Registered Number: 07806324

KIOXIA TECHNOLOGY UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

COMPANY INFORMATION

Directors	A J V Tout Y Matsuda K Tsuchiya A Menju
Company Secretary	A J V Tout
Registered Number	07806324 Registered in England and Wales
Registered Office	25b-c Western Avenue Milton Park Milton Abingdon Oxfordshire OX14 4SH
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford Hertfordshire WD17 1JJ
Bankers	Coutts & Co 440 Strand London WC2R 0QS

CONTENTS

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their strategic report on the company for the year ended 31st March 2023.

Principal Activities

The principal activities of the Company are to contribute in developing Solid State Drive (SSD) solutions. During 2022/2023 there was a transition from making products directly with KIOXIA America, Inc. (KAI), to focusing primarily on aspects of a common Silicon design for both the DataCentre and Enterprise markets, led by KIOXIA Corporation – Japan (KIC). This transition started in July 2022, so the Company has been both supporting products in development with KAI prior to this, and then focusing on supporting SoC (system-on-chip) developments driven out of KIC. During the transition there was a technical service contract (TSA) with KAI. From April 2023 onwards the Company reports directly to KIC, and has a TSA with them.

This involves close co-operation with KAI and KIC. The Company co-develops System on Chip (SoC) firmware, software and hardware solutions. The focus moving into 2023/24 is SoC (Silicon design), with supporting Hardware and firmware developments. The Company continues to support legacy products that were in design prior to this transition.

Review of Business

The Company's key financial and other performance indicators during the year were as follows:

	2023	2022	Change
	£	£	%
Revenue	14,243,780	11,695,175	21.8%
Operating Profit	1,860,432	1,383,936	34.4%
Profit for the Financial Year	1,512,532	1,180,664	28.1%
Total Shareholders' funds	8,900,845	7,388,313	20.5%
Average number of employees (no.)	77	77	0.0%

The revenue of the Company for the year was £14,243,780 compared to the previous year revenue £11,695,175. The profit for the year, after taxation, amounted to £1,512,532 (2022 - £1,180,664). The additional revenue was primarily due to an increase in work and expenditure to meet the TSA requirements as the Company took responsibility for more deliverables than previous years, at the request of KIOXIA Japan.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023 (Continued)

Principle risk and uncertainties

There are two main risks facing the Company at this time. These are the current Global Memory Chip (and SSD) market contraction and inflationary pressures. These have increased costs, as well as reducing KIOXIA Group revenue, which has meant tighter budgets and extended product development timelines. The higher than expected inflation levels in the UK have also presented challenges for recruitment, and retention. This has required much tighter controls on expenditure, while still developing the next generation products KIOXIA Group's customers need. It is expected that this will continue throughout much of the 2023/24 year, and will need continued diligence. The long term outlook is good, and there is a continual underlying business.

The two risks reported for the 2021/2022 financial year have mostly been mitigated - the first was the restructuring that commenced after the end of the 2021/2022 financial year. This has been largely completed, and the Company now reports directly into KIC. KAI still provide IT infrastructure support, which was an area of concern, and the business leadership in KIC have taken ownership for approvals processes, reporting and the TSA. A large amount of work was undertaken in the latter part of 2022 to ensure this would run smoothly. In addition an ex-pat from KIC has been based in the Company's offices since July 2023 – this is an indication of the investment KIC is making in the Company. The second issue of ongoing chip supply has been slowly improving, and has less of a direct effect going forward as the Company's development focus has moved away from complete products, though this affects KIC revenues, and the Company may need to provide further support to mitigate this on legacy products.

As part of the KIOXIA Group Engineering teams, the Company reported last year that it was entering into an agreement with Teqniksoft (a CA company) using Firmware resources in Belarus. This contract was terminated over continued concerns over the security of working with Belarus. The tasks have been picked up by the Company, and KIC and its partners.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023 (Continued)

Other risks and uncertainties are considered below:

Operational Management

The Company's role over 2022/2023 was to develop SSDs for the Data-Centre market, and this transitioned through the year to focusing on subsystems of a combined Data-Centre and Enterprise SoC. Much of the year was spent ensuring alignment with KIC for this, requiring changes to approval processes, development procedures and reporting.

