Powering tomorrow's technology, today

Annual Report and Accounts 2024

Powering tomorrow's technology, today

Our vision

Our mission

£118m

£(33)m

£8m

£(19)m

£11m

Who we are

IQE is the leading global manufacturer of compound semiconductor wafer products and advanced material solutions. As the only epitaxy provider with a global footprint, IQE is strategically positioned with operations on three continents. We offer our customers world-class technology, flexibility and supply security within their local geographies.

What we do

IQE provides compound semiconductor manufacturing services and occupies a critical position in the global value chain – at the forefront of advanced semiconductor materials innovation. We support next-generation technologies and innovation by providing our customers with epitaxial wafers and substrates with the advanced performance characteristics needed to power tomorrow's technology, today.

Our global footprint

+ Read more about our global success on page 6

Uniquely positioned in the global value chain

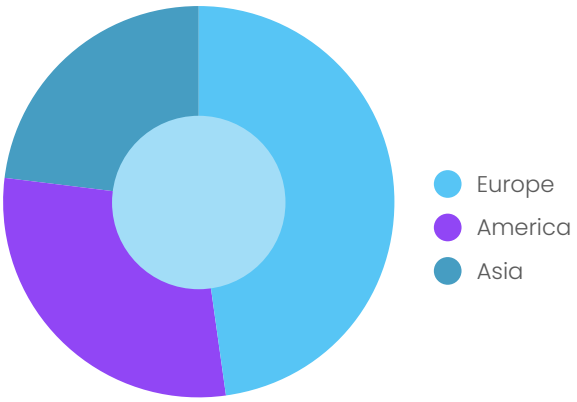
479

Number of employees
(as at 31 December 2024)
We have a diverse workforce across three continents.

3

Countries of operation
Our unique global footprint allows IQE to offer localised customer service.

Employees by location



Our growth potential

+ Read more about our strategy for growth on page 24

Connect

High-performance connectivity is essential for wireless communications products in today's digital world. With faster speeds, lower latency, and greater reliability, these products enable seamless data transmission, enabling applications in our homes, workplaces and beyond, wherever efficient communication is crucial for innovation and the user experience.

Sense

Growth is forecast in the global sensing market driven by rising demand for smart devices, Internet of Things and automation across industries like healthcare, automotive, and manufacturing. Advanced sensors enable real-time monitoring and smarter decision-making, while AI and machine learning provide further opportunities for market expansion. As industries embrace digital transformation, the need for connected solutions continues to rise, with IQE leveraging its impressive history in sense technologies including 3D Sensing.

Power

The Power Electronics market is growing, driven by the demand for energy-efficient solutions and the shift to renewable energy. As electric vehicles, smart grids and advanced power systems are adopted, the need for high-performance power solutions increases. Materials such as Gallium Nitride (GaN), which is critical to IQE's Power portfolio, are fuelling innovations in semiconductors and energy management to tackle global power-related challenges and support sustainability and efficiency.

Display

Display technologies are advancing rapidly, and as demand for immersive visual experiences grows, microLEDs are set to play a key role in the future of displays. MicroLED displays offer superior brightness, colour accuracy and energy efficiency and are ideal for consumer electronics, automotive, and advertising applications,. IQE, through collaboration with key strategic partners, is advancing microLED and display technologies to deliver an enhanced user experience.

Powering innovation

IQE is addressing the technology challenges of tomorrow through a market-led approach

Our growth markets

Smart Connected Devices

Automotive and Industrial

Communications Infrastructure and Security

Aligned with industry demand, IQE is focused on three strategic markets which offer significant growth potential.

Smart Connected Devices demand more efficient and powerful semiconductors to handle complex data processing and connectivity requirements. As these devices become increasingly integrated into everyday life, IQE's innovation supports higher performance, miniaturisation and energy efficiency.

The Automotive and Industrial sectors are expanding rapidly as electric vehicles, autonomous driving technologies and power systems demand advanced semiconductors for better performance and safety. IQE's technology is enabling high-performance sensing, connectivity, power solutions and real-time data processing in these increasingly complex applications.

Artificial intelligence is driving growth across a wide variety of Communications Infrastructure and Security applications by enabling faster data processing and more efficient network management, including for data centres, fibre networks as well as the expansion of 5G/6G wireless infrastructure.

In the security space, IQE is enabling advanced systems to support real-time threat detection and unlocking new sensing potential.

+ Read more on page 20

Uniquely positioned for supply security and scalability

North America

Washington
Massachusetts
North Carolina

Europe

Newport
Cardiff
Milton Keynes

Asia

Taiwan

+ Read more about our Strategic Review in relation to IQE Taiwan on page 27

Powering success

Offering world-class technology, flexibility and supply chain security

As the only pure play epitaxy provider with a global footprint, IQE remains uniquely positioned within the global semiconductor ecosystem. Headquartered in the UK, IQE has manufacturing operations on three major continents, providing our customers with broad market access, close proximity and global manufacturing flexibility and resilience.

Combined with our proven ability to manufacture a full breadth of materials platforms at scale, we are strategically placed to capitalise on the technology megatrends of the future.

+ Read more on page 16

Powering the future

GaN technology promises to reduce power consumption, increase reliability and enhance performance in electric vehicles and industrial applications, a cornerstone of achieving Net Zero

"IQE is strategically positioned and ready to respond to market demand for GaN."

Rodney Pelzel
Chief Technology Officer
& Chief Operating Officer

$2.2B

GaN Power device market by 2029

41%

GaN Power device market CAGR 2023-2029

Source: Yole Group, 2024

IQE's GaN-led diversification strategy in action

Gallium Nitride (GaN) remains at the forefront of enabling smaller, more efficient and lower cost power systems and it is employed across a wide range of applications. Within electric vehicle and automotive sectors, GaN is essential for improving charging performance and increasing vehicle range. It is also a critical enabler of advanced communications system, such as power supplies for data centres, thanks to its performance advantages over traditional silicon-based semiconductors. In the longer term, GaN will be used to enable efficient ultra-high-resolution displays (MicroLED).

Whilst the pace of vehicle electrification may have slowed, as the market rebuilds critical mass IQE is developing and qualifying customer power architectures from its established foundry locations. Thanks to strategic investment in GaN reactor capacity across our global sites in the UK and US, IQE is ready to respond to market demand for GaN.

+ Read more on page 26

Powering tomorrow's technology, today

"I am filled with both pride and gratitude for what the Company - and our teams - have accomplished in 2024."

Jutta Meier
Chief Executive Officer and Chief Financial Officer

I am delighted to present IQE's 2024 Annual Report. As I reflect upon my first year with the business, I am filled with both pride and gratitude for what the Company - and our teams - have accomplished in 2024. While we encountered some unexpected challenges, it was also a year of opportunity and growth for our organisation.

I joined IQE in January 2024 as the Company's Chief Financial Officer, bringing with me many decades of experience working globally in senior roles in the semiconductor industry. I was then fortunate to also be appointed IQE's Chief Executive Officer nine months later in October 2024. Since then, I have been working closely with Executive Chairman Mark Cubitt and the Board as we focus on improving operational efficiency and cost control to reshape IQE and position ourselves for a successful future.

As we entered 2024 there was a weight of expectations placed upon the rate of industry recovery following the global semiconductor downturn. Although we were beginning to see pockets of recovery, the pace of progress was varying between regions and market segments, with conditions not improving as favourably or as quickly as we had hoped. This was in large part due to weak consumer demand in end markets and meant we did not achieve the revenue growth we desired, with our year-on-year revenues being broadly flat. Despite this, we began to see the positive impacts of our careful cost management and I am pleased to report an improvement in our adjusted EBITDA position, which grew from £4,313,000 in 2023 to £8,112,000 in 2024.

With the market softness persisting throughout 2024, we looked to maximise the value of IQE's asset base and stabilise our balance sheet. In July we announced plans for the IPO of our Taiwan operating subsidiary on the Taiwan Stock Exchange, which was intended to accelerate investment in our growth strategy. However, in November we subsequently announced the Board's decision to undertake a Strategic Review of the Group in light of difficult trading conditions and the Board's belief that there is significant value in IQE that is not currently reflected in its market capitalisation. As part of the Strategic Review, IQE has broadened its options in relation to the proposed IPO to include the possibility of a full sale. While the Strategic Review process remains ongoing at the time of writing, I am encouraged by the progress that has been made.

To strengthen IQE's short-term liquidity position, in November we announced that the business was entering into subscription agreements with a consortium of existing investors through convertible loan note financing. This process, led by Lombard Odier - IQE's biggest shareholder - raised aggregate subscription proceeds of £18 million and was finalised after the reporting period. Simultaneously, IQE's existing financing facility with HSBC was amended and restated with the closing of the fundraising.

Operational performance

The business achieved good progress against our defend and diversify strategy in 2024. Our connectivity-related products saw growth driven by demand for communications infrastructure products, penetration into the Android smartphone and WiFi market, and increased demand in the Aerospace and Security sector.

It has been a busy time within our Photonics portfolio, with Generative AI driving demand across our new and legacy photonics product portfolio, particularly for next-generation data centres. We successfully qualified Quantum Dot Laser products for an industry-leading Silicon Photonics customer for use in next-generation networking applications. Our announcement of a strengthened partnership with pioneering Quantum Dot Laser (QDL) technology company Quintessent Inc., to establish the world's first large-scale QDL supply chain highlights increasing momentum in this emerging market. The business also delivered advanced, higher performance VCSEL products for qualification in new mobile platforms which include AR/VR with high-resolution depth and image recognition capabilities.

Throughout 2024, we continued to deploy GaN Power capacity in the US and UK to serve the global Power Electronics market. We saw successful customer demonstration of 650V e/d-mode GaN products for Tier 1 OEMs and received our first commercial orders for 650v automotive qualifications. With tools qualified and partnerships secured, IQE is positioned to deliver on forthcoming GaN opportunities as the market transitions into high-volume manufacturing.

We also expanded our capacity to serve the growing demand for MicroLED development for next-generation, high-resolution display markets. This was supported by a new 8" GaAs and GaN RGB microLED product portfolio announced during the year, with strong engagement from Tier 1 consumer mobile and display manufacturers. This included our continued partnership with a leading smart glasses developer in the field of GaN MicroLED displays.

Financial performance

Our full year revenue of £118,034,000 (2023: £115,252,000) increased 2.4% from 2023. Wireless revenues, related to our connectivity-related products, increased 24.9% to £67,295,000 (2023: £53,877,000), reflecting an increase in wireless GaAs sales linked to a higher penetration of Asian markets and an increase in GaN sales for RF applications. Photonics revenues, tied to our advanced sensing portfolio, decreased 15.6% to £49,876,000 (2023: £59,098,000) primarily because of softness in the 3D Sensing and telecoms infrastructure markets, partially offset by strong performance in Aerospace and Security markets for infrared-related products.

CMOS++ revenue of £863,000 (2023: £2,277,000) declined 62.1%, reflecting a strategic rebalancing of the business' product portfolio and a shift in focus towards diversification into GaN Power and MicroLED. Starting in 2025, the Group will no longer report CMOS++ revenue as a standalone segment.

The Group reported an operating loss of £32,958,000 (2023: £25,779,000) which was impacted by certain non-cash asset impairments primarily relating to our Wireless business. However, we achieved an improved adjusted EBITDA position through careful cost management in year, in tandem with actions taken in prior years. A positive EBITDA impact was seen from the closure of our Pennsylvania site and the consolidation of our US MBE business into North Carolina. We also made the difficult decision to restructure our management teams and reduce our headcount by 10% in 2024, mainly focused within our UK and US epiwafer sites.

ESG progress

IQE made important progress towards our ESG goals in 2024. During the year we successfully attained approval of our science-based targets to reduce greenhouse gas emissions in line with the SBTi Net Zero Standard, which seeks to limit global warming to 1.5°C. The SBTi's Target Validation Team has classified IQE's near and long-term targets as in line with this ambition and has verified IQE's mitigation pathways for reaching Net Zero by 2050 or sooner. We achieved the most ambitious designation available through the SBTi process and I am proud of our work towards achieving meaningful global greenhouse emissions cuts.

"The Board believes there is significant value in IQE that is not currently reflected in its market capitalisation."

The shape of our year

Outlook

In my first year with IQE, I have seen first hand how our team unites to navigate uncertainty with steadfast commitment. While the future of the Company presents a variety of potential pathways, I remain highly optimistic about what lies ahead. With our short-term financing secured through the successful completion of the CLN, and meaningful progress towards the sale or IPO of IQE Taiwan, we are establishing a solid financial foundation for a robust and sustainable business.

I, together with the Board, believe there is a significant market opportunity in IQE's core operations, and we remain focused on reducing our cost structure for profitable growth, servicing our customers and maximising value for shareholders. We intend to provide further updates and a refreshed strategy later in the year.

We also have a strong customer pipeline in front of us, which has never been more diverse. While the industry remains in recovery, we are seeing strong demand for data and optical communications products, next-generation displays and advanced sensing for aerospace and defence applications. This is offsetting continuing softness in some larger markets, such as the consumer mobile segment. The strong engagements we are seeing in 2025 are anticipated to provide significant growth opportunities in 2026 and beyond.

I firmly believe that compound semiconductors, and by extension IQE as leaders in the industry, will play an important role in shaping the connected, immersive, and low carbon world of tomorrow. The business has made great strides this year and I am confident we are laying the foundations for a new chapter in IQE's history that we can all be proud of.

