

Wafer Technology Limited
Report and financial statements
for the year ended 31 December 2021

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Wafer Technology Limited
Report and financial statements
for the year ended 31 December 2021

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Wafer Technology Limited

Directors and advisers for the year ended 31 December 2021

Directors

Dr M J Furlong

Mr T Pullen

Dr A W Nelson (resigned 10 January 2022)

Mr A Lemos (appointed 10 January 2022)

Secretary

T A Dale

Registered Office

Pascal Close

St Mellons

Cardiff

CF3 0LW

Bankers

HSBC Bank plc

97 Bute Street

Cardiff

CF10 5NA

Strategic report for the year ended 31 December 2021

The directors present their report and the financial statements of the Company for the year ended 31 December 2021.

Business review

The Company's principal activities continue to focus on the research, development, manufacture and sale of a comprehensive range of semi-conductor compounds and ultra-high purity materials. The company is a global leader in the supply of InSb and GaSb wafers for advanced Infrared technology.

The Company continues to invest in research and development to develop cutting edge high quality Infrared materials for both commercial and defence and security applications which is critical to ensure the Company retains its competitive advantage.

Financial Review

The Company reported revenue of £8,096,000 (2020: £9,782,000) and made a profit for the financial year of £747,000 (2020: £1,839,000) as the demand for Infrared materials continues to remain strong based on growth in the end market applications.

The directors are satisfied with the performance of the business during the year, the position at year end and are confident in the future prospects of the Company.

Key performance indicators

Given the nature of the business, the Company's directors are of the opinion that analysis using key performance indicators beyond the financial metrics given above is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties facing the Company are reflected in the principal risks and uncertainties reported in the Strategic Report of the ultimate parent company, IQE plc, which does not form part of this report.

By order of the Board



Mr T Pullen
Director
9 September 2022

Directors' report for the year ended 31 December 2021

The directors present their annual report and the financial statements of the Company for the year ended 31 December 2021.

Principal activities

The Company's principal activities during the year continued to be the research, development, manufacture and sale of a comprehensive range of semi-conductor compounds and ultra-high purity materials primarily for infrared applications.

The Company develops and manufactures advanced substrate materials which are primarily used for a range of optoelectronic applications including infra-red detectors and thermal imaging devices.

Business review

The business review is set out in the strategic report on page 2.

Results and dividends

The profit for the financial year amounted to £747,000 (2020: £1,839,000).

The directors do not recommend the payment of a dividend (2020: £nil).

Directors

The directors of the Company, who were in office during the year and up to the date of signing the financial statements unless otherwise stated, are set out on page 1.

Research and development

The Company incurred costs in respect of research and development during the year of £400,000 (2020: £594,000). All research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

Political and charitable donations

There were no political donations during the year (2020: £nil). Charitable donations made to local charities during the year totalled £1,000 (2020: £1,000).

Going concern

The directors, after making enquiries, have considered the future prospects of the company and have a reasonable expectation that it will have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing these financial statements.

**Directors' report for the year ended 31 December 2021
(continued)****Financial risk management**

The Company's activities expose it to a number of financial risks including foreign exchange risk, credit risk and interest rate risk.

Treasury

The IQE plc Group operates a central treasury function which acts in accordance with specific board policies. Speculative transactions are not permitted.

Interest rate risk

The Group is financed with Group wide facilities therefore interest rate risk is managed on a Group wide basis. The risks associated with changes in interest rates is regularly reviewed by the Group and its exposure to interest rate risk, in particular the mix between fixed and floating rate facilities. The Board does not speculate on future changes in interest rates.

The Company did not enter into any interest rate swap instruments during 2021. This remains under regular review.

Credit risk

Many of the Company's customers are part of large, multinational organisations and the credit risk is therefore generally considered to be relatively low.

Where the Company does perceive a credit risk for an individual customer, this is dealt with either by upfront payment prior to the shipment of goods or by other credit risk mitigation measures.

As a result, the Company has historically had and continues to have a very low level of payment default.