The Company is currently subject to internal audit by KIC to ensure that we are working to the standards expected. Corrective actions are applied through our quality system. This audit was done remotely in 2022-2023 and was performed remotely again this year. In the audit, there were no findings.

Dependence on Key Customers

The Company is a design centre, so our only customer has been KAI, through our Technical Services Agreement (TSA). This has now transitioned to TSAs with KIC as of 1st April 2023. We have no options for other customers so this is a significant risk to the Company's future. The main development project underway is directly driven by KIC, though we still provide support for products that were in development while the Company reported to KAI.

Damage to KIOXIA Brand

The Company is primarily concerned with product development. Acceptance testing of the product is covered KAI/KIC, therefore damage to KIOXIA's brand is mitigated by this. We follow KIC guidelines on use of internet, social forums, and give employee training to ensure KIOXIA's brand is not damaged. We have also maintained roles and responsibilities between KAI, KIC and our owners KIOXIA Europe (KIE) to help manage this. The role KAI undertakes now is reducing due to the transition of responsibilities.

Contract Requirement

The Technical Services Agreement between one of the KIOXIA Group Companies and the Company is renewed every six months. For 2022/2023 both TSAs were with KAI, and from 2023 onwards they are with KIC. This agreement covers the deliverables (which may change according to KAI/KIC guidance) and the investment made in the Company. The Company is measured against these deliverables. As part of this, the Company provides the relevant Group Company with a monthly update on project progress and financial forecasts. The Company signed a TSA with KIC for April 2023, then more recently a TSA for October 2023 to March 2024. It is expected that there will be another TSA with KIC after this.

Staff

The Company's key deliverable is intellectual property so the Company ensures retention of staff, by offering an attractive package and the freedom to develop new ideas. Training is provided to ensure that employees develop to their full potential. Third party reviews are taken of our remuneration, and issues arising are managed, within budget constraints. The Company's budget in 2022/2023, as with other Companies in the UK did not allow fully for the unusual inflationary environment, but the Company has retained most staff. There continues to be in place an Employee Assistance Programme (EAP) that was set up during COVID lockdowns to help staff as much as possible, and the Company has maintained the on-line training courses that were initiated too. There is an ongoing risk with inflation and the additional tax burdens that employees face, though these are issues all UK employers are facing. In February 2023 there was a one-off retention bonus granted to all employees who had been in employment at 1st April 2022, in recognition of their ongoing commitment to the Company, during the structural changes over 2022/2023.

On behalf of the Board
A J V Tout
Director

A J V Tout

19th December 2023

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and audited financial statements for the year ended 31 March 2023.

Directors

The directors who served during the year and up to date of signing, unless otherwise indicated, were:

Arthur James Viggo Tout
Akira Menju
Kenji Tsuchiya
Yukihiko Matsuda
Hidemichi Kiuchi (resigned as director 28th November 2023)

The company has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as a director of any associated company) and these were in force during the year and they remain in force at the date of this report.

Dividends

The directors have not declared any dividends for the year ended 31 March 2023. (2022 - £0)

Future Developments

For the coming year, the Company will continue to focus on System on Chip Developments for both PCIe Gen 5 and Gen 6 with KIC for both Data-Centre and Enterprise markets. It is expected that validation of the Gen 5 solution will commence towards the end of the year. The Company will continue to support the existing SSD PCI-e Gen 4 products that were developed over the last few years with KAI.

Going Concern

The financial statements are prepared on a going concern basis. The Company is reliant on funding from its ultimate parent operating company, KIC (KIOXIA Corporation – Japan). The directors have assessed the existing cash position at the date of these financial statements, the future cash forecast and revenue projections in their consideration for going concern. The Company undertakes research activities only on behalf of KIOXIA Group Companies (primarily KIC), and consequently a funding agreement has been signed with KIC, which supports Company's activities for the next financial year. This is covered through the Technical Services Agreements that are signed every six months. These cover agreed costs, and cost-plus revenue, ensuring the Company remains a going concern. The Company has a sufficient cash position to cover invoices to revenue. Additionally, the directors consider that the Company remains a going concern, meeting its obligations for at least twelve months from the board resolution which states this, and signing of these financial statements. The current TSA is with KIC, who has confirmed that KIC or one of its affiliates will enter into a TSA for fiscal 24A and 24B (October 2024 to end March 2025), and this undertaking will remain in place for the foreseeable future and will not be withdrawn during a period of twelve months from the date of signing.