Jutta Meier
Chief Executive Officer and Chief Financial Officer

12 May 2025

Revenue

£118m

2023: £115m

Operating loss

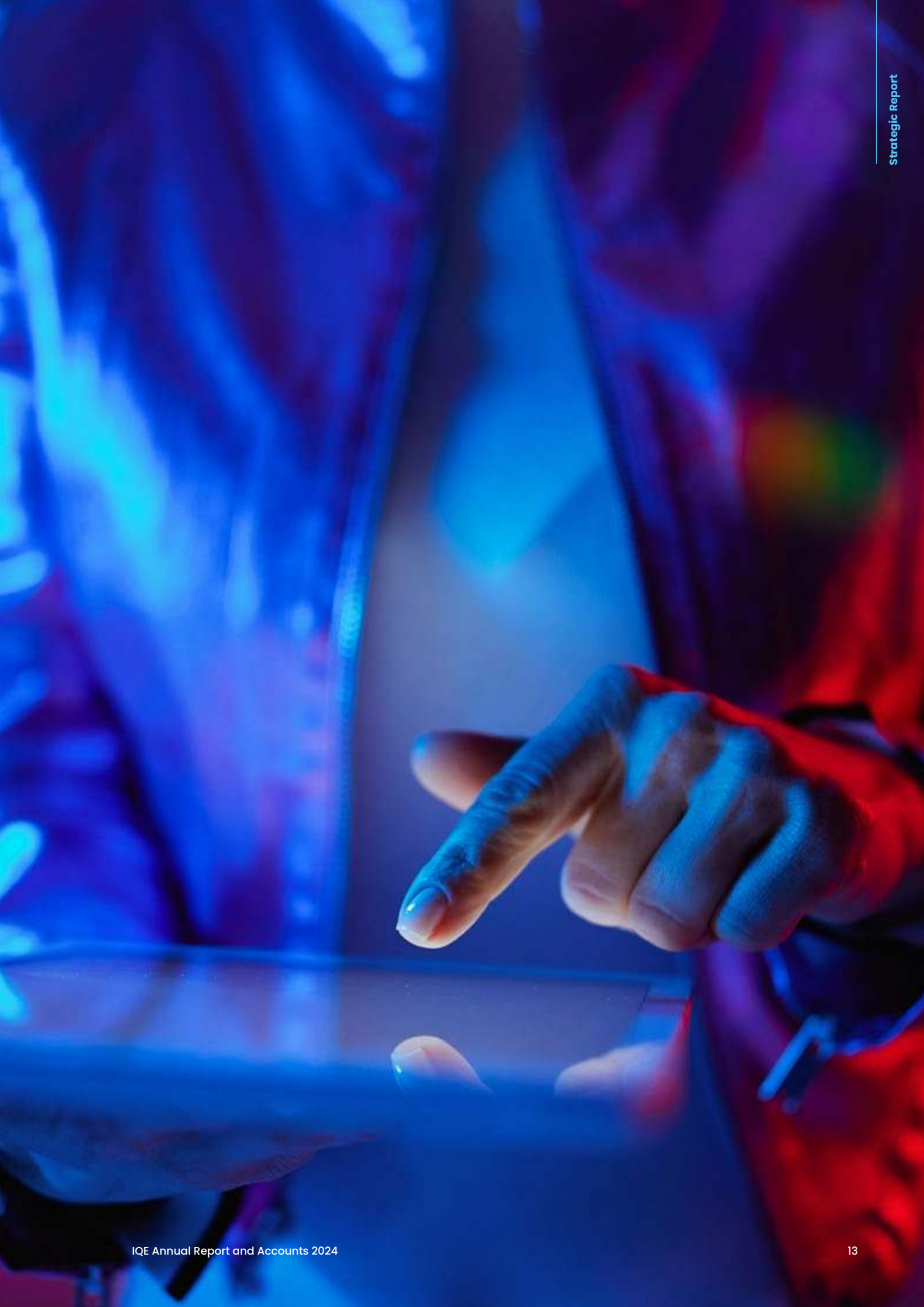
£(33)m

2023: £(26)m

Adjusted EBITDA

£8m

2023: £4m



Unlocking the potential of IQE

"We have a strengthened balance sheet, streamlined management team and a reaffirmed commitment to delivering value for our customers and stakeholders."

Mark Cubitt
Executive Chair

I am pleased to be able to introduce my first Annual Report as Executive Chair of IQE. Since joining the business in October 2024 and stepping into the Executive role shortly after, my first few months have been spent getting to know IQE thoroughly and meeting our dedicated global team.

Reflecting on 2024, it presented its fair share of both challenges and opportunities for IQE, which tested our resilience and agility. However, we also made important strides to strengthen our operations and position ourselves for future growth. Thanks to this progress, we have a strengthened balance sheet, streamlined management team and a reaffirmed commitment to delivering value for our customers and stakeholders, while progressing against our longer-term strategy.

Trading performance

IQE's 2024 trading performance was reflective of ongoing softness within the industry and a slower than anticipated recovery from the market downturn in certain business segments. Our revenue performance was broadly flat year-on-year, and despite reporting an operating loss we demonstrated an improved adjusted EBITDA as result of the cost mitigation actions taken in year and earlier, reflecting our focused cost control and improved operational performance.

As part of our decisive action to manage costs, we made the difficult decision to further reduce headcount and restructure our executive team. We also completed convertible loan note financing of £18m after the reporting period to strengthen our near-term financial position.

Board matters

I was pleased to join IQE's Board in October 2024 as a Non-Executive Director. Following the departure of CEO Americo Lemos later that month, I took up the role of Executive Chair, with Jutta Meier being named CEO in addition to her CFO role. Jutta originally joined the business in January 2024, bringing a wealth of experience from the global semiconductor industry which we continue to benefit from.

Since then, we have been working closely together and our strong focus is on cash generation and management across the Group, and on unlocking embedded value through our Strategic Review and the optimisation of our asset base.

2024 also saw the departure of Drew Nelson and Phil Smith from IQE's Board. Since he co-founded the business in 1988, Drew has been instrumental to the business' growth from start-up to a global innovator and leader in the sector. He departed IQE's Board in June 2024 and remains a key figure in the semiconductor industry through his work with the South Wales Compound Semiconductor cluster, where we continue to work closely with him.

Phil completed his Board tenure in December 2024 after serving on IQE's Board for nearly nine years, including five years as Chair. I wish him the best and thank him for his contributions and support during the transition period.

Looking ahead

While there is still much work for us ahead, I am encouraged by the dedication of our teams and the progress that we have made in 2024 to strengthen our foundations for the future and adapt to the evolving macro environment.

While the pace of recovery following the industry downturn remains patchy, we welcome the gradual stabilisation of supply chains and customer demand across our product portfolio.

Our market-led technology approach will allow us to capture opportunities in exciting new areas, and in 2025 we will look to build on our successful development and customer engagement in key markets such as GaN for Power Electronics and MicroLED. We will also look to capitalise on AI-driven demand in the communications infrastructure market, particularly for data centres, AR/VR and mobile platforms.

"The sale or IPO of IQE Taiwan will pave the way to unlock the incredible potential of the IQE Group by ensuring we have a strong capital base to continue investing in our core business and supporting our longer-term strategy."

I am confident that our Strategic Review and the sale or IPO of IQE Taiwan will pave the way to unlock the huge potential of the IQE Group by ensuring we have a strong capital base to continue investing in our core business and supporting our longer-term strategy.

Moving forward, we are committed to building a stronger IQE with a clear focus on innovation, operational efficiency, cost control and sustainable growth. I have full confidence in our team's ability to navigate the challenges and opportunities ahead, united by a common purpose to create a more connected and sustainable future for everyone.

Mark Cubitt
Executive Chair

12 May 2025

Strategic Review

In July 2024, IQE announced plans for an initial public offering (IPO) of the Group's Taiwanese operating subsidiary, IQE Taiwan, on the Taiwan Stock Exchange, with the proceeds of the IPO intended to be utilised across the Group to fund the growth strategy. However, in November the Board decided to undertake a comprehensive Strategic Review of the entirety of IQE's asset base to ensure a strong capital position from which to fund investment into core operations. The Board feels there is significant value in IQE which is not currently reflected in its market capitalisation, and the Board's priority is reducing the Company's cost structure for profitable growth, servicing its customers and maximising value for shareholders.

At the time of publication, the Strategic Review remains ongoing. As part of the review, IQE broadened its options in relation to the proposed IPO to include the possibility of a full sale of IQE Taiwan. The Board has retained Lazard to advise on the Strategic Review and it is being overseen by the Board with input from key stakeholders.

The Board is encouraged by the positive levels of interest in the process to date. The completion of the Strategic Review and potential sale or IPO of IQE Taiwan is a significant opportunity which will allow the Group to unlock significant unrealised value within the business, strengthen the balance sheet and ensure it is able to invest in its long-term growth opportunity.

+ Read more about strategy on page 24

Powering tomorrow's technology, today

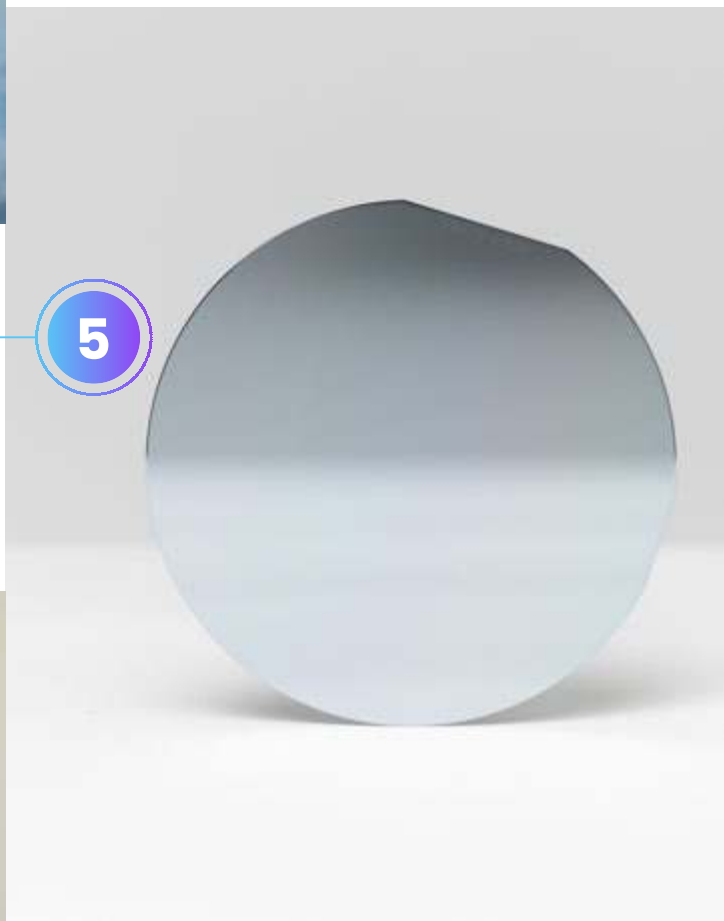
1 Only global pure play epitaxy supplier

2 Market-led approach

3 Expansion capacity and scalability

4 Unmatched expertise

Foundational technology 5



6 Delivering value

Creating value through a resilient business model

What we do

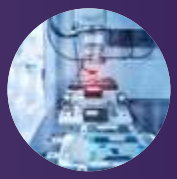
As the only pure play epitaxy provider with a global footprint, IQE remains uniquely positioned within the global semiconductor ecosystem.

Substrates
Base materials

Foundries
Device fabrication

Fabless
Design

Device makers
Device manufacture



Epitaxy is where the value is created

How we do it

Customer qualification

Exacting quality standards, world-leading IP and process know-how enables broad product qualification with leading international customers.

Market intelligence

Unrivalled market understanding underpinned by a 30+ year pedigree and long-standing customer relationships.

Research & development

A programme of innovation that drives leading edge technologies, working in partnership with the world's major technological supply chains.

Product portfolio

A comprehensive Connect, Sense, Power and Display product offering enables our customers to deliver world-leading products.

Manufacturing capacity at scale

Investment in the state-of-the-art infrastructure of our global manufacturing footprint has created the scale required to capitalise on the growing compound semiconductor market.

Driven by:

Our purpose

IQE manufactures the world's most advanced compound semiconductor epitaxial wafers that are the foundation materials for Connect, Sense, Power and Display devices. We enable our customers through rapid innovation, superior quality and manufacturing scale.

Our key relationships and resources

Long-standing partnerships with customers

IQE is a materials solutions provider, enabling advanced technologies throughout major global supply chains. We work with customers up and down the value chain.

Technically experienced and highly-skilled people

IQE attracts and develops the top talent in the compound semiconductor industry, and is therefore able to offer a wealth of technical expertise across our product portfolio.

Strategically positioned intellectual property portfolio

With a focused patent portfolio and unparalleled process IP, IQE has an established, protected position in its markets.

Widely recognised technology leadership

As a materials specialist with a commitment to innovation, IQE is at the forefront of new technology and has a track record of enabling major technological product trends, from R&D to mass production.

Global manufacturing footprint

Headquartered in the UK with manufacturing operations strategically positioned around the globe, IQE has worldwide market access and close customer proximity, providing resilient, flexible supply security for customers.

Uncompromising quality standards

Superior quality is embedded in IQE's manufacturing processes to ensure that our products drive superior yields and unit economics for our customers.

Delivering value for

Customers

£2m

Technology-related development expenditure

2023: £3m

Employees

4,804

Hours of learning completed in 2024

2023: 1,528

Investors

£11m

Cash capital expenditure investment in 2024

2023: £12m

Communities

1 day

Annual paid employee volunteering leave entitlement

2023: 1 day

Environment

16,229 tCO_2e

Total GHG emissions

2023: 19,603 tCO_2e

Underpinned by:

Our people

+ Read more on page 40

Technology Roadmap

+ Read more on page 20

Operational Excellence

+ Read more on page 34

Sound governance and risk management

+ Read more on page 62

Responsible business operations

+ Read more on page 37

Building the future

IQE is at the forefront of the megatrends shaping the future. In a rapidly changing world, IQE's diverse portfolio of products serves a broad range of customers in multiple markets, providing customers with flexibility, opportunity and supply resilience. Together we are building the energy efficient infrastructure of the future, focusing on products which enable Artificial Intelligence (AI), optical communications, advanced sensing and next-generation displays.

Communications Infrastructure and Security

5G/6G

5G networks play a crucial role in supporting and driving the adoption of AI. High-speed, low-latency networks are necessary to handle data-intensive AI workloads. Sixth generation cellular networks will enable ever present connectivity, providing the bandwidth necessary to enable the Metaverse.

How IQE is responding

IQE's communications infrastructure product portfolio serves customers at all network nodes. Our GaN on SiC technology powers a new generation of high-capacity 5G base stations, delivering superior output power and energy efficiency over incumbent radio frequency solutions.

The optical backbone which connects wireless networks is built on a metro and long-haul fibre, and IQE provides a range of signal laser and detector material solutions for data-centric infrastructure transmitting over all Photonics networks.

6G will be revolutionary, with unprecedented requirements in data transmission, latency and coverage. IQE's broad RF materials portfolio (GaN, InP and GaAs) enables us to serve customer development platforms which are architecting new 6G wireless networks.

$909m

RF GaN Telecom and Infrastructure Device Market by 2029*

Intelligent sensing

Multi-spectral imaging is delivering innovations in sensing. Being able to see further, in higher resolution and in full colour across the entire infrared spectrum, is expanding use cases beyond serving single missions.

How IQE is responding

IQE's industry leadership in antimonide infrared materials has continued to expand, with the development of 'full colour' GaSb-based sensing technologies which are enabling our customers to expand not only their imaging reach, but also use cases including AI-driven autonomous platforms.

Complementing our detector technologies are intelligent mid-infrared lasers which can be tuned to detect industrial and security hazards. We expect sensing to become ever more prevalent as use cases expand, with our intelligent sensing product portfolio already enabling new applications in consumer sensing.

$1.5bn

Market size for advanced high-resolution Infrared image sensors by 2030*

* Source: Yole Group, 2024-2025

Smart Connected Devices

Augmented/Virtual Reality

An immersive user experience across a vast array of use cases is made possible by IQE's Photonics technologies. 3D Sensing lasers powered by our epitaxy are enabling new levels of information and interactivity to be unlocked.

How IQE is responding

Building on our pioneering work in 3D Sensing, IQE has developed a new generation of higher performance VCSELs which deliver higher resolution capabilities and enable advanced applications.

IQE is working with global leaders to provide the most advanced VCSELs for AR/VR applications and IQE's material is contained in current market leading AR/VR products, as well as in future development roadmaps. This technology development also extends to spatial computing and smart glass platforms, enabling the next wave of mobile device innovation.

$1bn

GaAs VCSEL Mobile & Consumer Die Market Demand by 2029*

MicroLED displays

Energy efficient, high-resolution and flexible displays built exclusively from compound semiconductor-based microLEDs are transforming the display industry, and remains an active area of development for IQE.

How IQE is responding

IQE is partnering with industry leaders to qualify microLED technology for use in smart glass and watch platforms. We also have contracted R&D programmes delivering RGB epitaxy into display OEMs, enabled by IQE's breadth of GaAs (red) and GaN (blue and green) materials technology. IQE is also engaged in scaling microLED technologies and our leadership in GaN-on-Si has enabled us to deliver product into OEMs developing mass market solutions for consumer displays.

