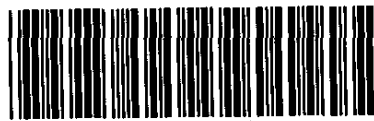


EPI Holdings Limited
Report and financial statements
for the year ended 31 December 2022

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EPI Holdings Limited

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Directors and advisers for the year ended 31 December 2022

Directors

Mr T Pullen (resigned 7 June 2023)

Dr A W Nelson (resigned 10 January 2022)

Mr A Lemos (appointed 10 January 2022)

Mr N J Rummings (appointed 7 June 2023)

Secretary

Mr T Dale

Registered Office

Pascal Close

St Mellons

Cardiff

CF3 0LW

Bankers

HSBC Bank Plc

Strategic report for the year ended 31 December 2022

The directors present their strategic report on the Company for the year ended 31 December 2022.

Review of business

The principal activity of the company is to act as an intermediate holding company within the IQE plc group.

Financial Review

The Company owns an equity investment in its subsidiary undertaking, IQE (Europe) Limited, a company whose principal activity is the manufacture of compound semiconductor wafers using a process called epitaxy.

The company reported profit for the financial year of £nil (2021: £nil).

Given the nature of the Company's operations the Company has not received any other income, incurred expenditure or recognised any other gains or losses during the current or prior year.

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 key 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. Accordingly, the principal risks and uncertainties of the IQE Plc Group, which include those of the Company, are discussed in the Strategic Report of the Group's annual report, which does not form part of this report.

By order of the Board



Mr N J Rummings
Director
30 June 2023

Director's report for the year ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company is to act as an intermediate holding company within the IQE plc group.

Business review and future developments

The business review and future developments are set out in the strategic report on page 2.

Results and dividends

The company made a profit for the financial year of £nil (2021: £nil).

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

Directors

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

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 due to 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.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the 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 prepared 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 United Kingdom 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.

Director's report for the year ended 31 December 2022**Statement of directors' responsibilities (continued)**

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

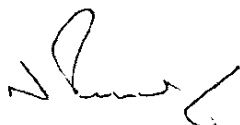
The company has granted to the Directors of the company a deed of indemnity which constitutes a third party indemnity provision for the purposes of the Companies Act 2006. In addition, the company has in place appropriate Directors and Officers liability insurance cover which has been in place for the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

Audit exemption

The Company 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 the Company 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 N J Rummings****Director**
30 June 2023

Profit and loss account for the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative income	3	-	-
Operating profit		-	-
Profit on ordinary activities before taxation		-	-
Tax on profit on ordinary activities	5	-	-
Profit for the financial year		-	-
Total comprehensive income for the year		-	-

Balance sheet as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	6	5,995,002	5,995,002
Creditors - amounts falling due within one year			
	7	(2,040,250)	(2,040,250)
Net assets		3,954,752	3,954,752
Capital and reserves			
Called up share capital	8	30,001	30,001
Profit and loss account		3,924,750	3,924,750
Capital redemption reserve		1	1
Total shareholders' funds		3,954,752	3,954,752

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 Companies Act 2006 with respect to accounting records and for the preparation of financial statements.

The financial statements on pages 5 to 14 were approved by the board on 30 June 2023 and were signed on its behalf by:



Mr N J Rummings
Director
30 June 2023

Statement of changes in equity for the year ended 31 December 2022

	Called up share capital £	Capital redemption £	Profit and loss account £	Total £
Balance at 1 January 2022	30,001	1	3,924,750	3,954,752
Profit for the year	-	-	-	-
Balance at 31 December 2022	30,001	1	3,924,750	3,954,752

	Called up share capital £	Capital redemption £	Profit and loss account £	Total £
Balance at 1 January 2021	30,001	1	3,924,750	3,954,752
Profit for the year	-	-	-	-
Balance at 31 December 2021	30,001	1	3,924,750	3,954,752

**Notes to the financial statements year ended
31 December 2022****1 Accounting policies****General information**

The principal activity of the company is to act as an intermediate holding company within the IQE plc group.

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

Statement of compliance

The individual financial statements of EPI Holdings 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" (FRS102) 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 via funding from its parent company, IQE plc.

IQE plc meets its day-to-day working capital and other cash requirements through its bank facilities and available cash. The Group's severe but plausible downside cash flow forecasts and projections show that the Group has adequate cash resources to continue operating for the foreseeable future following the refinancing of the Group's £28,688,000 (\$35,000,000) multi-currency revolving credit facility provided by HSBC Bank plc on 16 May 2023 and the successful £31,099,000 equity fund raise completed on 18 May 2023.