All of these matters have been taken into account by the directors in coming to their conclusions on the preparation of the financial statements on the going concern basis.

The Company continues to meet the development needs of KIOXIA Group Companies via KIC, and will continue to support already developed products with KAI. The Company's future revenues for the 2023/24 Financial year depend entirely on continuing TSA agreements with KIC. The products that are sold and enabled from the Company's developments, will for the coming year primarily be those that have already been developed, with the main development efforts for 2023/24 likely to have more bearing on 2025/26 and future revenues. In particular, the current SoC development efforts will affect revenues around 3 years into the future. KIC has merged its Data-Centre and Enterprise SoC developments to maximise its return on investment. Revenues have been softer over the recession but are expected to recover in 2023/24, with new features driving revenue beyond that.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023 (Continued)

Overall KIC, KAI and the Company have been able to continue working to the KIC Mid-term plan, and it is expected that this will continue. The Company remains an important part of the KIOXIA Group Companies and the direct reporting into KIC has strengthened the Company's involvement. An Ex-pat from KIC joined the Company in July, to foster a closer working relationship. The intention is for this to last for at least 3 years.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, currency risk and interest rate cash flow risk and liquidity risk.

In order to ensure stability of cash outflows and hence manage interest rate risk, the Company is supported by fellow group operations. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management. The policies set by the board of directors are implemented by the Company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Post Balance sheet events

From April 2023 onwards the Company reports directly to KIC, and has a TSA with them, rather than KAI.

Practical and Charitable Contribution

The Company has no formal charitable contribution scheme. Employees may take paid time off for charitable work, subject to review. A few employees have used this facility and the Company has been actively encouraging its use.

Research and Development

The Company is a leader in developing SoCs for the Data-Centre & Enterprise market, focusing on the host-end, where much of the feature differentiation is possible, making the Company a key part of the solution. This will continue to be the main aim of the team, embracing and driving new standards. The Company relies heavily on the infrastructure KIC gives access to.

Research and development expenditure in the year amounted to £3,302,669 (2022 - £2,365,031)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Statement of directors' responsibilities in respect of the financial statements 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

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

A J V Tout

A J V Tout
Director

19th December 2023

Independent auditors' report to the members of KIOXIA Technology UK Ltd
Report on the audit of the financial statements

Opinion

In our opinion, KIOXIA Technology UK Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 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, including 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: Balance Sheet as at 31 March 2023; 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 Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2023 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 Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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 tax legislation and Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 the potential misappropriation of the Company's assets, and in particular the cash and cash equivalents. Audit procedures performed by the engagement team included:

- Holding discussions with management around actual and potential litigations and claims;
- Evaluating the design and effectiveness of management's controls designed to prevent and detect irregularities
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with laws and regulations;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business; and
- Holding discussions with management around known or suspected instances of non-compliance with laws and regulations

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.

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.

Nick Lloyd

Nick Lloyd (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
19 December 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	*2022* *£*
Revenue	4	**14,243,780**	*11,695,175*
Administrative Expenses	5	**(13,368,914)**	*(11,059,660)*
Other Operating Income		**985,566**	*748,421*
Operating Profit	6	**1,860,432**	*1,383,936*
Profit before Tax		**1,860,432**	*1,383,936*
Tax on Profit	7	**(347,900)**	*(203,272)*
Profit for the financial year		**1,512,532**	*1,180,664*
Other Comprehensive Income		-	-
Profit for the financial year		**1,512,532**	*1,180,664*