$996m

MicroLED Total Panel Revenue by 2029*

Healthcare wearables

A new era of digital healthcare will be enabled by compound semiconductor devices that can detect biomarkers with clinical accuracy to unlock health insights live. These sensors will be minaturised and integrated into mobile consumer platforms.

How IQE is responding

IQE has long-standing relationships with and remains engaged with market leading OEMs to develop advanced healthcare wearables.

We offer our customers a wide portfolio of materials and wavelength solutions and 30+ years of engineering pedigree. Consistent, customer-funded R&D activity is ongoing, with steady progress being made towards enabling our customers to develop biomarker sensors which will revolutionise how we track and manage our health.

$100m

InP Consumer Wearable Sensing Die Market Demand by 2029*

* Source: Yole Group, 2024-2025

Automotive and Industrial

Electric vehicles

Vehicle electrification remains a significant growth opportunity within the GaN market, specifically for onboard charging modules. Critical mass will build as energy efficiency and EV expansion drive the enhanced adoption of GaN technology.

How IQE is responding

IQE has successfully completed its GaN fleet expansion, qualifying its final two new reactors in 2024 at its Newport site. IQE now has capacity to service worldwide GaN Power development at sites in both the US and UK.

IQE has partnered with market-leading customers to successfully demonstrate 650 V Automotive GaN Transistor technology. Current activity is focused on qualifying this technology for full product release, which will enable access to a broad range of high-efficiency, power switching platforms.

$336m

Automotive & Mobility Power GaN Device Market by 2029*

Industrial power

The growth of data centres fuelled by AI has created a significant growth opportunity for Power GaN as it elevates the performance and economic returns of data centres by reducing size, system costs and increasing power efficiency. As such, it is the ideal solution for the improvements required to concurrently meet AI demands and Net Zero initiatives.

How IQE is responding

Our position in the development of GaN Power technology for automotive markets provides a foothold within this emerging market and as such, IQE is ideally positioned to address this need with its newly added capacity.

IQE is engaged with multiple industrial partners who are exploring our GaN transistor technology and developing industrial power supplies for markets which include data centres, 5G wireless access and wireless power applications.

$66m

Industrial Power GaN Device Market by 2029*

Data communications

Rapid growth in AI data traffic demands high performance interconnectivity between datacentre, clouds and wide-area networks. Ultrafast transceiver lasers and detectors move data around optical networks and the need for energy efficiency is driving the development of a new generation of communication laser solutions.

How IQE is responding

IQE's optical communication portfolio delivers into all network nodes; GaAs VCSELs and InP lasers drive data around the datacentre fabric. We have also launched a new technology for this market, Quantum Dot Lasers (QDLs), which deliver substantial performance advantages over incumbent technologies, boosting bandwidth, reducing latency and improving efficiency, enabling highly parallel dense optical links for computing clusters and data centres.

$1.85bn

InP Datacom Die Market Demand by 2029*

* Source: Yole Group, 2024-2025

Strategic progress

IQE's strategy is focused on maintaining share in existing markets while diversifying into new growth areas. By collaborating with technology leaders we will achieve sustainable growth in order to capture value.

Maintain and grow IQE's position

Connect

Description

IQE has a well-established, market-leading product portfolio for Connect applications:

- GaAs-based HBT, BiFET, BiHEMT, and PHEMT epiwafers for mobile handset front-end modules
- GaN/SiC and GaN/Si RF epiwafers for base station applications
- GaAs and InP-based lasers and detector epiwafers for data/telecom transceivers

2024 focus:

- Retain market share for commoditised handset parts
- Grow front-end module market share within Asian supply chains
- Develop GaN/Si & SiC for RF infrastructure
- Develop GaAs-based quantum dot (QD) technology for data com lasers

Progress in 2024

- Strong qualification and sampling engagement with Asian front-end module customers
- Continued partnership with a leading US-based foundry on the development of GaN on Si for RF applications
- Good execution on production orders for GaN on SiC RF products
- Strong engagement with InP-based datacom partners to service the resurging market and develop next-generation technology
- Release of a quantum dot reference technology and secured contract revenue

2025 objectives

- Complete GaAs front-end module qualifications; pilot production expected to commence in 2025
- Leverage historic strength for GaN on SiC for RF to capture additional market share, particularly in the UK and Europe
- Service re-emerging InP datacom market and qualify with customers for new AI applications
- Secure additional contract revenue for quantum dot products

Sense

Description

IQE is a long-standing leader for two critical sense applications:

- GaAs-based VCSELs for 3D facial recognition systems in mobile handsets
- GaSb-based detectors for military applications

2024 focus:

- Retain market share for released 3D Sensing products
- Maximise revenue capture for GaSb-products through operational excellence and execution against a strong order book
- Grow GaSb market share by developing and qualifying next-generation products

Progress in 2024

- Successfully serviced and retained GaAs VCSEL customers
- Excellent operational performance for MBE-based GaSb products underpinning significant year-on-year revenue growth
- Good progress and strong customer engagement on GaSb development for next-generation designs

2025 objectives

- Customers and market share focus within the 3D Sensing market
- Continue to grow the GaSb MBE business capitalising on increasing defence-based demand

Diversify

Power

Description

IQE is creating capability and capacity to serve the power market for automotive and industrial applications with significant market growth anticipated due to global Net Zero initiatives.

2024 focus

- Install and run-up additional GaN capacity at sites in both the US and UK to create a secure, global GaN footprint
- Develop a market-leading 200 mm 650 V e/d mode capability

Progress in 2024

- Successfully installed and ran-up two new reactors at the Newport site
- Completed the internal qualification of two new reactors at the Massachusetts site and began servicing customer orders
- Significant progress made on GaN power product development; demonstrated 650 V breakdown with excellent wafer flatness and defectivity
- Sampled multiple power customers to qualify for 650 V applications

2025 objectives

- Fully qualify a reference 650 V e/d technology
- Qualify with multiple Tier 1 GaN/Si power customers/foundries
- Develop technology for higher and lower voltage nodes

Display

Description

Small form factor, ultra-high resolution, highly efficient displays for AR/VR applications and wearable/mobile devices will ultimately require the use of red, green, and blue (RGB) microLEDs. IQE is developing leading edge technology to intersect with this significant market opportunity. Green and blue technology development leverages IQE's established GaN on Si expertise. For red, IQE has a dual path, developing a GaAs/Ge-based technology for initial adoption and GaN on Si for subsequent generations.

2024 focus

- Develop baseline blue and green GaN on Si technology
- Demonstrate GaAs/Ge-based red technology
- Capture development revenue through close partnership with market leaders

Progress in 2024

- Rapidly developed a baseline blue and green GaN on Si capability that has resulted in strong Tier 1 customer engagements
- Demonstrated a viable red technology on GaAs resulting in requests for qualification samples by multiple customers and partners
- Captured customer NRE revenue to offset internal development costs

2025 objectives

- Continue RGB development to demonstrate state of the art performance
- Secure additional NRE arrangements to monetise R&D activity

Strategic Review

In July 2024, IQE announced the planned initial public offering ('IPO') of the Group's Taiwanese operating subsidiary ('IQE Taiwan') on the Taiwan Stock Exchange. This was followed by a further announcement in November 2024 that the Group will be conducting a comprehensive Strategic Review of its asset base to ensure a strong capital position to further invest in core operations.

The Strategic Review has allowed IQE to broaden its options in relation to the proposed IPO to include all strategic options, including a full sale. The Board believes there is a significant market opportunity in IQE's core operations and remains focused on reducing its cost structure for profitable growth, servicing its customers and maximising value for shareholders.

At the time of publication, the Strategic Review process remains ongoing and further updates will be provided to the market when appropriate.

+ Read more about our Strategic Review in the Executive Chair's statement on page 14

2024 performance review

Financial highlights

Revenue
(£'m)

Adjusted EBITDA*
(£'m)

Adjusted net cash/(debt)**
(£'m)

Property, plant and equipment cash expenditure
(£'m)

Adjusted operating profit/(loss)*
(£'m)

Operating loss
(£'m)

* The nature and description of alternative performance measures are included in Note 5 on pages 135 to 138.
** Adjusted net debt is defined on page 108.
*** The nature of adjusted diluted EPS is referenced in Note 12 on page 143.

Our success is dependent upon our financial performance and also operating in a manner which promotes wellbeing for our employees and the communities in which we operate.

Non-financial highlights

Adjusted diluted EPS
(£'p)***

Gender diversity
Group level*

Safety course completions

Diluted EPS
(£'p)

Total GHG emissions
(tCO_2e)

Total online learning hours

* Read more in our Responsible business section from page 37.

Financial review

"The Group's trading performance in 2024 remained subdued...following the global semiconductor industry downturn. Market recovery has been slower than anticipated in key sectors, driven primarily by weak consumer demand in end markets."

Julia Meier,
Chief Executive Officer & Chief Financial Officer

The Group reports financial performance in accordance with International accounting standards in conformity with UK adopted international accounting standards ('UK adopted IFRS') and provides disclosure of additional alternative non-IFRS GAAP performance measures to provide further understanding of financial performance. Details of the alternative performance measures used by the Group including a reconciliation to reported UK adopted IFRS GAAP performance measures are set out in Note 5 to the financial statements.

Review of Year

The Group's trading performance in 2024 remained subdued as the Group continues to experience weak customer demand and low customer orders following the global semiconductor industry downturn. Market recovery has been slower than anticipated in key sectors, driven primarily by weak consumer demand in end markets. The continuation of weak customer demand, resulting in revenue that has remained broadly flat year-on-year at £118,034,000 (2023: £115,252,000) has presented a significant challenge to the business, with the Group reporting an operating loss of £32,958,000 (2023: £25,779,000).

The Group's trading performance, combined with a slower than anticipated recovery in key market sectors has prompted the Directors to initiate a Strategic Review and take immediate actions to secure short-term financing to strengthen the Group's liquidity.

Short-term liquidity and funding actions include the formal waiver obtained pre-year end from HSBC Bank plc of the 31 December 2024 financial covenant tests applicable to the Group's £28,000,000 multi-currency revolving credit facility ('RCF'), the successful negotiation of a Deed of Amendment and Restatement to the RCF on 10 March 2025 to amend applicable financial covenants and, the successful £18,000,000 convertible loan note fund raise completed on 10 March 2025, to provide the Group with additional short-term liquidity whilst the Directors complete their Strategic Review.

The Directors, as part of the Strategic Review, plan to raise sufficient cash from the divestment of Group assets to repay the Group's RCF and the convertible loan notes and ensure that the Group has a strong capital position to further invest in its core operations. In the first instance, this plan includes divestment options for an IPO or sale of the Group's Taiwan operations and a comprehensive strategic review of all other Group assets and operations

Group revenue of £118,034,000 (2023: £115,252,000) has remained depressed increasing 2.4% from 2023 with the Group's wireless business segment representing the largest proportion of Group revenue at 57.0% (2023: 46.7%) of total revenue with Photonics representing 42.3% (2023: 51.3%) and CMOS++ representing 0.7% (2023: 2.0%).

Wireless wafer revenues increased 24.9% to £67,295,000 (2023: £53,877,000), reflecting an increase in wireless GaAs epi-wafer sales linked to higher

penetration of Asian markets and an increase in GaN epi-wafer sales for 5G infrastructure. Photonics wafer revenues decreased 15.6% to £49,876,000 (2023: £59,098,000). The decrease in photonics wafer revenues primarily reflects the softness in 3D sensing and telecoms infrastructure markets partially offset by strong performance in aerospace and security markets for infrared related products.

Statutory gross profit increased from £2,328,000 to £4,446,000. The increase in gross profit reflects a combination of the increase in sales, the annualised impact of cost mitigations actions implemented in 2023, and the impact of cost control actions implemented during the current year.

Selling, general and administrative ('SG&A') expenses have decreased 7.7% in the year from £32,486,000 to £29,982,000, excluding the separately disclosed impairment losses on intangible assets of £3,772,000 (2023: £nil) and on property, plant and equipment and right of use assets of £4,646,000 (2023: £nil). Intangible and tangible asset impairment relates to a combination of asset impairments linked to the Group's US related wireless assets, the discontinued development and commercialisation of the Group's Dilute Nitride technology and the impairment of certain property, plant and equipment related to the restructuring of the Group's US manufacturing operations. Adjusted SG&A expenses, which exclude adjustments for share-based payments, Chief Executive Officer recruitment costs, Chief Executive Officer severance and restructuring costs have decreased from £26,167,000 to £24,109,000 (7.9%), primarily reflecting a combination of the annualised impact of labour cost and discretionary expenditure savings implemented in 2023 and the impact of additional actions to continue to mitigate cost during the current year.

Cost rationalisation actions include a combination of the optimisation of manufacturing asset utilisation, including idling reactors to reduce cost and align capacity with lower customer volumes, consolidation of the Group's US molecular beam epitaxy ('MBE') manufacturing capacity, including closure of the Group's manufacturing facility in Pennsylvania and the strategic re-positioning of the Massachusetts and North Carolina manufacturing sites, commencement of the consolidation of the Group's South Wales activities into its Newport manufacturing site, restructuring of the Executive Leadership Team following departure of the Chief Executive Officer and the implementation of a range of cost control measures in areas including travel, marketing, legal and professional.

As part of the cost rationalisation and global footprint optimisation plan, restructuring costs totalling £7,638,000 (2023: £4,680,000) have been incurred relating to a combination of employee redundancy and severance costs of £974,000 (2023: £3,079,000), site decommissioning costs of £1,912,000 (2023: £1,601,000), Taiwanese site divesture and Singapore site closure costs of £136,000 (2023: £nil) and non-cash intangible development cost and tangible property, plant and equipment asset impairments of £5,352,000 (2023: £nil), partially offset by a profit on sale of assets of £735,000 (2023: £nil) which includes the sale of the Group's former Pennsylvania manufacturing site for £4,061,000 (2023: £nil). Other significant infrequent costs incurred in the year relate to the new starter bonus, payable over three years, for the former Chief Executive Officer and severance costs following the departure of the former Chief Executive Officer on 29 October 2024.

A reported operating loss of £32,958,000 has been incurred (2023: £25,779,000) with the 2024 operating loss impacted by non-cash asset impairments of £8,418,000. An adjusted operating loss of £18,357,000 in 2024 compares to an adjusted operating loss of £20,199,000 in 2023. The decrease in the adjusted operating loss reflects a combination of the increase in sales and the impact of cost mitigation actions implemented in 2023 and 2024. The segmental analysis in Note 4 sets out the operating and adjusted operating profits attributable to the wireless segment, operating and adjusted operating losses attributable to the photonics and CMOSS segments and the associated adjusted operating margins for each segment (before central corporate support costs). Wireless adjusted operating margins increased from 8.6% in 2023 to 9.7% in 2024, primarily reflecting a combination of an increase in manufacturing asset utilisation, particularly at the Group's Taiwanese manufacturing site and the positive cost impact of the completion of the consolidation of the Group's US molecular beam epitaxy ('MBE') manufacturing capacity into the North Carolina site. Photonics adjusted operating margins remained negative at 21.2%, decreasing from negative 16.9% in 2023 as the market recovery in certain photonics market segments has remained depressed with the Group continuing to suffer from significant under-utilisation of capacity at its South Wales sites.

