differences	<b>257,633</b>	<b>(625,906)</b>
Operating lease rentals	<b>55,351</b>	<b>76,527</b>

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 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 is deemed to be the directors of the company.

### **7. Auditors' remuneration**

	<b>12 months ended 30 September 2017 £</b>	<b>9 months ended 30 September 2016 £</b>
Fees payable to the company's auditors for the audit of the company's annual financial statements	<b>16,000</b>	<b>16,000</b>
<b>Fees payable to the company's auditors in respect of:</b>		
Other services relating to taxation	<b>5,000</b>	<b>5,000</b>
All other services	<b>2,000</b>	<b>1,500</b>
	<b>7,000</b>	<b>6,500</b>

**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**8. Employees**

Staff costs were as follows:

	12 months ended 30 September 2017 £	9 months ended 30 September 2016 £
Wages and salaries	1,095,482	2,323,554
Social security costs	318,534	229,364
Other pension costs	49,599	60,790
	<u>1,463,615</u>	<u>2,613,708</u>

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

	12 months ended 30 September 2017 Number	9 months ended 30 September 2016 Number
Research and development	6	5
Marketing and distribution	7	7
	<u>13</u>	<u>12</u>

**9. Tax on profit**

	12 months ended 30 September 2017 £	9 months ended 30 September 2016 £
<b>Corporation tax</b>		
Current tax on profit for the year/period	449,171	289,535
<b>Foreign tax</b>		
Foreign tax on income for the year/period	-	5,243
<b>Total current tax</b>	<u>449,171</u>	<u>294,778</u>

**MICROSEMI STORAGE SOLUTIONS EUROPE LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017****9. Tax on profit (continued)****Factors affecting tax charge for the year/period**

The tax assessed for the year/period is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.5% (2016: 20%). The differences are explained below:

	12 months ended 30 September 2017 £	9 months ended 30 September 2016 £
Profit before tax	4,050,371	1,435,476
Profit multiplied by standard rate of corporation tax in the UK of 19.5% (2016: 20%)	789,822	287,095
Effects of:		
Expenses not deductible for tax purposes	171,979	2,020
Capital allowances for year/period in excess of depreciation	-	5,663
Higher rate taxes on overseas earnings	9,963	-
Income not subject to tax	(522,593)	-
Total tax charge for the year/period	449,171	294,778

**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. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**10. Dividends**

There were no dividends paid or authorised during 2017 or 2016.

**MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**11. Tangible assets**

	Leasehold improvements £	Fixtures and fittings £	Equipment £	Software £	Total £
<b>Cost</b>					
At 1 October 2016	44,630	12,527	86,840	3,822	147,819
Additions	17,431	-	104,277	-	121,708
Disposals	(22,091)	-	(311)	-	(22,402)
At 30 September 2017	39,970	12,527	190,806	3,822	247,125
<b>Accumulated Depreciation</b>					
At 1 October 2016	34,919	5,897	62,747	2,150	105,713
Charge for the year	6,801	2,516	11,187	1,672	22,176
Disposals	(22,091)	-	(311)	-	(22,402)
At 30 September 2017	19,629	8,413	73,623	3,822	105,487
<b>Net book value</b>					
At 30 September 2017	20,341	4,114	117,183	-	141,638
At 30 September 2016	9,711	6,630	24,093	1,672	42,106

**12. Investments**

	Investments in associates £
<b>Cost</b>	
At 1 October 2016 and 30 September 2017	4,537,354
<b>Net book value</b>	
At 30 September 2017	4,537,354
At 30 September 2016	4,537,354

# **MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017**

### **12. Investments (continued)**

#### **Participating interests**

##### **Associates**

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

### **13. Debtors**

	<b>2017 £</b>	<b>2016 £</b>
<b>Due after more than one year</b>		
Long-term deposits	-	32,459
	<b>2017 £</b>	<b>2016 £</b>
<b>Due within one year</b>		
Amounts owed by group undertakings	9,085,943	8,556,744
Other debtors	69,949	408
Prepayments and accrued income	71,520	16,316
	<b>9,227,412</b>	<b>8,573,468</b>

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

### **14. Cash at bank and in hand**

	<b>2017 £</b>	<b>2016 £</b>
Cash at bank and in hand	<b>447,679</b>	<b>172,788</b>

# **MICROSEMI STORAGE SOLUTIONS EUROPE LTD**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017**

### **15. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Trade creditors	182,452	5,588
Amounts owed to group undertakings	3,120,409	2,746,876
Corporation tax	59,594	4,114
Accruals and deferred income	639,963	746,070
	<u>4,002,418</u>	<u>3,502,648</u>

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

### **16. Creditors: Amounts falling due after more than one year**

	2017 £	2016 £
Preference share capital treated as debt (note 17)	1,414,194	4,537,354
Accruals and deferred income	126,463	108,365
	<u>1,540,657</u>	<u>4,645,719</u>

### **17. Called up share capital**

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
1,000 (2016: 1,000) Ordinary shares of £1 (2016: £1) each shares of £1. each	<u>1,000</u>	<u>1,000</u>
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
1,000 (2016: 1,000) Preference shares of \$1,890.62 (2016: \$5,890.62) each	<u>1,414,194</u>	<u>4,537,354</u>

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.

The preference shares are fixed cumulative shares attracting a non-compounding coupon at 8%. The shares 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.



## MICROSEMI STORAGE SOLUTIONS EUROPE LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

#### 18. Share based payments

Microsemi Storage Solutions Inc., the ultimate holding company of the Company operated 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 2017, nil (2016: 4,328) shares were issued to the company's employees at a weighted average price of £nil (2016: £4.33).

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

##### (b) Equity incentive plan

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.

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 £Nil (2016: £11,438) attributable to the period related to the settlement.

Subsequently, Microsemi Storage Solutions Inc. issues equity-settled share-based payments to certain employees, measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. 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 share option awards granted to employees is 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.

The estimated volatility of share-based awards are made by management based on a weighted historical and market-based implied volatility. Management has used historical data to estimate option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life of the share options is based on the United States Treasury yield curve in effect at the time of the grant.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled. The cumulative expenses recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of equity instruments that will ultimately vest.

The options expire within five to ten years and vest over four years. For the year ended 30 September 2017, £629,033 (2016: £nil) was charged to the statement of comprehensive income in respect of the new incentive plan. This represents a proportional recharge from the ultimate holding company to reflect the cost attributable to the employees of the company in the period based on their number of share options.

## MICROSEMI STORAGE SOLUTIONS EUROPE LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

#### 19. Reserves

##### Other reserves

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.

#### 20. 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 £49,599 (2016 £60,790).

#### 21. Commitments under operating leases

At 30 September 2017 and 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Within one year	57,489	72,754
Within two to five years	50,860	85,020
	<u>108,349</u>	<u>157,774</u>

#### 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., 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.

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.