BALANCE SHEET AS AT 31 MARCH 2023

	Notes		2023 £		2022 £
Fixed Assets					
Intangible assets	8		3,813		9,143
Tangible assets	9		563,273		866,636
			567,086		875,779
Current assets					
Debtors: amounts falling due within one year	10	3,028,826		2,858,983	
Cash at bank and in hand	11	6,694,017		5,308,654	
		9,722,843		8,167,637	
Creditors: amounts falling due within one year	12	(1,271,817)		(1,544,022)	
Net Current Assets			8,451,026		6,623,615
Total Assets less current liabilities			9,018,112		7,499,394
Other provisions	14	(117,267)		(111,081)	
Net assets			8,900,845		7,388,313
Capital and reserves					
Called up share capital	15		1		1
Share Premium Account			245,138		245,138
Profit and loss account			8,655,706		7,143,174
Total Equity			8,900,845		7,388,313

The notes on pages 16 to 27 are an integral part of these financial statements

The financial statements on pages 13 to 27 were approved and authorised for issue by the board and were signed on its behalf on 19th December 2023

A J V Tout

A J V Tout
Director
KIOXIA Technology UK Ltd, Registered number: 07806324

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Called Up Share Capital	Share Premium	Profit and loss account	Total Shareholder's funds
	£	£	£	£
At 1 April 2022	1	245,138	7,143,174	7,388,313
Profit for the financial year	-	-	1,512,532	1,512,532
Total Comprehensive income for the year	-	-	1,512,532	1,512,532
At 31 March 2023	**1**	**245,138**	**8,655,706**	**8,900,845**
At 1 April 2021	1	245,138	5,962,510	6,207,649
Profit for the financial year	-	-	1,180,664	1,180,664
Total Comprehensive income for the year	-	-	1,180,664	1,180,664
At 31 March 2022	1	245,138	7,143,174	7,388,313

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. COMPANY INFORMATION

The principal activity of the Company is the development and design of a range of high-speed proprietary integrated circuits for use in the Solid State Drives (SSD's).

The company is a private limited company (registered number 07806324), which is incorporated and domiciled in the UK. The address of the registered office is 25b-c Western Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SH.

2. Accounting policies

2.1. Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.
The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).
The entity is a qualifying entity and has taken advantage of the following disclosure exemptions under the FRS 102 reduced disclosure framework:

(a) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS102;
(b) from the requirements of section 11 Basic Financial Instruments paragraph 11.39 to 11.48A
(c) from the requirements of section 33 Related Party Transactions paragraph 33.7
(d) from the requirements of section 12 Other Financial Instruments paragraph 12.26 to 12.29A

The financial statements have been prepared in accordance with applicable accounting standards, which have been applied consistently throughout the financial year, and the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the company and under the historical cost convention.

Going concern

The financial statements are prepared on a going concern basis. The Company is reliant on funding from its ultimate parent operating company, KIC (KIOXIA Corporation – Japan). The directors have assessed the existing cash position at the date of these financial statements, the future cash forecast and revenue projections in their consideration for going concern. The Company undertakes research activities only on behalf of KIOXIA Group Companies (primarily KIC), and consequently a funding agreement has been signed with KIC, which supports Company's activities for the next financial year. This is covered through the Technical Services Agreements that are signed every six months. These cover agreed costs, and cost-plus revenue, ensuring the Company remains a going concern. The Company has a sufficient cash position to cover invoices to revenue. Additionally, the directors consider that the Company remains a going concern, meeting its obligations for at least twelve months from the board resolution which states this, and signing of these financial statements. The current TSA is with KIC, who has confirmed that KIC or one of its affiliates will enter into a TSA for fiscal 24A and 24B (October 2024 to end March 2025), and this undertaking will remain in place for the foreseeable future and will not be withdrawn during a period of twelve months from the date of signing.

All of these matters have been taken into account by the directors in coming to their conclusions on the preparation of the financial statements on the going concern basis.

The Company continues to meet the development needs of KIOXIA Group Companies via KIC, and will continue to support already developed products with KAI. The Company's future revenues for the 2023/24 Financial year depend entirely on continuing TSA agreements with KIC.

Going concern (continued)

The products that are sold and enabled from the Company's developments, will for the coming year primarily be those that have already been developed, with the main development efforts for 2023/24 likely to have more bearing on 2025/26 and future revenues. In particular, the current SoC development efforts will affect revenues around 3 years into the future. KIC has merged its Data-Centre and Enterprise SoC developments to maximise its return on investment. Revenues have been softer over the recession but are expected to recover in 2023/24, with new features driving revenue beyond that.