Finance costs of £3,947,000 (2023: £3,032,000) reflect £2,293,000 (2023: £1,810,000) of bank and other interest costs and the interest expense on lease liabilities of £1,654,000 (2023: £1,222,000). Bank and other interest costs principally relate to the Group's HSBC Bank plc revolving credit facility with the increase in interest cost reflecting higher levels of facility utilisation and borrowing in 2024.

The tax charge of £1,273,000 (2023: £567,000) consists of a current tax charge of £1,106,000 (2023: £1,112,000) primarily relating to taxable profits generated by the Group's Taiwanese operations. Deferred tax asset recognition has been restricted in the UK and US to reflect future forecast profitability, an assessment that includes the impact of the continuation of weak customer demand as market recovery is forecast to remain subdued in certain key sectors following the global semiconductor industry downturn. As a result, lower utilisation of UK and US deferred tax assets is projected, which has restricted the ability to recognise deferred tax assets for current year losses. The effective tax rate of 1.1% (2023: 3.4%) applicable to the tax charge of £157,000 (2023: £192,000) on adjusted items is less than the UK statutory tax rate of

25% primarily due to the non-recognition of deferred tax assets for current year UK and US trading losses which include the adjusted Chief Executive Officer recruitment costs, Chief Executive Officer severance costs and restructuring costs.

The increase in the loss for the year to £38,178,000 (2023: £29,378,000) principally reflects the impact of adjusted items which include the non-cash impact of £8,418,000 (2023: £nil) of asset impairments. At an adjusted level, the loss for the year remained broadly flat year-on-year at £23,734,000 (2023: £23,990,000). Basic and diluted loss per share has increased from a loss per share of 3.28p to a loss per share of 3.96p in the current year with adjusted basic and diluted loss per share of 2.46p (2023: 2.68p) reflecting the Group's loss at a statutory and adjusted profit level.

Cash generated from operations decreased in the year to £1,282,000 (2023: £10,074,000), principally reflecting the impact of working capital in a year when the business has experienced limited growth. The outflow in working capital of £3,768,000 required to support the low levels of growth compares to a significant inflow in working capital of £10,882,000 experienced in 2023 when the size of the business contracted significantly, which, combined with strong working capital management, particularly in the areas of inventory and trade receivables delivered the favourable working capital inflow. The Group has continued to invest in capacity to diversify into high-growth markets with capital expenditure of £11,359,000 (2023: £12,158,000) principally focused on Gallium Nitride related manufacturing capacity, enabling diversification into the high-growth power electronics and advanced display (uLED) markets, intangible asset expenditure of £1,609,000 (2023: £3,113,000) focused on a combination of intellectual property and the Group's multi-year strategic IT transformation programme and investment in targeted capitalised technology development of £1,877,000 (2023: £2,852,000) primarily related to Gallium Nitride technology development.

The decrease in cash generated from operations, combined with investing activity cash costs of £10,194,000 (2023: £17,960,000), repayment of lease liabilities of £3,470,000 (2023: £4,787,000) and net increases in bank borrowings of £15,445,000 (2023: £18,431,000 repayment) have combined to maintain the Group's cash position at £4,660,000 (2023: £5,617,000) but resulted in an increase in net debt (excluding lease liabilities and derivative financial instruments) from £2,228,000 to £18,800,000 as at 31 December 2024.

Equity shareholder funds total £134,110,000 (2023: £169,785,000) with the movement from 2023 primarily reflecting the loss for the year.

Jutta Meier
Chief Executive Officer and Chief Financial Officer

12 May 2025

Consistent engagement

It is important that we continue to engage with all of our stakeholders as we progress our strategic goals and plans for continued success.

Tom Dale
Chief People Officer & General Counsel

Our impact on, and engagement with, our key stakeholder groups is considered within the implementation of our strategy, which is overseen by the Executive Leadership Team and supported by the Board of Directors. We consider the impact we have on our stakeholders, as well as what our stakeholders consider important when developing IQE's strategies for future success. Engagement with our stakeholders allows us to grow and execute our strategy and we have used a range of engagement mechanisms to understand and consider our stakeholders' views. Whilst the Board engages with certain stakeholders directly, there is also significant engagement by senior management and throughout IQE.

We have set out below our key groups of stakeholders, the issues and factors relevant to those stakeholders and how we have engaged with those stakeholders over the past year.

How the Board has engaged with shareholders, the workforce and other stakeholders:

Stakeholder	Stakeholder description	Material issues	How we engage
Customers	We provide the best advanced compound semiconductor materials solutions to our customers, supported by bespoke product offerings and personalised customer support. We have a wide and diverse range of customers serving end applications aligned with our core markets of Connect, Sense, Power & Display.	• Consistently high-quality products, technical expertise and continuous improvement • High standard of business conduct • Continuous improvement • Fair pricing • Excellent ongoing customer support • Continuity of supply	• The Executive Leadership Team and other senior management frequently host and attend meetings with key customers around the world, both virtually and in person. These meetings provide management with meaningful opportunities to understand first hand, at a senior level of the organisation, how we can enhance our offering to customers by understanding their current and future needs. • The CEO and other members of the Executive Leadership Team provide the Board with feedback and trends from these meetings.

Stakeholder	Stakeholder description	Material issues	How we engage
Employees	Our employees are fundamental to our business success. We have a responsibility to support their health, wellbeing and development at IQE. A highly capable and diverse workforce will also enable us to better understand our customers and markets. We aim to continually invest in our people, developing the capabilities that we will need to succeed over the longer term. We are committed to becoming the company where the best in our sector want to work and strive to offer opportunities that will attract, motivate and retain a diverse pool of talented employees, enabling them to give their best.	• Opportunities for personal development and career progression • Trust and encouragement to contribute to the success of the business • Consideration of their health, safety and wellbeing • Working as part of an equitable, inclusive and diverse culture • Clarity of expectation on how recognition and remuneration structures align with accountabilities	• The Board engaged with a broad range of employees throughout the year through informal site-based meetings and from feedback provided to the directors responsible for employee engagement. • The CEO and wider ELT host regular all-employee Town halls and site-based all-hands meetings to proactively engage with our people. • We continue to promote our 'Zero is possible' health and safety programme.
Investors and Shareholders	We place considerable importance on the maintenance of regular and open dialogue with our shareholders. Our goal is to deliver returns to our investors and shareholders through profitable and sustainable growth with the efficient use of capital. Our investors and shareholders are also key contributors in the formation of our sustainability agenda.	• Current and future financial performance • Maximising opportunities for growth	• We actively engage with shareholders throughout the year to ensure they understand the performance of our business. Our ongoing programme includes numerous shareholder meetings and roadshows, which are facilitated alongside our full and half year results. • The Chair, Remuneration Committee Chair, and CEO all directly engaged with a range of shareholders on key topics including the Group's financial performance, strategy and Executive Director Remuneration. • Virtual meetings were held with our largest shareholders to understand their priorities for the Group's sustainability agenda.
Partners and Suppliers	Our supply chain plays a vital role in supporting our products and broader business strategy and we recognise the value of our partners and suppliers. To meet the expectations of our customers, we develop strong working relationships with our suppliers and look for our suppliers to provide excellent, consistent quality and added value. Engaging with our supply chain is also crucial in the development and delivery of our Net Zero commitment and SBTi targets.	• Forecasting visibility • Product quality • Fair pricing • Long-term partnerships	• The Board received regular updates throughout the year regarding industry-wide supply chain challenges and the ongoing work to mitigate the impacts of these challenges. • Our Executive Leadership Team and other senior managers work closely with our supply chain partners to involve them in our planning processes and alignment with our strategy.
Society	We believe that our technology and products will benefit and advance society and provide a positive impact on the world's sustainability. We work hard to ensure that we have a positive impact on all those around us.	• Opportunities for local investment • Impact on local and wider environmental and social issues	• We use market data and insights to develop new products which will bring benefits to society. • Our ESG Committee has oversight of the Group's sustainability agenda and is focused on developing the Group's approach to climate change, amongst other things.

Section 172(1) statement

Engaging with our stakeholders and acting in a way that promotes the long-term success of the Group, while considering the impacts of our business decisions on our stakeholders, is central to our strategic thinking and our statutory duty in accordance with Section 172(1) of the Companies Act 2006. This constitutes our Section 172 Statement as required under the Companies (Miscellaneous Reporting) Regulations 2018.

The Board of Directors considers, both individually and collectively, that it has acted in a way that it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in Section 172 (a) to (f), in the decisions taken during the year.

Recognising that companies are run for the benefit of their shareholders, but that the long-term success of a business is dependent on maintaining relationships with stakeholders, the Board continuously reviews which relationships support the generation and preservation of value in the Company. These relationships include those with our customers, employees, investors and shareholders, partners and suppliers and society.

As a Board, our intention is to behave responsibly and ethically at all times, in line with our Company values, and to ensure that our management teams operate the business in a responsible manner and to the highest standards of business conduct and good governance. As we act in a way which reflects our values, we will contribute to the long-term success of the Company and continue to develop our reputation as a responsible and successful Company that delivers stakeholder value.

Further information as to how the Board has had regard to the Section 172 factors:

Section 172 Factor	Key Examples	Page
A. Consequences of any decision in the long term	• Consideration of how IQE generates long-term value through the development of our Business Model and Strategy • Risk management	Page 18 Page 24 Page 62
B. Interests of employees	• Participation in Diversity, Equity and Inclusion planning for the business • Promotion of employee wellbeing initiatives and benefits awareness • Participation in Town Halls and employee forums • Sustainability	Page 41
C. Fostering business relationships with suppliers, customers and others	• Building strong relationships with customers and suppliers within the Group's supply chain, which is essential for achieving the Group's long-term strategic goals	Page 38
D. Impact of operations on the community and the environment	• Consideration of Environmental, Social and Governance improvement strategies • Review of environmental performance, ISO 14001 Environmental management system and emission reduction initiatives • Sustainability	Page 45
E. Maintaining high standards of business conduct	• Promotion of responsible business operations, with a focus on the Group's Anti-bribery and Corruption, Confidentiality and Whistleblowing policies, and Anti-Slavery Statement	Page 39
F. Acting fairly between members of the Company	• Shareholder engagement • Investor information and the Annual General Meeting	Page 35

Responsible business approach and priorities

Through 2023 and early 2024 we conducted a formal materiality assessment to ensure we had a wide range of stakeholder views to inform our prioritisation of the sustainability issues with the greatest impact on our business, communities and the environment. We expect to refresh the materiality assessment in 2026.

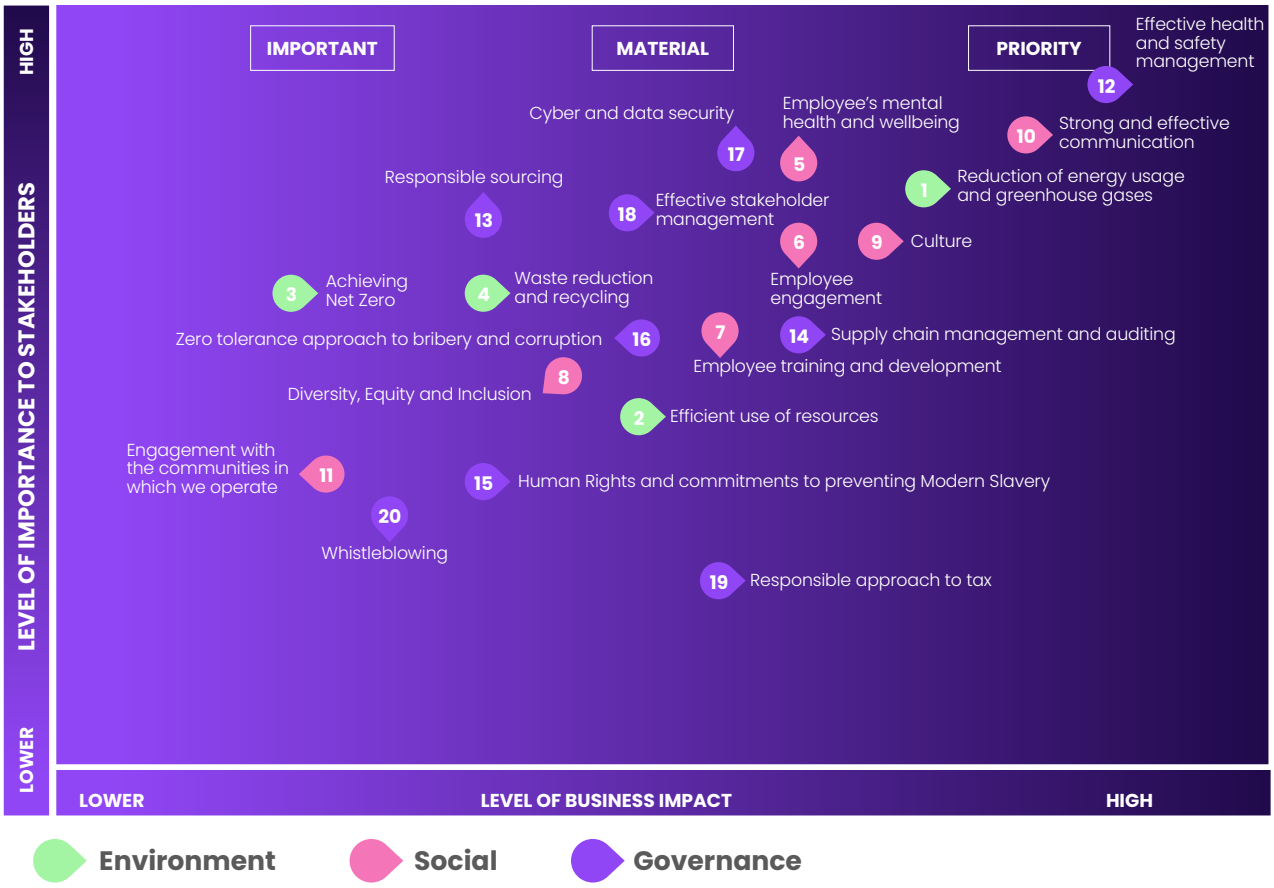
The materiality assessment was developed through several steps using a third party to ensure a thorough approach. We initially used a desktop survey as a pre-assessment to determine the key issues in current corporate reporting. We used that initial assessment as the basis for engaging a range of stakeholders, starting with interactive sessions with our global leadership team, site-based workshops and interviews with our major shareholders. We then used feedback from our customers and suppliers, through their own corporate reporting and requests or surveys to IQE, before reviewing the combined feedback with our Executive Leadership Team and the ESG Committee.

Once identified, the material issues were plotted on our materiality matrix and assessed against the level of business impact* and level of concern to stakeholders. A copy of the final materiality matrix is shown below.

We will prioritise our efforts against the items towards the top right hand corner of the matrix.

* Impact on IQE's ability to create economic, environmental and social value.

A matrix of materiality impacts



Environment Social Governance

Supply chain

The scale of IQE's business and our global supply chain means we are committed to sourcing responsibly. We partner with our suppliers to implement rigorous standards that safeguard the health and safety of our people and communities.

David Bishop
Head of Global Supply Chain

Our suppliers share a commitment to responsible sourcing practices which is more important now than ever. They are key partners and continue to play a critical role in helping us achieve our vision and goals. We expect our supply chain partners to uphold the same high standards as IQE leaders and employees, and always to act in an ethical, efficient and transparent manner.

IQE partners with over 100 direct suppliers to identify and address potential areas of risk in our supply chain. Risks may include physical impacts of climate change, geopolitical impacts, or risks that threaten our suppliers' ability to conduct business. To further enhance our risk capability, we have a comprehensive third-party partner who assists IQE to continuously assess these risks within our supply base.