*Currency risk**(a) Cash flow risk*

The Company's functional currency is sterling.

However, the company has transactional exposure to US dollars and Yen. The Company's cash flows are affected by fluctuations in the rate of exchange between Sterling, US dollar and the Yen, and to a much lesser extent, the Company also has exposures to other currencies including Euros.

The Group actively seeks to manage this where possible by establishing natural currency hedges, matching the currency of material purchases to the sales made in foreign currency on a group wide basis.

Where this is not possible the Company management team work in conjunction with the Group Treasury team to forecast the foreign currency exposures and monitor foreign currency rates as part of its ongoing evaluation of the cost versus benefit of using forward contracts to manage any residual foreign currency exposure. Any forward cover obtained would be purely for hedging purposes as speculative transactions are not permitted. The Company did not enter into any forward contracts during 2021.

Directors' report for the year ended 31 December 2021 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102), and applicable law).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Qualifying third party indemnity provisions

The company has granted to the Directors of the company a deed of indemnity which constitutes a third-party indemnity provision for the purposes of the Companies Act 2006. In addition, the company has in place appropriate Directors and Officers liability insurance cover which has been in place for the entire year and at the date of approval of the financial statements.

Audit Exemption

Wafer Technology Limited is exempt from the requirements to file audited accounts by virtue of section 479A of the Companies Act 2006. A statutory guarantee has been provided to Wafer Technology Limited by IQE plc, the ultimate controlling party.

Small company provisions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the Board



Mr T Pullen
Director
9 September 2022

Profit and loss account for the year ended 31 December 2021

	Note	2021 £'000	Restated 2020 £'000
Turnover	3	8,096	9,782
Cost of sales		(6,266)	(6,706)
Gross profit		1,830	3,076
Administration expenses		(1,059)	(1,052)
Operating profit	4	771	2,024
Interest receivable and similar income	7	357	210
Interest payable and similar charges	7	(14)	(8)
Profit on ordinary activities before taxation		1,114	2,226
Tax on profit on ordinary activities	8	(367)	(387)
Profit for the financial year	17	747	1,839
Total comprehensive income for the year		747	1,839

All the results above arise from continuing activities.

The comparative financial information has been restated to separately disclose interest receivable and similar income. The restatement has had no impact on net assets, profit after tax or total cash flow for the year ended 31 December 2021.

Balance sheet as at 31 December 2021


	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	9	3,788	3,868
		3,788	3,868
Current assets			
Stocks	10	2,842	3,198
Debtors	11	9,619	6,078
Cash at bank and in hand		595	2,611
		13,056	11,887
Creditors: amounts falling due within one year	12	(1,740)	(1,445)
Net current assets		11,316	10,442
Total assets less current liabilities		15,104	14,310
Creditors: amounts due greater than one year	13	(22)	-
Net assets		15,082	14,310
Capital and reserves			
Called-up share capital	16	2,058	2,058
Other reserve		110	110
Profit and loss account	17	12,914	12,142
Total shareholders' funds		15,082	14,310

Subsidiary Audit Exemption

For the financial year in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements on pages 6 to 25 were approved by the board of directors on 9 September 2022 and were signed on its behalf by:



Mr T Pullen
Director
9 September 2022

Statement of changes in equity for the year ended 31 December 2021

	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2021	2,058	110	12,142	14,310
Profit for the year	-	-	747	747
Credit relating to equity settled share-based payments	-	-	25	25
Balance at 31 December 2021	2,058	110	12,914	15,082

	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2020	2,058	110	10,303	12,471
Profit for the year	-	-	1,839	1,839
Credit relating to equity settled share-based payments	-	-	-	-
Balance at 31 December 2020	2,058	110	12,142	14,310

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021

1 Accounting policies

General information

Wafer Technology Limited researches and develops specialist infrared semiconductor materials. The company manufactures in the UK and primarily sells its materials to customers in the US and Asia.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of the registered office is Pascal Close, St Mellons, Cardiff, CF3 0LW.