Overall KIC, KAI and the Company have been able to continue working to the KIC Mid-term plan, and it is expected that this will continue. The Company remains an important part of the KIOXIA Group Companies and the direct reporting into KIC has strengthened the Company's involvement. An Ex-pat from KIC joined the Company in July, to foster a closer working relationship. The intention is for this to last for at least 3 years.

2.2. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue 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 revenue is recognised:
Rendering of services
Revenue 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:

2.2.1. the amount of revenue can be measured reliably;

2.2.2. it is probable that the Company will receive the consideration due under the contract;

2.2.3. the stage of completion of the contract at the end of the reporting period can be measured reliably, and;

2.2.4. the costs incurred and the costs to complete the contract can be measured reliably.

2.3. Intangible assets

Intangible fixed 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.
Intangible assets relate to purchased software and various licenses of minor value. Intangible assets acquired separately are measured on initial recognition at cost.
Amortisation is provided at rates estimated to write off intangible fixed assets by equal instalments over 3 years.

2.4. Tangible fixed assets

Tangible fixed 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.
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:

Long Term Leasehold Property	- In line with the leasehold agreement
Office equipment	- 15% straight line
Computer equipment	- 33% straight line
Test equipment	- 20-33% straight line

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 within 'other operating income' in the Statement of comprehensive income.

2.5. Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.6. 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.

2.7. 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.

2.8. Financial instruments

The company holds only financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments include debtors and creditors. Debtors and creditors are initially recognised at transaction value and subsequently measured at amortised cost.

2.9. 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.

2.10. Foreign currency translation

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-923monetary 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'.

2.11. 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 payments 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.

2.12. Interest income

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

2.13. Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.14. 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 change 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:

2.14.1. 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

2.14.2. 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.

2.15. Research and development

Research and development expenditure is written off in the year in which it is incurred.

2.16. Other Operating Income

Other operating income is comprised of income related to the Research and Development Tax Credit (RDEC), which the Company is eligible to claim for the development work that it performs.

2.17. Dilapidation provision

Provisions for dilapidations are recognised on a lease by lease basis and are based on the company's best estimate of the likely committed cash outflow.

3. Critical Accounting Judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:
- Property related matters such as provisions for lease dilapidations. The provision for the lease dilapidation has been calculated on an estimate of expenditure required to return the property to the landlord at the end of the lease period.

-Research and development tax credit (R & D Tax Credit). The R & D Tax Credit is based on an estimate calculated by the Company's Corporate Tax Consultants in accordance with current legislation and is based on the company's Research and Development activities.

4. Revenue

Revenue represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. The whole of the revenue is attributable to the value of fees receivable from KIOXIA America, Inc (KAI) for the provision of continuing research and development activities of SSD solutions.

5. Administrative Expenses

Staff Costs detail only

	2023	2022
	£	£
Wages and salaries	7,792,255	6,490,939
Social Security costs	1,052,932	818,993
Other Pension Costs	388,955	373,988
	9,234,142	7,683,920

The average monthly number of employees

	2023	2022
	No.	No.
Administration	6	5
Engineering	70	71
Directors	1	1
	77	77

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (Continued)

Directors' Emoluments

	2023	2022
	£	£
Remuneration	**287,698**	*267,066*
Company pension contributions to defined contribution pension scheme	-	-

During the financial year one (2022: one) Director was remunerated by the company for his General Manager and VP role. The four (2022: four) other directors are employees of other companies within the KIOXIA Corporation group and are remunerated by their respective employers for their roles within their respective companies. This was not recharged to the company. No directors received any payment for their roles as director of the company.
During the year retirement benefits were accruing to one Director of £0 (2022: £0) in respect of defined contribution pension schemes.
The highest paid Director received remuneration of £287,698 (2022: £ 267,066) and pension contributions of £0 (2022: £0).