Notes to the financial statements year ended 31 December 2022

1 Accounting policies

Going concern (continued)

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.

Consolidated financial statements

The company is a wholly owned subsidiary of IQE plc. It is included in the consolidated financial statements of IQE plc which are publicly available. Therefore, the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows certain disclosure exemptions for qualifying entities. The company has taken advantage of available exemptions stated below as the information is contained in the consolidated financial statements of IQE plc as at 31 December 2022 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.

Financial Instruments

The Company has taken advantage of the exemption, under paragraph 1.12(c), from certain financial instrument disclosures 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

The Company has taken advantage of the exemption, under paragraph 1.12(e), from certain key management compensation disclosures on the basis that it is a subsidiary of IQE plc and IQE plc includes this information in its own consolidated financial statements.

Related Party Transactions

The Company has taken advantage of the exemption, under FRS 102 paragraph 33.1A, from disclosing transactions with members of the same group that are wholly owned.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment.

Notes to the financial statements year ended 31 December 2022

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

The company has not made any critical judgements in applying its accounting policies.

Critical accounting estimates and assumptions

The company has not made any critical accounting estimates or assumptions in applying its accounting policies.

3 Operating profit

The Company has not traded during the current or prior period.

4 Employee information

The directors are the only company employees (2021: 2).

The emoluments of A Lemos, A Nelson and T Pullen are disclosed in the financial statements of IQE plc. No recharge is made for director emoluments as it is not possible to apportion emoluments across the various group companies.

Notes to the financial statements year ended 31 December 2022

5 Tax on profit on ordinary activities

	2022 £	2021 £
Current tax charge	-	-
Deferred tax charge	-	-
Total tax expense	-	-

The tax assessed for the year is the same as (2021: same as) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) and is explained below:

	2022 £	2021 £
Profit on ordinary activities before taxation	-	-
Tax charge at 19.00% (2021: 19.00%) thereon	-	-
Effects of:		
Income not subject to tax	-	-
Total tax charge for the year	-	-

Factors that may affect the future tax charge

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. In the Autumn Statement in November 2022, the UK government confirmed that the increase in corporation tax rate to 25% from 1 April 2023 will go ahead.

Notes to the financial statements year ended 31 December 2022

6 Fixed asset investments

	Subsidiary £
Cost	
At 1 January 2022 and 31 December 2022	5,995,002
Impairment provision	
At 1 January 2022 and 31 December 2022	-
Net book value	
At 1 January 2022 and 31 December 2022	5,995,002
31 December 2021	5,995,002

	Subsidiary £
Cost	
At 1 January 2021 and 31 December 2021	5,995,002
Impairment provision	
At 1 January 2021 and 31 December 2021	5,995,002
Net book value	
At 1 January 2021 and 31 December 2021	5,995,002
31 December 2020	5,995,002

The investment in subsidiary represents a 100% interest in the ordinary share capital of IQE (Europe) Limited, a Company incorporated in the United Kingdom whose principal activity is the manufacture and sale of epitaxial wafers. The registered address of IQE (Europe) Limited is Pascal Close, St Mellons, Cardiff, CF3 0LW.

Notes to the financial statements year ended 31 December 2022

7 Creditors: amounts falling due within one year

	2022 £	2021 £
Amounts owed to group undertakings	2,040,250	2,040,250

Amount owed to group undertakings are unsecured, interest free and carry no fixed term of repayment.

8 Called up share capital

	2022 £	2021 £
Authorised		
99,998 ordinary shares of £1 each	99,998	99,998
1,000 "A" shares of £1 each	1,000	1,000
1 non-voting subscriber share of £1	1	1
1 redeemable deferred "golden" share of £1	1	1
	101,000	101,000
Issued, allotted, called up and fully paid		
30,000 ordinary shares of £1 each	30,000	30,000
1 non-voting subscriber share of £1	1	1
	30,001	30,001

The rights attaching to the non-voting subscriber share are as follows:

On a winding-up or other return of capital, the holder will be entitled to receive £1. The non-voting subscriber share shall carry no further right to participate in the profits or on a return of capital.

The holder shall not be entitled to receive notice of, or attend or vote at, any general meeting of EPI Holdings Limited.

**Notes to the financial statements for the year
ended 31 December 2022**

9 Contingencies

The company is a party to a 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.

10 Ultimate parent company

The immediate and ultimate parent undertaking and controlling party is IQE plc, whose financial statements are available from the Company Secretary, Pascal Close, St Mellons, Cardiff, CF3 0LW. This is the smallest and largest group in which the results of the Company are included.

IQE plc and EPI Holdings Limited are incorporated in England and Wales.