2024 supply chain review

It was a very dynamic 12 months within IQE's supply chain, with 2024 continuing to bring complexities and challenges. During the year China, announced further restrictions on the export of Gallium and Antimony, both of which are key components in compound semiconductor manufacturing. Thankfully, our strategy to strengthen the recycling of such materials over the past few years means that a significant portion of the Gallium IQE consumes now comes from recycled sources in addition to qualifying new sources, whilst our Antimony is already sourced outside of Asia.

IQE is committed to advancing a circular economy, focusing on increasing recycling and reuse of waste, while ensuring that our raw materials are produced in the most eco-friendly way. In 2024, we maintained a 100% recycling rate for all our Gallium Arsenide (GaAs) and Indium Phosphide (InP) wafer waste, transforming it back into high-purity raw materials that are reintegrated directly into our supply chains.

As part of our proud Science-Based Targets initiative (SBTi) commitment to Net Zero, IQE is working closely with our supply chain partners supporting the transition to cleaner manufacturing methods, particularly for our bulk gases. The Company is progressing closer to having all bulk gases produced from processes that generate zero emissions, aligning IQE plans to scale responsibly in the future.

Anti-bribery and corruption

IQE maintains a zero-tolerance approach to bribery and corruption. We have an established Anti-bribery and Corruption Policy, which includes guidance on the giving and receiving of gifts and hospitality. A Gifts and Hospitality Register is also maintained to ensure transparency. Our policies are supported by regular employee training.

The key principles we expect everyone to follow include not offering or accepting bribes or improper payments; not improperly influencing any individual; and not participating in any kind of corrupt business activity, either directly or through a third party. Third-party agents and distributors are subject to additional due diligence checks.

Trade compliance

We have policies and processes to ensure we do business in accordance with all applicable trade compliance laws. Our policies and processes are standardised where possible and are regularly audited by our specialist trade compliance team. We engage regularly with relevant government bodies in the UK and US, and their equivalents in other jurisdictions. IQE's proactive response to geopolitical shifts in recent years has positioned the Group positively to benefit from diverging supply chains.

Inside information and share dealing

We take steps to ensure our compliance with the obligations arising from the AIM Rules, Disclosure and Transparency Rules (where applicable) and the UK Market Abuse Regulations ('MAR') in relation to the dissemination of inside information to the market, which Includes our share dealing policy and procedures. We also have our own internal Share Dealing Policy.

We have the right procedures to identify and control access to inside information and, where necessary, to ensure that it is promptly disclosed to the market. We ensure that the Financial Conduct Authority is notified of any delayed disclosure on announcement of inside information to the market. We maintain secure lists of anyone who has access to inside information and ensure that those working for us do the same. We ensure that everyone on those lists is aware of and acknowledges the legal and regulatory duties required of them while on the list.

"It is critical that IQE's ethical standards are upheld by our supply chain partners and this is mandatory in all of our supplier relationships. Strongly aligned partnerships and clear communication channels with our suppliers at the highest levels help to minimise supply chain disruption and cost, whilst increasing efficiencies and reducing waste."

Whistleblowing

IQE offers staff a confidential reporting mechanism, overseen by the Group's Chief People Officer & General Counsel, which enables employees to raise concerns of malpractice, non-compliance or unethical conduct. The options for raising concerns are widely communicated to employees and are clearly set out in our Whistleblowing Policy. Any whistleblowing reports are confidentially reported to the Audit & Risk Committee.

Intellectual property and confidentiality

Our intellectual property (IP) is an important asset and key to our continued success. We have comprehensive policies and procedures to identify and protect our IP, whether that be through registered or unregistered IP rights.

Maintaining confidentiality is ingrained in our culture. Our policy and practice ensure that all staff fully understand what constitutes confidential information and restrict internal access on a need-to-know basis. Information relating to third parties is not disclosed without the third parties' written consent.

We have established processes for the negotiation and signing of all confidentiality agreements and employees are able to access our standard templates and training modules.

+ Read more on page 44.

Human Rights and Anti-Slavery Statement

IQE is committed to respecting the human rights of all those working with or for us. We do not accept any form of child or forced labour and we will not do business with anyone who fails to uphold these standards. IQE has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all of its business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in its business or in any of its supply chains. The Modern Slavery Act addresses the role of businesses in preventing modern slavery within their organisations and in their supply chains. IQE has developed and implemented policies to comply with the requirements of the UK's Modern Slavery Act and our Anti-Slavery Statement can be found at iqep.com.

+ Read more at iqep.com/responsibility.

Financial sustainability and tax transparency

We ensure compliance with all relevant tax law in all jurisdictions in which the Group operates whilst managing the associated tax costs in a manner that is consistent with our Code of Conduct and its attitude to commercial risk. We seek to maintain stable effective and cash tax rates which reflect the geographic markets in which we operate, and the Group's tax attributes, such as brought-forward losses and special deductions such as for research and development. We ensure that all communication with tax authorities is conducted in a transparent and professional manner.

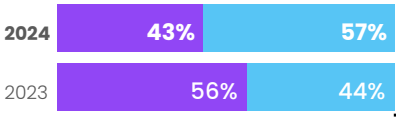
Our people

"In the year 2024 we saw significant changes to our executive leadership and a reduction in the Group's overall headcount through a mixture of voluntary and involuntary departures. In 2025 we will be focused on delivering the working environment and development opportunities that our people want to see."

Tom Dale
Chief People Officer & General Counsel

Gender diversity

Board level



Group level

Group-level recruitment

Female
Male

Culture, values, communication and engagement

We are striving to create an open, inclusive and values-driven culture. We want all of our people to feel able to share their views in two-way conversations with their peers, line managers and senior leaders.

Following the executive restructure in late 2024, the new Executive Leadership Team have focused on holding regular in-person and virtual briefing meetings with our people to enhance the openness and transparency of our communications. Employees are encouraged, and do, ask a range of questions in advance of the meetings and time is retained at each meeting for an open forum-style discussion and Q&A. We intend to enhance of communication and feedback loop with our employees in 2025 through the introduction of regular 'pulse' surveys and the reintroduction of an annual people survey. This will enhance our ability to capture and monitor a range of cultural KPIs and to form our site and group action plans around those.

In 2025 we intend to refresh our Vision, Mission and Values and to introduce our ways of working, aligning our company objectives to how we work together every day and the role each of us has to play in the achievement of IQE's strategy and goals. We will integrate these into our leadership interactions and employee communications as an integral part of the delivery of our strategy.

Diversity, Equity, Inclusion and Belonging (DEIB)

IQE's population is made up of different races, genders, ethnicities, backgrounds, religions and beliefs across our global sites. IQE is committed to providing equal opportunity, fair treatment and inclusion for all, without regard to race, gender, age, religion, ethnicity, identity, sexuality, disability, genetic disposition, neurodiversity, veteran status, perspective, experience or any other aspect which makes an individual unique.

A central part of our DEIB commitment is our desire to demonstrate inclusive leadership and represent the diversity of our organisation and the communities where we live and work. We seek to develop and sustain a supportive and collaborative working environment where difference is recognised, valued and celebrated, whilst recognising the differences in the legislative frameworks and cultural heritage in the different places in which we operate.

In particular, we recognise that gender diversity remains an ongoing issue within our industry and we are committed to improving our gender balance. We are supporting our Talent Acquisition Team to increase inclusion during the hiring process, with the aim of attracting, developing and retaining STEM talent and securing a more diverse pool of joiners. We did not see any improvement in the diversity of recruitment in 2024 and in 2025 we will be working with our recruitment team and external partners to continue to promote diverse candidate shortlists.

In early 2024, we partnered with an external diversity and inclusion specialist to deliver 'Contributing to a Diverse Workforce' training to UK employees; the workshops focused on unconscious bias, microaggressions and understanding the importance of language. We achieved 87% attendance and positive feedback from attendees.

Our Women's Network continued in 2024 and is being refreshed in 2025, focusing on sharing information, supporting development, encouraging leadership, strengthening networks, uncovering opportunities and championing success for women across the IQE Group. For International Women's Day, our Women's Network facilitated a Q&A session with our CEO and CFO, Jutta Meier, and Chief People Officer and General Counsel, Tom Dale, focusing on personal experiences and allyship.

We continue to celebrate diversity through our cultural celebration calendar. Recognising the traditions and celebrations that are important to our employees acknowledges and embraces the diversity of our global team and fosters a positive and communicative environment. Pride Month celebrations focused on bringing to life the experiences of our LGBTQi+ employees through a live Q&A session as well as sharing educational resources with our teams.

We launched several new global People policies this year including an Equity, Diversity and Inclusion Policy, Gender Identify and Transitioning at Work Policy, and a Menopause Policy, alongside a Menopause Toolkit for managers, reaffirming our commitment to diversity, inclusion and belonging at IQE.

We are also aiming to build strategic partnerships with diverse organisations and networks who share our commitment to DEIB and can support us with our evolving journey of effective and sustainable transformation.

In 2024, we improved our Board diversity with the hiring of Jutta Meier, and our Board is now proudly 57% female.

Employee wellbeing

IQE is focused on the physical and mental health of our employees, especially during a difficult year for our workforce. We routinely promote wellbeing support available through our employee benefits platforms and undertake benefits seminars to ensure our leaders, people managers and employees are aware of the assistance available to them.

We continue with our Employee Assistance Programmes (EAP) which offer 24/7 support and include bereavement assistance, counselling, legal and financial support. Early intervention assistance is provided through external specialists and employee wellness plans, mitigating absence and aiding return to work.

Taking into consideration the challenging year our employees were experiencing; we recognised both Mental Health Awareness Week and World Mental Health Day. For Mental Health Awareness Week, we encouraged our teams to 'get moving' in line with 2024's theme and share their activities on our communications platform. For World Mental Health Day, we held 'Time to Talk' lunchtime sessions with our Mental Health First Aiders; an opportunity for our employees to talk individually or in a group. For both events, we shared relevant resources available internally and externally.

Empowering and supporting our talent

IQE attracts some of the best and brightest global talent in our industry. We are continuing to use our Competence Management System which encompasses a formal learning and assessment process and various training and development forms, plans and logs. Training processes are now communicated within departments and formalised via our document control systems.

Our Talent Development team will continue to work with managers and employees to effectively identify, source and facilitate learning and development activities, supported, where possible, by government funding. This includes supporting professional development through formal qualifications, as well as enhancing on-the-job knowledge and skills.

Learning and Development

Our Learning and Development strategy is focused on developing the capabilities, skills and competencies of our site-based teams. We have also spent time looking at single points of failure and areas of resource scarcity to assist with the retention of key talent. IQE's recent financial performance has constrained some Learning and Development initiatives in recent years, but this is an area that our Chief People Officer and Executive Leadership Team know is important for our people and will be prioritised in 2025 and beyond.

Our teams initiated high-potential employees with the '9 Box' evaluation and started conversations and developing action plans to develop our senior leaders. Moreover, we enabled employee mobility and training through job rotation assignments. We assigned two engineers from Taiwan to Newport for training, helping as able engineering support for our Newport engineers.

As a company with highly valued intellectual property, we have continued our mandatory Intellectual Property courses on our LMS to improve the understanding of IP for all IQE employees with the desired outcome of better identifying, protecting and exploiting our valuable IP.

We continued to invest in the development of our employees with a Six Sigma Black Belt qualification, with a cohort of eleven employees., due for completion in Summer 2025. Due to the success of the qualification, a second cohort will be enrolled in 2025. We have also enhanced our employees' total rewards knowledge with a series of modular videos on our Long-Term Incentive Plan.

Early careers

Over the past year, IQE has continued building relationships with local schools, colleges and universities, to provide education and knowledge to students and education leaders on the semiconductor industry and career offerings. In 2024 this included welcoming PhD students from local universities to our South Wales sites, as well as running CV writing and interviewing skills workshops. , We have partnered with Milton Keynes college, offering placements to T-level engineering students who attend our site weekly to gain hands-on experience and shadow our teams.

To bolster our talent pipeline, we have also held work experience and intern placement opportunities in the UK and US, allowing students to rotate around and gain exposure to various IQE departments. This is an important step in raising awareness of STEM careers, particularly for students from diverse backgrounds, securing hires and building robust talent pipelines.

We held an 'Inspire the Next Generation of Leaders' day during the Summer of 2024, led by our Women's Network, we invited our employees' children and family members to our global sites to experience life at IQE. We conducted exciting experiments, learnt about a variety of roles available at IQE and had a tour of our facilities.

Communities and social review

For many years IQE has offered support to local communities through initiatives focused on wellbeing, inclusion and giving back. We are proud of the impact of our work, which reflects our commitment to social responsibility and strengthening community partnerships.

Giving Something Back

IQE employees are entitled to one full or two half days volunteering leave annually. We are focused on a global approach to giving, but with local execution, making sure we are supporting the engagements and initiatives that mean the most to our people and their communities.

Habitat for Humanity

IQE Massachusetts participated in Habitat for Humanity in April 2024. We made a monetary donation and our employees also provided support through the building of a home for a low-income family.

Pride in Pill

IQE supported Pride in Pill MBE for a further year, which is an organisation that supports children in hospital throughout Wales and England. At our South Wales sites we collected toys and made a monetary donation to support this initiative, which hopes to make hospital a more pleasant experience for children over the Christmas period.

Support of local sports teams

- Penybont Women Football Club
- Fairwater Rugby Football Club Mini Juniors
- Newport Grass Roots Cricket

Taiwan - Charity Walk

To support a local charity that cares for children in remote areas, our Taiwan team raised money by walking 10,000 steps per day. The IQE Taiwan team personally delivered their donations to the charity.

NC Hurricane Helene Relief

Following the aftermath of Hurricane Helene which devastated areas of North Carolina, Georgia, South Carolina, Virginia and Florida, IQE launched a JustGiving page to support a local North Carolina charity (Community Housing Coalition (CHC) of Madison County) dedicated to aiding those impacted by the storm. Community Housing Coalition (CHC) of Madison County is a community-based nonprofit agency that facilitates urgent home repairs to low-income Madison County residents in need of assistance.

Intellectual property

IQE's world-leading technology is underpinned by a strong intellectual property (IP) portfolio. Our process know how, the secrets of our trade which have been gained through more than 30 years in the field, enhances this work and is closely protected by IQE.

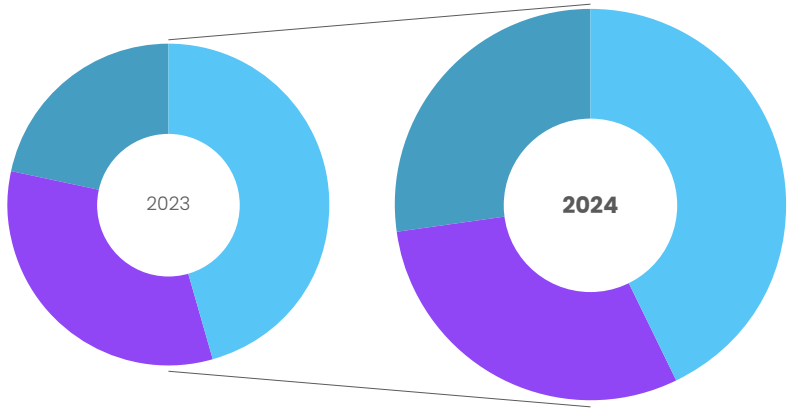
In 2024, IQE continued to streamline its IP portfolio to better match the Company's strategic goals and technology projects. IQE has around 90 granted patents, with 2024 yielding 17 new grants and 12 new patent applications.