Statement of compliance

The individual financial statements of Wafer Technology Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ('FRS 102') and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss and in accordance with FRS 102 and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Going concern

The company meets its working capital requirements through a combination of cash generated from operations and funding from its ultimate parent company, IQE plc.

IQE plc meets its day-to-day working capital and other cash requirements through its bank facilities and available cash. IQE Group's severe but plausible downside cash flow forecasts and projections show that the IQE Group has adequate cash resources to continue operating for the foreseeable future.

The directors have assessed the Group's funding requirements and after making enquiries, including consideration of the future prospects of the Company have a reasonable expectation that the Company will have adequate resources to continue operating for the foreseeable future with the continued support of the ultimate parent company, IQE plc. The directors have received confirmation that IQE plc intends to support the Company for at least 12 months after these financial statements are approved and therefore the going concern basis has been adopted in preparing these financial statements.

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Notes to the financial statements for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows certain disclosure exemptions for qualifying entities. The company has taken advantage of the available exemptions stated below as the information is contained in the consolidated financial statements of IQE plc as at 31 December 2021 which can be obtained from the Company Secretary at Pascal Close, Cardiff, CF3 0LW.

Cash Flows

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows on the basis that it is a qualifying entity and its ultimate parent company, IQE plc includes the company's cash flows in its own consolidated financial statements.

Share Based Payments

The Company has taken advantage of the exemption, under paragraph 1.12(d), from certain share-based payment disclosures on the basis that it is a subsidiary of IQE plc and the share-based payments concern equity instruments of the group entity.

Financial Instruments

An exemption for certain financial instrument disclosures has been taken under FRS 102 paragraph 1.12(c) on the basis that it is a qualifying entity and its ultimate parent company, IQE plc includes the financial instrument disclosures in its own consolidated financial statements.

Key Management Compensation

An exemption has been taken for the non-disclosure of key management personnel compensation under FRS 102 paragraph 1.12(e) on the basis that the Company's ultimate parent company IQE plc includes this in its own consolidated financial statements.

Related Party Transactions

The Company has taken advantage of the exemption, under FRS 102 paragraph 33.2, from disclosing transactions with members of the same group that are wholly owned.

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of company's sales channels have been met. For the majority of sales this is on despatch of goods.

Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, defined contribution pension plans and share based payments.

- (i) Short term benefits – Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.
- (ii) Defined contribution pension plans - The Company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.
- (iii) Share based payments - Under the IQE plc Share Option Scheme, the scheme participants are eligible for the grant of share options in the Ultimate Parent Company. These have vesting periods of 3 years and can be exercised within 10 years from the date of grant, subject to performance criteria relating to earnings per share and total shareholder return. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted which is calculated using the Black-Scholes option pricing model or a Monte-Carlo pricing model.

Operating Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Costs in respect of operating leases are charged in arriving at operating profit on a straight-line basis over the lease term.

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using rates substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Amounts receivable from tax authorities in relation to research and development tax relief under the RDEC scheme are recognised within operating profit in the period in which the research and development costs are treated as an expense. Where amounts are outstanding at the year end and have not been formally agreed, an appropriate estimate of the amount is included within other receivables.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currency translation

- (i) Functional and presentation currency – The Company's functional and presentational currency is GBP.
- (ii) Transactions and balances – Transactions in foreign currencies during the period are recorded in sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and provision for impairment. Cost includes the original purchase cost of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Repairs and maintenance costs are expensed as incurred.

Depreciation has been calculated so as to write down the cost of assets to their residual values over the estimated useful economic lives, as follows:

Plant and machinery	-	5 – 20 years
Fixtures and fittings	-	5 – 10 years
Computer equipment	-	5 years
Short leasehold buildings	-	over period of lease

No depreciation is provided on assets in the course of construction. Assets residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in administrative expenses in the profit and loss account.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each item to its present location and condition including:

- the purchase cost of direct materials on a first-in and first-out basis;
- the cost of direct labour (for work in progress and finished goods); and
- the cost of attributable overheads based on a normal level of activities.

