

Registered number: 03446594

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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MICROSEMI STORAGE SOLUTIONS EUROPE LTD

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MICROSEMI STORAGE SOLUTIONS EUROPE LTD

COMPANY INFORMATION

Directors	J E Bjornholt M N Sharif
Registered number	03446594
Registered office	Dac Beachcroft LLP 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 YEAR ENDED 31 MARCH 2022

The directors present their annual report and the audited financial statements of Microsemi Storage Solutions Europe Ltd (the "Company") for the year ended 31 March 2022.

Principal activities

The Company's principal activity is to provide research and development services to other companies within the Microchip Technology Incorporated group.

Results and dividends

The loss for the financial year amounted to £116,789 (2021: loss £846,983).

The directors do not recommend the payment of a dividend (2021: £Nil).

Directors

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

J E Bjornholt
M N Sharif

Going concern

Microsemi Storage Solutions Europe Ltd (the "Company") has net current assets of £6,089,722 (2021: £6,248,888) and cash of £181,722 (2021: £309,844) as at 31 March 2022. The company is expected 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 has a reasonable expectation that the Company has adequate resources to continue in operation existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Branches outside the United Kingdom

The Company operates in a branch in Italy.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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, 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Independent auditors

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

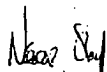
Small companies exemption

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006. In addition, the Company has taken advantage of the exemption available and has not presented a Strategic Report.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

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



M N Sharif
Director

Date: 28th September, 2022

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 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2022; the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 31 March 2022 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, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety and employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as taxation laws and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries designed to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiry of management around known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions made by management in its significant accounting estimates;
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations; and
- Incorporating an element of unpredictability into our testing.

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

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

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

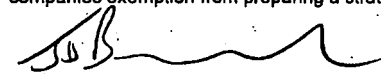
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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.



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

Date: 28 September 2022

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £	2021 £
Turnover	4	392,610	2,152,014
Administrative expenses		(88,452)	(2,685,590)
Operating profit/(loss)	5	304,158	(533,576)
Finance costs	9	(345,670)	(359,363)
Loss before taxation		(41,512)	(892,939)
Tax on loss	10	(75,277)	45,956
Loss for the financial year		(116,789)	(846,983)

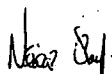
The notes on pages 11 to 23 form part of these financial statements.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD
REGISTERED NUMBER: 03446594

BALANCE SHEET
AS AT 31 MARCH 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	170,797	227,360
Investments	12	4,537,354	4,537,354
		<u>4,708,151</u>	<u>4,764,714</u>
Current assets			
Debtors: amounts falling due after more than one year	13	6,106	-
Debtors: amounts falling due within one year	13	10,519,045	11,229,381
Cash at bank and in hand	14	181,722	309,844
		<u>10,706,873</u>	<u>11,539,225</u>
Creditors: amounts falling due within one year	15	(4,617,151)	(5,290,337)
Net current assets		<u>6,089,722</u>	<u>6,248,888</u>
Total assets less current liabilities		<u>10,797,873</u>	<u>11,013,602</u>
Creditors: amounts falling due after more than one year	16	(1,494,298)	(1,593,238)
Net assets		<u>9,303,575</u>	<u>9,420,364</u>
Capital and reserves			
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	7,200,804	7,317,593
Total shareholders' funds		<u>9,303,575</u>	<u>9,420,364</u>

The financial statements on pages 8 to 23 were approved and authorised for issue by the Board of Directors on 28/4/22 and signed on its behalf by:



M N Sharif
Director

The notes on pages 11 to 23 form part of these financial statements.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Called up share capital	Additional paid-in capital	Profit and loss account	Total shareholders' funds
	£	£	£	£
At 1 April 2020	1,000	2,101,771	8,164,576	10,267,347
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(846,983)	(846,983)
Total comprehensive expense for the financial year	-	-	(846,983)	(846,983)
At 31 March 2021 and 1 April 2021	1,000	2,101,771	7,317,593	9,420,364
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(116,789)	(116,789)
Total comprehensive expense for the financial year	-	-	(116,789)	(116,789)
At 31 March 2022	1,000	2,101,771	7,200,804	9,303,575

The notes on pages 11 to 23 form part of these financial statements.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. General information

Microsemi Storage Solutions Europe Ltd's (the "Company") principal activity is to provide research and development services to other companies within the Microchip Technology Incorporated group.

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

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

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraphs 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 11.42, 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. as at 31 March 2022 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 31 MARCH 2022

2. Accounting policies (continued)

2.4 Going concern

Microsemi Storage Solutions Europe Ltd (the "Company") has net current assets of £6,089,722 (2021: £6,248,888) and cash of £181,722 (2021: £309,844) as at 31 March 2022. The company is expected 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 has a reasonable expectation that the Company has adequate resources to continue in operation 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:

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 the Statement of Comprehensive Income during the period in which they are incurred.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- Period of lease
Equipment	- 2-7 years
Computer equipment	- 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 at bank and in hand

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

2.9 Financial Instruments

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

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

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.9 Financial instruments (continued)

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.

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 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

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.

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 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recorded 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 provision of research and development services to other companies within the Microchip Technology Incorporated group.