IQE's patents cover all technology development areas and are increasingly aligned to the Company's growth strategy in GaN technologies for Power and microLEDs. The portfolio is also aligned to our major market verticals: Smart connected devices, Communications infrastructure, and Automotive & Industrial.

With rigorous internal processes to identify and review inventions in our teams, we are able to harvest inventions efficiently and to make strategic decisions over those that we protect by patent and those we protect by trade secrets and confidentiality. 2024, which we designated as our 'Year of Innovation', saw another record number of innovation disclosures made to the IP department which continued the trend of the last few years. Training of our staff ensures that everyone understands the value of our IP in our technology and products.

We are proud that IQE was second in the list of companies filing patents in the UK in the H01L technical classification (semiconductor devices) in 2024.

Innovation portfolio aligned to market verticals



"2024...our 'Year of Innovation' saw another record number of innovation disclosures"

Victoria Yeomans
Head of IP

Health, Safety, Security and Environmental review

2024 marked a significant milestone in IQE's Health, Safety, Security and Environmental (HSSE) journey. An overall reduction in lost time and all injuries was very positive, albeit we continue to strive for our goal of achieving zero injuries, significant safety events, environmental breaches, and any work-related ill health. The internal focus which had begun on Process Safety gained a huge amount of traction within the organisation and resulted in some significant improvements being implemented. Pur commitment to Science Based Targets was formally validated along with achieving a further year of certification to ISO 14064:1 (verification of Greenhouse Gas inventory). Two of our sites in the USA attained joint certification to ISO45001 with the remaining site scheduled for certification in 2025. Additionally, the security functions within IQE became embedded into the Group HSSE team and with it a renewed focus and vigour for improvements. Numerous other Health and Safety programmes focused on continued improvement continued to be implemented at pace to ensure our systems and processes are fit to support our future growth ambitions.

Drive to World Class

To drive the journey to World Class performance, we continue to focus on our six key pillars which are critical to achieving our vision:

Visible Leadership – increase the visibility and engagement of leadership to help develop a positive culture

Governance – implemented, robust governance processes for HSSE

Compliance Assurance – implementing robust compliance assurance processes

Competence – deploying a framework for demonstrable competence at all organisational levels

Learning Organisation – deploying a framework to support sharing and learning from events and best practices across the organisation

Continuous Improvement – actively seek out best practices internally and externally to drive continuous improvement across HSSE. We will also regularly review our existing processes to identify opportunities for improvement.

2024 Performance

1
lost time injuries
2023: 3

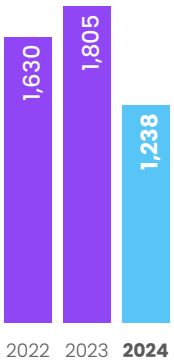
1,238
near miss reports/OFIs
2023: 1,805

15
all injuries
2023: 17

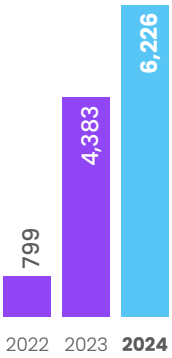
6,224
Positive conversations
2023: 4,383

0
regulator reportable events
2023: 2

Near miss/OFI



Positive safety conversations



Health and safety performance

Zero Is Possible/Leading Metrics

During 2024 we focused our Zero is Possible campaigns on using the 'three questions' to facilitate positive safety conversations within the business.

Positive safety conversations were soft launched within the Company during 2022 and formally driven with training during 2023. Although these are informal conversations, the total number is recorded and any outputs requiring further action are captured as opportunities for improvement. Promoting positive conversations with respectful challenge is a key element in driving a culture of openness and reporting in the organisation. The framework of the 'three questions' allows even the least confident team members to engage with the process and this supports the culture of respectful challenge which we are driving. With the support of this framework, during 2024 the total number of positive conversations carried out was 6,224, a 678% increase on the baseline year and a 34% increase on the previous year.

The three questions have their foundations in process safety, having been extrapolated from direction given by the UK Health and Safety Executive following a major incident in the UK. However, they provide a simple framework that is applicable across all aspects of HSSE, making them ideal for use in positive conversations. Under the umbrella that positive behaviours must be led from the boardroom down, the three questions ask:

1. Do we know what can go wrong?
2. Do we know what barriers we have to ensure that it doesn't go wrong?
3. Do we know that our barriers are effective and working properly?

The use of these across the organisation has led to numerous improvements being actioned and additional focus on the use of these will be applied during the coming year.

During 2024 we also proactively reported opportunities for improvement and Near Miss events. These 'free lessons' allow us to robustly act to remediate any deficiencies before any consequences are realised. With the rise in positive conversations and the cultural shift that this brings, we recognised a decrease in overall Near Miss/ Opportunity for Improvement reporting. The reduction equated to 32% decrease in reporting against 2023 performance. This was expected as positive safety conversations being carried out mean that potential issues are being discussed and potentially rectified before becoming Near Miss or OFIs. The number of Near Misses/Opportunities reported was still a 274% increase on the 2021 baseline year. Overall proactive reports (Near Misses/Opportunities/Positive conversations) rose overall year on year.

Overall Proactive Engagements

	2023	**2024**
Positive conversations	4,383	6,224
Near Misses/OFIs	1,805	1,238
Overall	6,188	7,462

Lagging Metrics

Between 2023 and 2024, we went 491 days without a Lost Time Injury. Unfortunately, during November 2024 a contractor colleague suffered a Lost Time Injury which led to one lost working day before he was able to return on full duties. This represents an improvement on previous years but any situation that results in our employees or contractor partners being injured is hugely disappointing to us and we strive to learn from such events to prevent reoccurrence in coming years.

2024 injuries

	2023	**2024**
Lost Time Injuries	3	**1**
All Injuries (inc. LTIs)	17	**15**

We had one Lost Time Injury in 2024 when a contractor employee sustained a cut to the head which was treated at hospital. The injured person lost one working day before returning to work on normal duties.

The mantra "Nothing you do on this site today will be as important as going home to your loved ones safe and healthy" is displayed at our Newport site entrance and will be rolled out across the rest of our sites in the coming year as we continue our cultural improvement journey and improve mindsets.

"Nothing you do on this site today will be as important as going home to your loved ones safe and healthy"

This message is displayed at our Newport site entrance and will be rolled our across the rest of our sites in the coming year.

Environmental performance

2024 Environmental performance

	2023	**2024**
Environmental incidents (Reportable)	0	**0**
Environmental incidents (Not reportable)	2	**4**
NM/OFI environmental	133	**135**
Average per site	13.3	**15**

Science-Based Targets

Following our attainment of the independently verified ISO 14064 GHG emissions reduction standard during 2021 and a commitment to the Science-Based Targets initiative (SBTi) made during 2022, IQE's ESG Committee have actively been working to ensure robust plans are in place to facilitate our emissions reduction journey.

During 2024 we achieved the milestone of successfully attaining approval of our science-based targets to reduce greenhouse gas emissions in line with the SBTi Net Zero Standard, which seeks to limit global warming to 1.5°C. The SBTi's Target Validation Team has classified IQE's near and long-term targets as in line with this ambition and has also verified IQE's mitigation pathways for reaching Net Zero by 2050 or sooner. Part of this process was gathering data relating to Scope 3 emissions. This included engaging with our supply chain partners to, where possible, gather data relating to the impact of GHG emissions from purchased goods and services, upstream and downstream transport and further processing. Key to SBTi involvement is the Company outlining how we will reduce our emissions over a set period. These targets galvanise the action required for significant emissions reductions to be achieved by 2030.

2024 performance

Pleasingly, the focus outlined regarding reporting of Opportunities for Improvement and Near Misses across the business had a further positive effect on Environmental reporting across our sites. The average number of Environmental Opportunities or Near Misses reported increase in the past year from 13.3 average per site to 15. All of these were remediated and investigated to prevent re-occurrence.

Emissions performance

A 19.11% reduction in absolute emissions was achieved for 2024 (five year rolling average) in comparison to 2021 baseline (Scope/category 1 & 2. This is due to several factors, most notably with 2024 being the first full year without our Singapore and smaller Taiwanese site being included in the calculation due to their closure, along with the Pennsylvania facility not being operational and the scaling down of the Silicon site. These organisational consolidation exercises resulted in a significant drop in electric and gas consumption. However, direct emissions increased in the period due to the introduction of new reactors and permitting changes which now allow increased hours of reactor operations.

Other elements such as air travel witnessed a significant rise during the years since the restrictions imposed due to the global pandemic were lifted across the globe. However, in 2024 with tighter control over business travel a decrease in emissions from business travel was seen. For the first time we had some GHG emissions increase from losses of fluorinated gases in some site cooling systems. This is disappointing and these situations will continue to be monitored to ensure they remain controlled.

Certification

In 2025 IQE will be fully audited to re-certify to the ISO 14064-1 standard to ensure we have maintained our high standards of emissions reporting. This will represent our fourth year of certification.

0

Environmental breaches

0

Environmental reportable incidents

Emissions data

Inventory summary (mandatory ISO 14064 criteria) tCO_2e)

Category (ISO 14064-1:2018)	Scopes (ISO 14064-1:2006)	2023	**2024**
Category 1: Direct emissions	Scope 1	2,757	**3,455**
Category 2: Indirect emissions from imported energy (location-based method)	Scope 2	15,068	**14,328**
Category 3: Indirect emissions from transportation	Scope 3	968	**519**
Category 4: Indirect emissions from products used by organisation	Scope 3	811	**852**
Category 5: Indirect emissions associated with the use of products from the organisation	Scope 3	0	**0**
Category 6: Indirect emissions from other sources	Scope 3	0	**0**
Total direct emissions		2,757	**3,455**
Total indirect emissions		16,847	**15,699**
Total gross emissions		19,604	**19,154**
Category 1 direct removals		0	**0**
Purchased emission reductions		0	**0**
Total net emissions		19,604	**19,154**

Emissions Intensity (Operating revenue/gross tCO_2e) (£m)

Total emissions	**177.50**

Total Water Use Volume and Sources (cubic metres)

	2023	**2024**
Municipal Supply	133,516	**78,724**
Recycled Water	0	**3,057**
Purchased Water	608	**756**
Total Water	134,124,	**82,537**

Waste generation (tonnes)

	2023	**2024**
Landfill (Non-Hazardous) to Land	54	**49**
Recycled	1,670	**1,377**
Hazardous	266	**203**
Energy (Incineration)	25	**25**
Total Waste	2,015	**1,654**

Energy consumption summary

	2023	**2024**
Natural Gas	9,260,578	**9,177,207**
Electricity	49,858,608	**47,918,407**

Climate-related financial disclosures

Task Force on Climate-related Financial Disclosures Statement for the year ended 31 December 2024.

Tom Dale
Chief People Officer & General Counsel

Introduction

IQE has a unique opportunity to contribute to global efforts towards a sustainable future. Our products will enable the transition to clean energy, whether that be through the use of renewable energy, energy storage, efficient power inverters or the many other applications where compound semiconductors offer better and more efficient performance. At IQE we are enthusiastic about the role we have to play in the greener future and we are embracing the environmental, social and governance ('ESG') considerations to running a modern, diverse global business.

Whilst IQE has prioritised its financial and business performance throughout 2024, we have continued to make steady progress in the assessment of our climate-related risks and opportunities. With the help of our external consultants, we have completed a climate change scenario analysis providing a comprehensive, data-driven examination of the climate-related risks most likely to affect IQE's facilities across our three critical regions and focusing on our largest sites in Cardiff and Newport in South Wales, North Carolina, USA and Hsinchu City in Taiwan.

On 24 October 2024 our near-term and Net Zero targets were approved by the Science-Based Targets initiative (SBTi), validating IQE's Scope 1, 2 and 3 long-term target ambitions and alignment with SBTI's 1.5 degrees mitigation pathways for reaching Net Zero by 2050 or sooner. The SBTi is a leading climate action organisation that has developed standards and tools which allow companies to set greenhouse gas emissions reduction targets in line with what is needed to keep global heating below catastrophic levels and reach Net Zero by 2050 at latest.

Compliance Statement

IQE is registered on the AIM segment of the London Stock Exchange. We have reported on our Climate-related Financial Disclosures using the Task Force on Climate-related Financial Disclosures ('TCFD') framework. We consider our disclosures to be consistent with all TCFD recommendations and with the climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. We have structured our TCFD report in line with the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets.

You will also note a number of cross references through our TCFD report to other sections in the Annual Report where additional relevant information is available.

"We have made good progress in 2024 in a challenging business environment and remain committed to reducing the impact of our operations on the environment."

TCFD pillar	Recommended disclosure	Disclosure locations
Governance: Disclose the organisation's governance around climate-related risks and opportunities	A. Describe the Board's oversight of climate-related risks and opportunities	Page 52
	B. Describe management's role in assessing and managing climate-related risks and opportunities	Page 52
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	A. Describe climate-related risks and opportunities the organisation has identified over the short, medium and long term	Page 53
	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Page 53
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 59
Risk management: Disclose how the organisation identifies, assesses and manages climate-related risks	A. Describe the organisation's processes for identifying and assessing climate-related risks	Page 60
	B. Describe the organisation's processes for managing climate-related risks	Page 60
	C. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Page 60
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 60
	B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Page 60
	C. Describe the targets used by the organisation to managed climate-related risks and opportunities and performance against targets	Page 60

Governance Framework

Board's oversight of climate-related risks and opportunities

IQE is committed to doing business in an ethical and transparent manner. In 2024 the Board and its Committees have been focused on guiding the Group through a challenging business environment and, where possible, aligning the Group's ESG strategy with the Group's short-term business needs. The Board has therefore focused the ESG strategy on minimising the Group's long-term carbon impact through site consolidation and the climate-related opportunities arising from the growth in Power and Display markets.

Throughout 2023 and 2024 the Board worked with management in the development of IQE's Scope 1, Scope 2 and Scope 3 targets under the Science-Based Targets initiative ('SBTi'). The Board is pleased to see that the Group's SBTi targets were approved and is committed to reducing the Group's emissions to at least the expectations of the SBTi. The Board also supported management with our climate scenario analysis and the output of that work is set out in this report.

Role of the Board and its Committees

The Board delegates the oversight of certain aspects of the Group's ESG strategy to its Committees and, where not all of the Board is present at the Committee meeting, the Board receives verbal updates from the Committees at the next Board meeting as part of IQE's overall governance arrangements relating to ESG, as summarised in the diagram on page 51.

The ESG Committee monitors and oversees the execution of IQE's sustainability strategy, including the monitoring of the Group's progress against our Net Zero and SBTi targets through its review of the Group's emissions data. Further details on the ESG Committee can be found on page 82. The ESG Committee aims to meet twice a year and provides strategic guidance and scrutiny of management's assessment and management of climate-related risks and opportunities, and reports to the Board following each meeting of the Committee.

The Audit & Risk Committee reviews the impact of climate change when considering the Group's significant and emerging risks. Whilst the Group's climate-related risks are emerging and less significant than some of the other risks that the Group has dealt with through 2024, the review and reporting of climate-related risks and opportunities is subject to specific requirements and standards and are therefore captured and reported to the Audit & Risk Committee. Please see page 76 for more detail on the Audit & Risk Committee and its activities during 2024.