Provision is made for obsolete, slow-moving or defective items where appropriate.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Provisions are not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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Notes to the financial statements for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

Financial instruments

Financial assets

Basic financial assets, including trade and other receivables, amounts owed by group undertakings and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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Notes to the financial statements for the year ended 31 December 2021 (continued)

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

Shared based payments

The company's employees have been granted share options by the ultimate parent company, IQE plc. The company makes use of the exemption in Section 26 of FRS 102 to account for the expense based on a reasonable allocation of the parent's total expense. The company has calculated its allocation of the parent company's total expense based on the participating employees in the company.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Inventory Provisioning

The company researches and develops advanced semiconductor materials and is subject to changing demands in new technology. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considered the nature and the condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 10 for the net carrying amount of the inventory and associated provision.

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3 Turnover

An analysis of the Company's turnover by geographical destination is given below:

	2021 £'000	2020 £'000
UK	201	349
Europe	1,832	2,684
North America	2,790	2,985
Far East	3,268	3,728
Other	5	36
	8,096	9,782

4 Operating profit

	2021 £'000	2020 £'000
Operating profit stated is after charging/(crediting):		
Depreciation of tangible fixed assets	358	341
Inventory recognised as an expense	3,444	3,704
Operating lease rentals		
- Land and buildings	214	173
- Plant and equipment	11	20
Exchange loss/(gain)	11	108
Research and development tax credit	(65)	(43)

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Notes to the financial statements for the year ended 31 December 2021 (continued)

5 Directors emoluments

The directors of the company hold their employment contracts with other group companies. No recharge is made for their emoluments as it is not possible to apportion emoluments across the various group companies.

6 Staff costs

	2021 £'000	2020 £'000
Staff costs		
Wages and salaries	1,507	1,534
Social security costs	150	155
Share option costs	25	-
Other pension costs	198	210
Total	1,880	1,899

	Number	Number
Average number of employees, including directors, during the year	45	49

7 Interest income and expense

Finance Income	2021 £'000	2020 £'000
Loan interest – group companies	357	210
	357	210

Finance Expenses	2021 £'000	2020 £'000
Bank interest	12	8
Finance lease interest	2	-
	14	8

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

8 Tax on profit on ordinary activities

	2021 £'000	2020 £'000
Current tax credit	-	-
Deferred tax expense	367	387
	367	387

The tax assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK 19.00% (2020: 19.00%) are explained below.

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	1,114	2,226
Tax on profit on ordinary activities before tax at 19.00% (2020: 19.00%)	212	423
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	5	1
Share option schemes	-	(1)
Group relief claimed not paid	(42)	(40)
Adjustments in respect of prior years	29	(86)
Re-measurement of deferred tax	163	94
Total tax charge for year	367	387

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Notes to the financial statements for the year ended 31 December 2021 (continued)

8 Tax on profit on ordinary activities (continued)

Deferred tax (liability) / asset	2021 £'000	2020 £'000
At 1 January	(312)	75
Income statement charge recognised in the year	(367)	(387)
At 31 December	(679)	(312)

Finance Act 2021, which was substantively enacted on 24 May 2021, included legislation to increase the rate of corporation tax to 25% from 1 April 2023. Accordingly, closing deferred tax balances in the financial statements have been recognised in accordance with the rate enacted as part of the Finance Act 2021 with any timing differences expected to reverse on or after 1 April 2023 recognised at a corporation tax rate of 25%.

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

9 Tangible fixed assets

	Short leasehold buildings £'000	Fixtures and fittings £'000	Computer equipment £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2021	1,731	1,137	180	9,795	12,843
Additions	-	25	12	241	278
At 31 December 2021	1,731	1,162	192	10,036	13,121
Accumulated Depreciation					
At 1 January 2021	1,724	596	154	6,501	8,975
Charge for year	1	48	10	299	358
At 31 December 2021	1,725	644	164	6,800	9,333
Net book value					
At 31 December 2021	6	518	28	3,236	3,788
At 31 December 2020	7	541	26	3,294	3,868

10 Stocks

	2021 £'000	2020 £'000
Raw materials and consumables	1,261	1,476
Work-in-progress	1,363	1,566
Finished goods	218	156
	2,842	3,198

Inventories are stated after provisions for impairment of £950,000 (2020: £733,000).