6. Operating Profit

	2023	2022
	£	£
Research and development expenditure	**3,302,669**	*2,365,031*
Staff Costs	**9,234,142**	*7,683,920*
Depreciation	**420,883**	*601,998*
Amortisation	**5,330**	*9,474*
Rental Lease	**405,891**	*399,236*
Audit Fees payable to the Company's auditors	**25,674**	*23,340*
	13,394,589	***11,082,999***

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (Continued)

7. Tax on Profit

Corporation Tax

	2023	2022
	£	£
Current tax on profits for the year	345,244	190,547
Adjustments in respect of previous periods	(886)	(14,499)
Total Current tax	344,358	176,048
Deferred Tax		
Origination and reversal of timing differences	3,542	17,116
Adjustments in respect of prior periods	-	10,108
Total deferred tax	3,542	27,224
Tax on Profit	347,900	203,272

Reconciliation of Tax Charge

	2023	2022
Profit before tax	1,860,432	1,383,936
Tax on profit before tax at standard corporation tax rate of 19% (2019: 19%)	353,482	262,948
Fixed Asset Differences	(6,432)	(33,320)
Expenses not deductible for tax purposes	-	29
R&D expenditure credits	886	-
Adjustment in respect of previous periods (tax charge)	(886)	(14,499)
Adjustments to closing deferred tax rate	-	10,108
Remeasurement of deferred tax	850	(31,230)
Adjustment in respect of previous periods (RDEC)	-	9,236
Tax charge for the year	347,900	203,272

The tax rate for the current year is 19% (2022: 19%).
The corporation tax rate increases to 25% from 1st April 2023. However, this increase is unlikely to have a significant impact on the company given that the company is a Research & Development centre and as such benefits from the ability to utilise its Research & Development tax credits to offset against chargeable corporation tax. No adverse changes regarding the R&D tax credits applicable to the company were announced at the reporting date. The company is also operating a Cost Plus model and continues to prepare its budget in accordance with the Technical Services Agreement between the company and its customer. The company receives all relevant R&D legislation updates from its external tax advisors, Crowe.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (Continued)

8. Intangible Assets

	Computer software
	£
Cost	
At 1 April 2022	439,140
Additions	-
Disposals	-
At 31 March 2023	**439,140**
Accumulated Amortisation	
At 1 April 2022	429,997
Charge for the year	5,330
Release on disposal	-
At 31 March 2023	**435,327**
Net book value	
At 31 March 2022	*9,143*
At 31 March 2023	**3,813**

9. Tangible assets

	Long Term Leasehold Property	Office Equipment	Computer Equipment	Test Equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2022	78,076	43,643	1,317,362	2,909,004	4,348,085
Additions	4,658	7,718	103,646	1,498	117,520
Disposals	-	-	(42,732)	-	(42,732)
At 31 March 2023	**82,734**	**51,361**	**1,378,276**	**2,910,502**	**4,422,873**
Accumulated Depreciation					
At 1 April 2022	35,803	36,172	893,117	2,516,357	3,481,449
Charge for the year	19,285	2,991	195,615	202,992	420,883
Disposals	-	-	(42,732)	-	(42,732)
At 31 March 2023	**55,088**	**39,163**	**1,046,000**	**2,719,349**	**3,859,600**
Net Book Value					
At 31 March 2022	*42,273*	*7,471*	*424,245*	*392,647*	*866,636*
At 31 March 2023	**27,646**	**12,198**	**332,276**	**191,153**	**563,273**

10. Debtors: amounts falling due within one year

	2023	*2022*
	£	*£*
Amounts owed by group undertakings	1,067,504	*1,085,394*
Other Debtors	1,430,392	*1,196,553*
Prepayments and accrued income	530,930	*577,036*
	3,028,826	*2,858,983*

During the financial year, the intercompany debtor was payable immediately on the presentation of the invoice. From 1st April 2023, the payment terms are 45 days from the end of the month in which the invoice is presented.

11. Cash at bank and in hand

	2023	*2022*
	£	*£*
Cash at bank and in hand	6,694,017	*5,308,654*
	6,694,017	*5,308,654*

12. Creditors: Amounts falling due within one year

	2023	*2022*
	£	*£*
Trade Creditors	**99,740**	*304,772*
Amounts owed to group undertakings	**47,802**	*58,873*
Taxation and social security	**186,648**	*176,089*
Other Creditors	-	*83,948*
Accruals and deferred income	**937,627**	*920,340*
	1,271,817	*1,544,022*

Intercompany invoices are due for settlement by the end of the following month.