The Remuneration Committee considered the applicability of climate-related performance objectives for the long-term incentive awards made to Executive Directors in 2024 and, given the Group's primary focus on improving financial performance, it was agreed that these were not currently appropriate performance measures for the Executive Directors.

Whilst the Remuneration Committee will reconsider the applicability of climate-related performance measures in determining performance measures for 2025, it is likely that the Remuneration Committee will continue to focus management's performance on the Group's short-term financial performance and the outcomes of the announced Strategic Review. Further information is provided in the Remuneration Committee Report on page 83.

Role of management

The Executive Leadership Team ('ELT') has established a Group Risk Committee comprising members of the ELT and other key management stakeholders within the business. The Group Risk Committee considers climate-related risks and opportunities as part of its overall consideration of the Group's material risks and opportunities through the Group Risk Register, and reports to the Audit & Risk Committee. See page 62 for further detail.

Jutta Meier, Chief Executive Officer and Chief Financial Officer, is the Board Director with ultimate responsibility for the Group's climate change-related issues. Tom Dale, Chief People Officer and General Counsel, is the ELT member responsible for the delivery of IQE's sustainability strategy and also chairs the Group Risk Committee. IQE has established a management working group which meets at least quarterly and comprises the Chief People Officer and General Counsel, Group HSE Director, and Head of Global Supply Chain and other stakeholders from across the Group as required on specific areas. The working group drives the day-to-day actions for IQE's ESG agenda. Management reports to the Board through both the ESG Committee and the Audit & Risk Committee, as described above.

Management has been focused in 2024 on understanding and developing IQE's climate-related risks using a qualitative scenario analysis, and in achieving approval for IQE's SBTi targets. Climate-related opportunities continue to be considered as part of the Group's strategy and near-term objectives, although management's priority will continue to be the Group's business performance in a challenging market environment. Climate-related risks will continue to be monitored and assessed and, given their nature, factored into the Group's longer-term planning.

Strategy

Identified climate-related risks and opportunities

In 2024, with the help of our external consultants, we completed a qualitative climate change scenario analysis providing a comprehensive, data-driven examination of the climate-related risks most likely to affect IQE's facilities across our three critical regions and focusing on our sites in Cardiff/Newport in South Wales, North Carolina, USA and Hsinchu City in Taiwan. These sites were selected based on their geographical dispersion and importance to the Group, ensuring that we identified the range of climate-related risks most likely to impact our operations.

Our climate change scenario analysis considered climate change using two diverse scenarios. Firstly, a low carbon pathway based on Representative Concentration Pathway (RCP) 4.5, aligning with a global temperature rise of approximately 1.5 degrees. This is the pathway which reflects scenarios in which global efforts to reduce carbon emissions are relatively successful. Secondly, a high carbon pathway based on an RCP of 8.5 which projects a more extreme global temperature increase of around 4 degrees, reflecting a future where carbon emissions remain high, and mitigation efforts fall short. We intend to use this analysis to gain a deeper understanding of the climate-related risks that could disrupt our operations considering those two distinct global pathways.

Risks were assigned one of three classifications based on the analysis:

1. Minimal – risks with a low likelihood of impacting IQE's operations under weather warming pathway. These risks do not require any immediate action but are noted for potential future monitoring.
2. Moderate – risks that present a relative potential for climate-related impacts, though not yet requiring urgent intervention. These risks will be periodically monitored to ensure IQE can response swiftly if conditions worsen.
3. Significant – risks with a high likelihood of serious impacts on IQE's operations, regardless of the warming scenario. These risks will be subject to further analysis by IQE's risk management process to determine their financial materiality and to inform development of appropriate mitigation strategies.

The impact of risks was assessed across the short, medium and long-term, defined as:

Time horizon	Year from	Year to	Rationale
Short term	2024	2029	Aligns with our short-term financial planning and viability assessment period, current business strategy planning and near-term SBTi targets.
Medium term	2029	2034	Aligns with expected technology cycles relevant to the Group's strategy.
Long term	2034	2050	Aligns with our long-term Net Zero commitment, long-term SBTi targets and will align with the useful life of many of the organisation's assets.

Our climate change scenario analysis used several key climate models and reports, including:

- **Coupled Model Intercomparison Project Phase 5 (CMIP5) projection** from the World Climate Research Programme: Provides global climate projections based on multiple climate models and scenarios.
- **Shared Socioeconomic Pathways (SSP) projections** from the World Bank: Incorporates socio-economic scenarios to project future climate risks and economic impacts.
- **UK Climate Projection 2018 (UKCP18) projection** from the UK Climate Resilience Programme: Provides high-resolution climate projections specific to the UK, including the Cardiff-Newport region.
- **Climate Change Scientific Report** from Taiwan's National Science and Technology Council: Offers region-specific projections for Taiwan, particularly relevant to IQE's Hsinchu City operations.
- **Fifth Assessment Report** of the Intergovernmental Panel on Climate Change (IPCC): A comprehensive global review of climate science, impacts, and risks.
- **Localized Constructed Analogs (LOCA)** from the US National Oceanic and Atmospheric Administration: Provides localised climate modelling based upon the CMIP5 projections.
- **'Net Zero by 2050'** report from the International Energy Agency (IEA): Examines pathways to achieving Net Zero emissions by 2050 and the associated transition risks.

Several supplementary studies and reports were also consulted to ensure the broadest possible consensus from academic and scientific communities. The integration of these sources allows the analysis to incorporate a wide range of views and models, enhancing the reliability of conclusions.

We assessed the transitional and physical climate risks which we determined to be most relevant to IQE's business:

Transitional risks

Transitional risks are those associated with changes in the way markets operate, and which may result from legal or regulatory changes or consumer habits as we transition to a lower-carbon economy.

- Energy security - As global energy markets shift towards low-carbon sources, there is a risk of supply shortages or rising energy prices. particularly under scenarios where renewable energy infrastructure developments lag demand. As a high-tech manufacturing company, IQE's energy consumption is predominantly driven by electricity and so our assessment focused on market fluctuations and the availability of a stable renewable energy supply to meet our emissions reduction targets.
- Carbon pricing - The introduction of carbon taxes and pricing schemes could increase operational costs for IQE, especially considering our energy-intensive manufacturing processes. Understanding how these costs may evolve under different emissions scenarios is crucial for financial planning and maintaining profitability.

In addition to the key transitional risks identified, we also considered political risks and customer risks and have determined that these risks are currently of lower materiality to IQE.

Physical risks

- Heat stress - Rising temperatures and more frequent heatwaves pose a risk to workforce productivity and could increase cooling costs for our manufacturing facilities.
- Sea levels rise - Facilities in or near coastal or low-lying areas face potential risks from projected sea level rises. This could lead to episodic flooding during high tides and storm surges, potentially damaging site infrastructure and site accessibility.
- Flood risks - Increased precipitation and more intense storm events elevate flood risks for facilities. Flooding damage could damage IQE's infrastructure, disrupt operations and impact supply chain continuity.

In addition to the key physical risks identified, the assessment reviewed several other minor physical risks that could affect IQE's operations, including wildfire and drought, though these pose lower levels of direct threat across our regions.

We have reported only on the risks which we have assessed with a moderate or significant classification in the tables below.

Transitional risks

Risk	Risk description	TCFD category	Potential impact	Mitigating actions	Time horizon	Metrics & targets
Energy Security	As global energy markets shift towards low-carbon sources, there is a risk of supply shortages or rising energy prices, particularly under scenarios where renewable energy infrastructure developments lag demand	Policy & Legal/ Reputation	The Group's site in Hsinchu, Taiwan is subject to significant climate-related risks from Energy Security. Taiwan's energy supply is heavily dependent on imported fossil fuels, making it highly susceptible to global fuel price fluctuations, which may therefore result in an increase in IQE's operating costs. Taiwan also appears to have limited access to stable renewable energy sources which may hinder its energy security and its proposed transition to Net Zero. The required investment in renewable energy sources may raise energy prices, and therefore IQE's operating costs.	We expect the Taiwan government to implement the investments required to meet its stated renewable energy targets, which include being Net Zero by 2050. The semiconductor industry is a crucial part of Taiwan's economy, and we would therefore expect that the industry will be appropriately supported through this transition phase. When available, the Group will also look to capitalise on renewable energy contracts.	Medium to Long	Scope 1 and Scope 2 emissions from the Taiwan site
			The Group's site in Greensboro, North Carolina is subject to moderate climate-related risks from Energy Security. While North Carolina has made strides in renewable energy, with 26% of its energy now sourced from renewables, it is our assessment that the state's Clean Energy Plan lacks concrete policies to reach its target of 70% renewable energy by 2030. This leaves some uncertainty in future energy availability and cost stability, potentially affecting IQE's operating expenses in its switch to renewable energy. Recent political changes in the US, and the state, may result in adjustments to North Carolina's renewable energy plans.	We expect policy developments in North Carolina to provide the necessary financial support, regulatory framework and technological advancements to achieve the clean energy targets.	Medium to Long	Scope 1 and Scope 2 emissions from the North Carolina site

Transitional risks

Risk	Risk description	TCFD category	Potential impact	Mitigating actions	Time horizon	Metrics & targets
Carbon Pricing	The introduction of carbon taxes and pricing schemes could increase operational costs for IQE, especially in our energy-intensive manufacturing processes. Understanding how these costs may evolve under different emissions scenarios is crucial for financial planning and maintaining profitability.	Policy & Legal	The Group's site in Hsinchu, Taiwan is subject to moderate risks relating to carbon pricing. Taiwan has recently introduced a carbon fee system which could impose additional financial costs for IQE, especially if these fees rise over time.	We expect to secure renewable energy contracts when available to hedge against future rises in energy costs. We will also work closely with the Ministry of Environment to ensure that IQE has the opportunity to benefit from any beneficial rates aligned with meeting carbon reduction targets.	Medium	Energy prices in Taiwan
Supply chain risks	Supply chain risks relating to: (a) escalating costs from rising demand for rare earth materials like gallium; or (b) extreme weather events disrupting the supply of essential materials and components, whether nationally or internationally.	Policy & Legal, Market	Increased pricing from suppliers as they seek to pass on rising costs and increased working capital levels to hold sufficient inventory.	Multi-sourcing from diverse geographical areas, where possible, appropriate inventory levels to mitigate short term fluctuations in supply, long term contracts with key suppliers.	Medium	Working Capital Levels relating to substrates and other raw materials

Physical risks

Physical risks are the exposure of our assets or value chain to physical hazards caused by the effects of climate change. We have considered three key physical risks relating to Heat Stress, Flood Risk and Tidelines.

Physical risks						
Risk	Risk description	TCFD category	Potential impact	Mitigating actions	Time horizon	Metrics & targets
Heat Stress	Rising temperatures and more frequent heatwaves pose a risk to workforce productivity and could increase cooling costs for our manufacturing facilities.	Acute/ Chronic	The Group's site in Greensboro, North Carolina is subject to a significant risk relating to Heat Stress. Rising temperatures are expected to significantly increase the number of high-heat days, which may elevate cooling demands and operating costs, impacting both energy consumption and workforce productivity. The Greensboro site will need to implement additional adaptive measures to maintain safe and comfortable working environment.	Implement additional cooling capacity to keep manufacturing equipment within operating limits and to maintain a comfortable working environment.	Long	Number of days operations are disrupted due to extreme temperatures Revenue loss from site disruption Insurance premiums:
			The Group's site in Hsinchu, Taiwan, is subject to a moderate risk relating to Heat Stress. Rising temperatures are expected to increase the number of heat stress days, which may impact operational efficiency and workforce productivity, and require additional adaptive measures to maintain safe and comfortable working environments. Higher cooling costs relating to air conditioning will increase operational costs.	Implement additional cooling capacity to keep manufacturing equipment within operating limits and to maintain comfortable working environment.	Long	Number of days operations are disrupted due to extreme temperatures Revenue loss from site disruption Insurance premiums:

Physical risks						
Risk	Risk description	TCFD category	Potential impact	Mitigating actions	Time horizon	Metrics & targets
Flood Risk	Increased precipitation and more intense storm events elevate flood risks for facilities. Flooding damage could damage IQE's infrastructure, disrupt operations and impact supply chain continuity.	Acute	The Group's site in North Carolina is subject to potentially significant riverine and surface flooding, particularly under the higher carbon pathway, due to increased rainfall and extreme precipitation days and the proximity of the East Fork Deep River.	IQE's sites are appropriately insured for asset/ property damage as well as business interruption. North Carolina is an area with significant social, economic and political importance, particularly for the semiconductor industry, and we would expect local or national intervention to address the risks of flood. In addition, IQE will consider the long-term viability of the site at the appropriate junctures in its lease.	Long term	Number of days operations are disrupted due to flooding events Revenue loss from site disruption Insurance premiums
Sea Level Rise	Facilities in or near coastal or low-lying areas face potential risks from projected sea level rises. This could lead to episodic flooding during high tides and storm surges, potentially damaging site infrastructure and site accessibility.	Acute	The Group's sites in Cardiff and Newport, South Wales, faces potentially moderate risks relating to sea level rises. Projections indicate that sea level rises could place parts of Cardiff within the limits of future tideline boundaries, heightening risk of tidal flooding, particularly during extreme weather events or high tides. Whilst the Newport site is not directly vulnerable to rising sea levels, potential access-related risks exist because the local road and rail network could be impacted, affecting supply chain continuity and employee commutes during periods of high tide or coastal flooding.	We would expect substantial government intervention to mitigate the impacts of sea level rises., including the construction of flood defences, seawalls and storm surge barriers, aligned with urban planning policies.	Long term	Number of days operations are disrupted due to flooding events Revenue loss from site disruption Insurance premiums

Opportunities						
Opportunities	Opportunity description	TCFD category	Potential impact	Mitigating actions	Time horizon	Metrics & targets
Increased demand for products enabling improved efficiency and clean energy	The transition to a low-carbon economy requires significant investment in more sustainable technologies and product solutions. GaN power products, core to IQE's strategy, will enable Innovation and development in areas such as batteries and chargers.	Market, Products and Services, Resource Efficiency	Financial: overall revenue growth from increased sales of GaN-based products. Operations: decrease in Scope 3 GHG emissions.	N/A	Short	Revenues from GaN-based products.

Impact of climate-related risks and opportunities

We have identified climate change as a principal risk for IQE but note that the most significant impacts are likely to be felt over the long-term, beyond current planning cycles. The transitional and physical risks set out on pages 55 to 58 provide an explanation of the impact across IQE's key geographical areas of operation and our largest manufacturing sites, and the nature of that expected impact.

Climate change also represents a source of material opportunity for IQE. Our principal opportunities relate to the greater efficiencies provided by GaN power semiconductors and our existing R&D expenditure and product roadmap are already well aligned to these opportunities and will have a key role in the Group's strategy over the coming years. Power semiconductors address structurally growing markets which have a key role to play in decarbonisation and addressing the impacts of climate change. The Group is well placed to support our customers with the impact of climate change and the transition to a lower-carbon economy due to the performance and efficiency benefits provided by compound semiconductors.

Resilience of IQE's strategy to climate-related scenarios

The scenarios used in our climate scenario analysis are explained in more detail above and have been selected to understand the range of possible outcomes on the Group. We believe, given the current assessment of risks that may impact the Group and our current mitigation plans, that our climate risk exposure is moderate in the medium to long term. We do not believe that any significant additional capital expenditure or changes to business strategy are required as a result of predicted climate changes and we can incorporate climate risks into our business-as-usual activities. The Board does, however, remain aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in the preparation of the Group's financial statements, and against the Group's other principal risks.