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

5. Operating profit/(loss)

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

	2022 £	2021 £
Depreciation of tangible assets	56,563	63,161
Exchange differences	50,125	(36,093)
Operating lease rentals	28,024	38,485

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

6. Auditors' remuneration

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	<u>24,600</u>	<u>23,600</u>
Fees payable to the Company's auditors in respect of:		
All other services	<u>2,310</u>	<u>2,200</u>

7. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	177,529	1,234,534
Social security costs	84,622	211,891
Other pension costs	-	19,812
	<u>262,151</u>	<u>1,466,237</u>

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

	2022 Number	2021 Number
Research and development	3	6
Marketing and distribution	-	5
	<u>3</u>	<u>11</u>

8. Directors' remuneration

The directors received no emoluments during the year (2021: no emoluments), in respect of their services to the Company. The directors are remunerated by other companies within the Microchip Technology Incorporated group for their services to the Group as a whole. It is not possible to allocate their remuneration between their services as directors of different group companies. Key management personnel is deemed to be the directors of the Company.

MICROSEMI STORAGE SOLUTIONS EUROPE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

9. Finance costs

	2022 £	2021 £
Preference share dividend	<u>345,670</u>	<u>359,363</u>

10. Tax on loss

	2022 £	2021 £
Corporation tax		
Current tax on loss for the financial year	47,625	71,690
Adjustments in respect of prior years	<u>27,652</u>	<u>(117,646)</u>
Total current tax	<u>75,277</u>	<u>(45,956)</u>

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £	2021 £
Loss before taxation	<u>(41,512)</u>	<u>(892,939)</u>

Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(7,887)	(169,658)
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Effects of:

Expenses not deductible for tax purposes	72,348	14,459
Higher rate taxes on overseas earnings	689	14,935
Adjustments to tax charge in respect of prior periods	27,652	(117,646)
Deferred tax asset not recognised	-	211,954
Income not subject to tax	<u>(17,525)</u>	<u>-</u>
Total tax charge/(credit) for the financial year	<u>75,277</u>	<u>(45,956)</u>

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2021 (published on 24 May 2021, with royal assent received on 10 June 2021). This confirmed an increase to the corporation tax rate to 25% with effect from 1 April 2023. Deferred taxes at the Statement of Financial Position date have been calculated based on the corporation tax rate of 25% that is enacted at the reporting date.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

11. Tangible assets

	Leasehold improvements £	Equipment £	Fixtures and fittings £	Software £	Total £
Cost					
At 1 April 2021	39,970	358,205	12,527	3,822	414,524
At 31 March 2022	39,970	358,205	12,527	3,822	414,524
Accumulated depreciation					
At 1 April 2021	37,643	133,172	12,527	3,822	187,164
Charge for the year	2,327	54,236	-	-	56,563
At 31 March 2022	39,970	187,408	12,527	3,822	243,727
Net book value					
At 31 March 2022	-	170,797	-	-	170,797
At 31 March 2021	2,327	225,033	-	-	227,360

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

12. Investments

	Investments in associates £
Cost and net book value	
At 1 April 2021	4,537,354
At 31 March 2022	4,537,354

Associate

The following was an associate of the Company:

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

13. Debtors

	2022 £	2021 £
Amounts falling due after more than one year:		
Long-term deposits	6,106	-
	2022 £	2021 £
Amounts falling due within one year:		
Amounts owed by group undertakings	9,887,489	10,972,619
Other debtors	262,877	243,254
Tax recoverable	367,463	-
Prepayments and accrued income	1,216	13,508
	10,519,045	11,229,381

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

14. Cash at bank and in hand

	2022 £	2021 £
Cash at bank and in hand	<u>181,722</u>	<u>309,844</u>

15. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,266	2,891
Amounts owed to group undertakings	2,513,829	3,096,600
Corporation tax	-	21,233
Accrued dividend	1,973,873	1,633,983
Accruals and deferred income	<u>128,183</u>	<u>535,630</u>
	<u>4,617,151</u>	<u>5,290,337</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 17.

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

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

	2022 £	2021 £
Preference share capital treated as debt (note 17)	1,414,194	1,414,194
Accruals and deferred income	<u>80,104</u>	<u>179,044</u>
	<u>1,494,298</u>	<u>1,593,238</u>

17. Called up share capital

	2022 £	2021 £
Shares classified as equity		
Allotted, called up and fully paid		
1,000 (2021: 1,000) Ordinary shares of £1.00 (2021: £1.00) each	<u>1,000</u>	<u>1,000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

17. Called up share capital (continued)

	2022 £	2021 £
Shares classified as debt		
Allotted, called up and fully paid		
1,000 (2021: 1,000) Preference shares of \$1,890.62 (2021: \$1,890.62) each	1,414,194	1,414,194

The preference shares are fixed cumulative shares attracting a non-compounding coupon at 8% per annum on the original subscription price of each preference share of \$5,890.62. 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.

18. Share based payments

The ultimate holding company of the Company operated an *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 plan were as follows:

Equity incentive plan

Microchip Technology Incorporated issued 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 period ended 31 March 2022, £25,664 (2021: £143,583) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

19. Reserves

Additional paid-in capital

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

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 contribution 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 £Nil (2021: £19,812). Contributions of £Nil were outstanding as at 31 March 2022 (2021: £2,709).

21. Commitments under operating leases

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

	2022 £	2021 £
Within one year	27,657	56,936
Within two to five years	13,829	84,473
	<u>41,486</u>	<u>141,409</u>

22. Related party transactions

The Company is a wholly owned subsidiary of Microchip Technology Incorporated and has taken advantage of the exemption not to disclose transactions with Microchip Technology Incorporated or other wholly owned subsidiaries within the Group.

23. Ultimate parent undertaking and 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 Microchip Technology Incorporated, a company incorporated in the United States and whose shares are publicly traded on the NASDAQ stock exchange in the United States.

Microchip Technology Incorporated is the largest group in which the Company is consolidated. Copies of the ultimate parent company's consolidated financial statements are available from 2355 West Chandler Blvd, Chandler, Arizona, USA or through the Company's website.