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Notes to the financial statements for the year ended 31 December 2021 (continued)

11 Debtors

	2021	2020
	£'000	£'000
Trade debtors	518	566
Amounts owed by group undertakings	358	149
Loan to ultimate parent company	8,319	4,866
Corporation Tax	99	96
Other debtors	146	127
Prepayments	179	274
	9,619	6,078

Amounts owed by group undertakings are due within one year, unsecured and interest free.

The loan to the parent company does not fall due for repayment within one year and has no specified repayment date beyond this point. This loan is unsecured and bears interest at 5%.

Trade debtors are stated after provisions for impairment of £nil (2020: £nil).

12 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	468	445
Amounts owed to group undertakings	379	349
Finance lease (see note 14)	7	-
Taxation and social security	38	39
Deferred tax (note 8)	679	312
Accruals and deferred income	169	300
	1,740	1,445

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

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

13 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Finance lease (see note 14)	22	-
	22	-

14 Obligations under finance lease

	2021 £'000	2020 £'000
Amounts payable:		
Within one year	7	-
Between one and five years	22	-
	29	-

The finance lease agreement is secured on the assets to which it relates and is repayable in monthly instalments and bears interest at 12.5%.

15 Financial instruments

	2021 £'000	2020 £'000
Financial assets:		
Financial assets measured at amortised cost	9,936	8,319
Financial liabilities:		
Financial liabilities measured at amortised cost	876	794

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, loan to parent company, other debtors and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and finance leases.

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Notes to the financial statements for the year ended 31 December 2021 (continued)

16 Called-up share capital

	2021 Number of shares	2021 £'000	2020 Number of shares	2020 £'000
Authorised				
Ordinary shares of £1 each	2,058,334	2,058	2,058,334	2,058
Deferred shares of £5 each	2,058,334	10,292	2,058,334	10,292
	4,116,668	12,350	4,116,668	12,350
Allotted, called up and fully paid				
Ordinary shares of £1 each	2,058,344	2,058	2,058,334	2,058

17 Profit and loss account

	2021 £'000	2020 £'000
Balance at 1 January	12,142	10,303
Profit for the year	747	1,839
Share based payment costs transferred to other reserves	25	-
Balance at 31 December	12,914	12,142

18 Operating lease commitments

The Company has the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2021		2020	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Payments due:				
Within one year	231	8	168	1
Between two and five years	577	11	588	-
More than five years	-	-	-	-
	808	19	756	1

Wafer Technology Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

19 Related party transactions

Advantage has been taken of the exemption conferred by FRS102 para 33.1a from disclosing transactions undertaken between this Company and other members of the IQE plc Group as the Company is a 100% owned subsidiary.

20 Pension commitments

The Company operates a defined contribution pension scheme covering all of its employees. Contributions of £198,000 (2020: £210,000) were charged to the profit and loss account in the year in which they were payable. The balance owed to the pension providers at 31 December 2021 is £17,000 (2020: £18,000). All commitments under the pension scheme in respect of the employer's contributions have been met during the year.

21 Contingencies

On 24 January 2019 the company entered into a new cross guarantee with other group companies to guarantee the group indebtedness to the Group's primary bankers. This guarantee is supported by a fixed and floating charge over the assets and undertakings of the company.

22 Parent company and controlling party

The Company's immediate parent Company is Wafer Technology International Limited, a Company registered in England and Wales. The Company's ultimate parent Company and controlling Company is IQE plc, whose financial statements are available from the Company Secretary, Pascal Close, St Mellons, Cardiff, CF3 0LW. IQE Plc is incorporated in England and Wales. This is the smallest and largest group in which the results of the Company are included.