13. Deferred Taxation

Deferred Taxation

	Deferred Tax
	£
As at 1 April 2022	130,125
Charged to the profit or loss	(3,542)
At 31 March 2023	**126,583**

The deferred taxation balance is made up as follows:

	2023	*2022*
	£	*£*
Accelerated capital allowances	126,583	*130,125*
	126,583	*130,125*

14. Other Provisions

	Dilapidation provision
	£
At 1st April 2022	111,081
Charged to profit or loss	6,186
At 31 March 23	**117,267**

Dilapidation provision

The dilapidation provision relates to amounts provided to reflect the cost of restoring the condition of the leased property in accordance with the lease agreement. Charge to Profit and Loss in FY2022 was £6,186.

15. Called up Share Capital

	2023	2022
	£	£
Allotted, called up and fully paid		
100 (2022: 100) Ordinary Share Capital 'A' shares of £0.01 each	1	1

There is a single class of shares. There are no restrictions on the distribution of dividends and the repayment of capital.

16. Pensions commitments

	2023	2022
	£	£
Pension cost charge	388,955	373,988
Contributions Payable at Year end	-	83,948

17. Commitments under operating lease

The company had the following future minimum lease payments under non-cancellable operating lease for each of the following periods:

	2023	2022
Payment due	£	£
Not later than one year	411,905	411,905
Later than one year and not later than five years	94,795	506,699
Later than five years	-	-
Total	506,700	918,604

18. Related Party Transactions

All of the company's revenue derives from its fellow KIOXIA Group company undertaking KIOXIA America, Inc (KAI). As at 31 March 2023, KAI owed £1,067,504 to KIOXIA Technology UK Ltd (2022: £1,085,394).

19. Controlling Party

Until 1st October 2017, the ultimate parent company and controlling party was Toshiba Corporation, a company headquartered in Japan. The immediate parent company was Toshiba Electronics Europe GmbH, a company headquartered in Germany.

On 1st October 2017, OCZ Storage Solutions Limited was sold from Toshiba Electronics Europe GmbH to Toshiba Memory Europe GmbH.

From 1st October 2017 until 1st June 2018, the ultimate parent company and controlling party was Toshiba Corporation, a company headquartered in Japan. The immediate parent company was Toshiba Memory Europe GmbH, a company headquartered in Germany.

From 1st June 2018, Toshiba Corporation completed the sale of its subsidiary Toshiba Memory Corporation to K.K. Pangea, a company headquartered in Japan.

From 1st June 2018 until 1st August 2018, the ultimate parent company and controlling party was K.K. Pangea, a company headquartered in Japan. The immediate parent company was Toshiba Memory Europe GmbH, a company headquartered in Germany.

From 1st August 2018, Toshiba Memory Corporation merged with its parent company K.K. Pangea.

From 1st August 2018 onwards, the ultimate parent company and controlling party is Toshiba Memory Corporation, a company headquartered in Japan. The immediate parent company is Toshiba Memory Europe GmbH, a company headquartered in Germany.

From 1st March 2019 Toshiba Memory Holdings Corporation (TMCHD) was established as the holding company for TMC, with TMC positioned as its wholly owned subsidiary. There is no change to the Japanese and overseas companies and they remain subsidiaries of TMC.

From 1st July 2019 OCZ Storage Solutions Limited was renamed to KIOXIA Technology UK Ltd.

From 1st October 2019 All of Toshiba Memory Group was rebranded to KIOXIA. The immediate parent company is now named KIOXIA Europe GmbH, a company headquartered in Germany, whose registered address is at Hansaallee 181, 40549 Duesseldorf, Germany. The ultimate parent is KIOXIA Holdings Corporation, incorporated in Japan.

From April 2023 onwards the company's Technical Service agreement switched from KIOXIA America (KAI) to KIOXIA Japan (KIC).
The company's accounts continue to be consolidated into its Parent's company, KIOXIA Europe GmbH's, accounts.

The company's accounts are consolidated into KIOXIA Europe GmbH's accounts, which are then consolidated along with other group companies into KIOXIA Japan's accounts, which are then consolidated into KIOXIA Holdings Corporation.