IQE's strategy is well aligned to addressing global technology challenges. Our products address the Automotive and Industrial sectors where electric vehicles, autonomous driving technology and power systems demand advanced semiconductors for better performance and energy efficiency. The proliferation of artificial intelligence is driving growth across a wide variety of Communications, Infrastructure and Security applications by enabling faster data processing and more efficient network management, including data centres, fibre networks as well as the expansion of 5G/6G wireless infrastructure. Advanced power semiconductors will be required to mitigate the energy usage driven by artificial intelligence, and our connect and sense products will be required to address the transfer and management of data.

Whilst we have more work to do in in assessing the financial implications of the risks identified in this report, the Group's currently considers that climate-related risks are emerging and not currently material to the achievement of the Group's strategy.

The outputs of our climate change scenario analysis work is on pages 59 to 60. The limitations of this scenario analysis are:

- Uncertainty in climate models – our scenario analysis work draws from a range of studies that use different climate models, each with their own assumptions and methodologies. Often these provide relatively high level global and regional forecasts. There is inherent uncertainty in how climate risks will manifest at a local level, particularly as global responses to climate change evolve.
- Variability in risk outcomes – areas identified as having significant climate-related risks may not experience impacts as severe as projected, depending on how climate change unfolds. Conversely, areas identified as low risk could see risks escalate due to unforeseen factors, such as shifts in regulatory frameworks, technological advances, or socio-economic developments.
- Dynamic nature of risk – climate-related risks are dynamic and their likelihood and potential impact may vary over time.

The Group believes that its operations are resilient against potential impacts of climate risks and that it is well placed to be able to support our customers with the impact of climate change and the transition to a lower-carbon economy. We will do this through the performance and efficiency benefits provided by compound semiconductors.

Risk management

Identifying and assessing climate-related risks, and integration with IQE's overall risk management

The assessment of climate-related risks and opportunities is integrated into IQE's wider risk management processes (see pages 62 to 67) which allows for climate-related risks to be assessed against our other principal and emerging risks. The chart on page 63 shows the relative importance of our climate-related risks against our principal risks, and we have taken the approach of qualitatively aggregating our identified climate-related risks into a single risk item for ease of identification and comparison against our principal risks. The identification and assessment of our climate-related risks is supported through our external consultants and internal stakeholders, such as our supply chain, health & safety and legal functions. The contribution of several internal and external stakeholders allows us to identify a range of potential threats and any emerging threats, allowing additional preparedness to support decision making.

We intend to further analyse our 'Moderate' and 'Significant' risks using quantitative methodologies to further our assessment of the potential financial implications and any required adjustments to our mitigation strategies that should be developed to address and minimise these impacts. We will also assess our climate-related physical risks in the context of our existing disaster recovery plans and business continuity arrangements. Given the nature of IQE's business where product qualification requirements can be prohibitive in quickly transferring production from one manufacturing site to another, the Group will need to develop appropriate contingencies and plans to address the risks of climate-related disruptions. As noted above and in the Risk Report on page 64, the Group's assessment is that climate-related risks are minor in the short to medium term and moderate over the longer term.

Managing climate-related risks

Against a challenging business backdrop, this year we have made good progress in identifying the key climate-related risks that are likely to impact IQE. Climate-related risks were classified as either 'Minimal', 'Moderate' or 'Significant' and those classified as 'Moderate' or 'Significant' were included in our group risk register and reported using wider risk management processes identified on pages 62 to 67. This process allows the proper prioritisation of risks and ensures that the significance of climate-related risks is considered in relation to our non-climate-related risks. The Group's approach to a risk is determined by the risk score through our probability and impact matrix, which in term influences the required mitigation actions required to bring the risk score in line with the Group's tolerances.

The Group's climate-related risks and opportunities are outlined on pages 55 to 59.

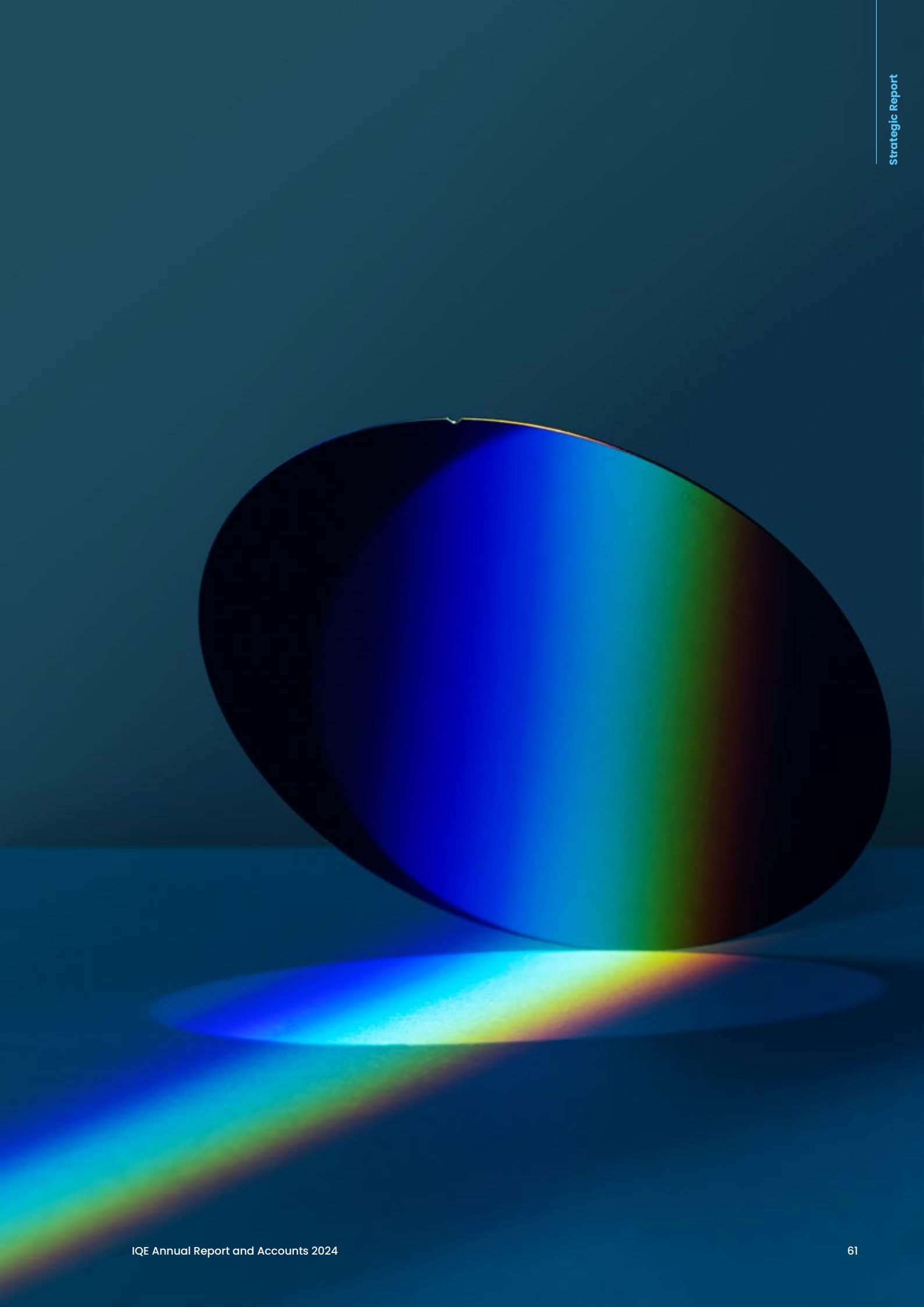
Metrics and targets

Our metrics and targets

In 2022 we made our commitment to achieve Net Zero carbon neutrality across our operations by 2050 and we achieved certification for our Scope 1, Scope 2 and Scope 3 targets from the SBTi in October 2024. We disclose our metrics relating to the reduction in greenhouse gas emissions (GHGs) in line with the GHG Protocol A Corporate Accounting and Reporting Standard. Our targets for GHGs are disclosed in the environment section on page 49 and are in line with our SBTi commitments and we plan to develop the costed actions to achieve these targets.

We also disclose a wide range of metrics to help us track our progress across a number of climate-related areas. This includes electricity consumption, GHG emissions and water usage, as identified in the environment section and SECR reporting on page 49.

The risk and opportunities table on pages 55 to 59 provides further information on the metrics and targets we have identified so far and how these are relevant to the tracking and mitigation of those risks and opportunities.



Our approach and appetite for risk

We recognise risk as an inherent part of our business operations and we approach risk with the same deliberate, strategic consideration as other aspects of the business. The effective management of risk contributes significantly to the successful delivery of the Group's strategic plans and objectives. The Group Risk Committee monitors the risk environment, in particular those risks identified as principal or emerging risks on a regular basis, and the Audit & Risk Committee reviews the Group's financial controls and systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems. Please see page 76 for further information on the Group's review of its financial controls. The Board is responsible for the overall stewardship of risk management and internal control.

The Group Risk Committee considers risks using a top-down and bottom-up approach, with the committee members obtaining input from around the business, which together with oversight and support from the Audit & Risk Committee and the

Board

Reports to

Audit & Risk Committee

Works with

Group Risk Committee

Risk Reviews

- Regular reviews of Group's principal risks

Risk Assurance

- Specialist functions setting policies and performing reviews

Risk Register

- Group risk register maintained and reviewed by Group Risk Committee
- Sites, business units and support functions provide specific risk registers for review

Bottom-up reviews

Operating sites, business units, support functions, R&D

Accountability

The Group manages its principal and emerging risks through internal subject matter expertise and internal processes, and relies on the oversight of its Group Risk Committee, the Audit & Risk Committee, the ESG Committee and the Board for broader review and governance of the Group's risks. The Group does not currently have a dedicated internal audit function but key risk-related functions, such as Finance, Health & Safety and Trade Compliance, are managed at a Group level and conduct audit of site-based activities.

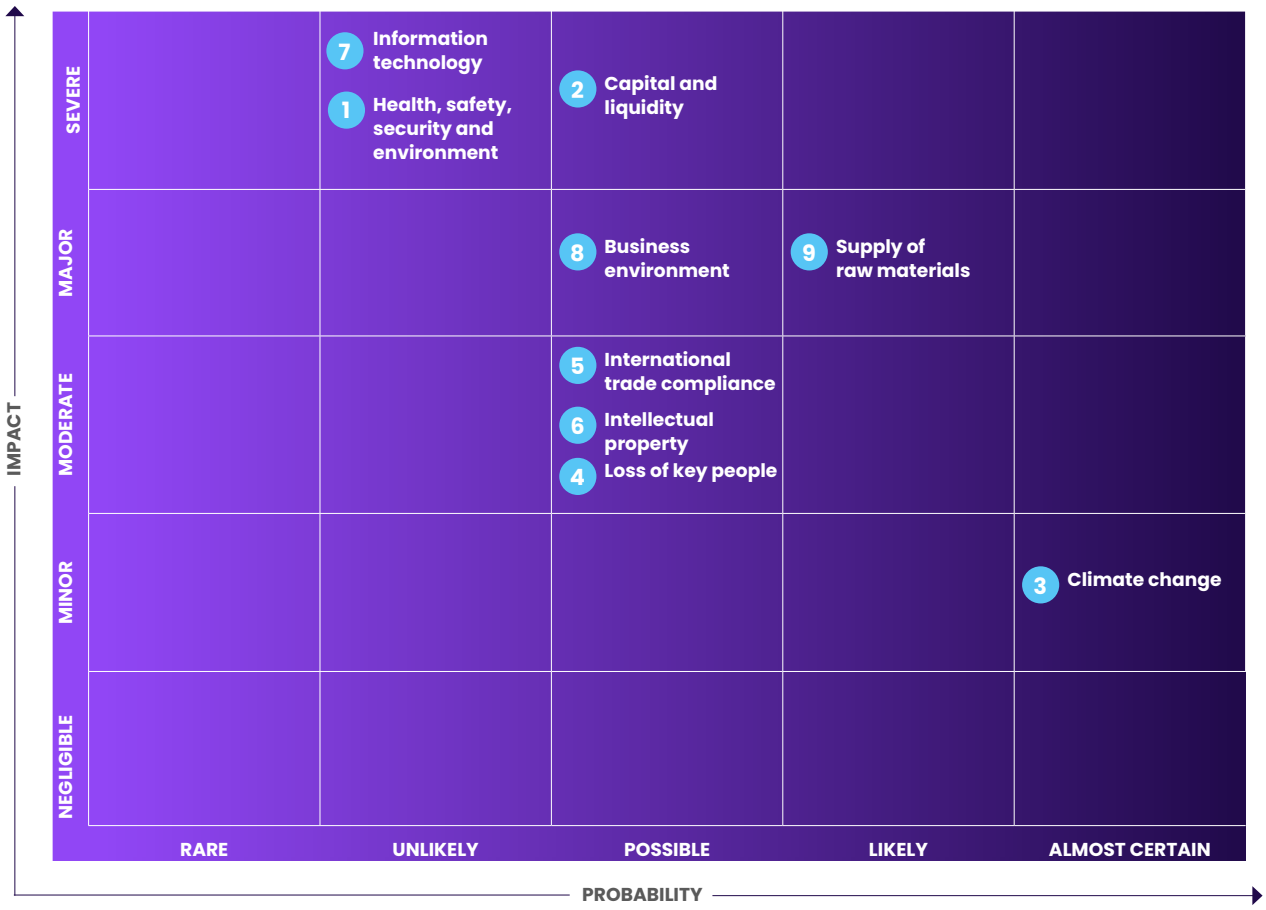
Board, creates an effective system for monitoring, planning and developing a Group-wide culture and approach to risk. The Group Risk Committee periodically reports to the Audit & Risk Committee on the Group's principal risks and the mitigating actions being taken to address those risks.

In 2024, the Group continued the integration of its processes for the identification, evaluation and reporting of climate-related risks and opportunities, as set out in the Task Force on Climate-related Financial Disclosures statement on pages 50 to 60. The Group was also rightly focused on the financial impacts of the continuing softness in the broader semiconductor industry market and the impact of macroeconomic factors and global conflict, along with geopolitical tensions with the potential to impact the supplier of critical raw materials including Gallium, Antimony and Germanium.

The Group Risk Committee is responsible for the maintenance and regular updating of a risk register which articulates the Group's principal risks and the actions being taken to address those risks. The risk register is in a standardised format and includes the likelihood of a risk materialising, and an assessment of that risk both before and after the Group's mitigation activities.

Principal risks and uncertainties

We have mapped the Group's principal risks and uncertainties to a probability and impact matrix to assist meaningful comparison of the relative importance of those principal risks and uncertainties. We have then included arrows to indicate the change in the risk in comparison to the prior year's assessment. We have used the residual risk for the purposes of this mapping exercise, being the probability of the risk occurring and the potential impact it may have, taking into account any mitigating actions that will be implemented. The most significant risks are shown in the top right quadrant of the chart.



1 Health, Safety, Security and Environment	
Context	The Group operates a number of manufacturing sites which utilise potentially harmful gases, materials and equipment.
Risk	• Major incident at an IQE site
Possible impact	• Injuries and potential loss of life • Environmental harm (MATTE) • Loss or suspension of required permits • Disruption to operations and business activities • Reputational damage
Mitigation	• Health and safety strategy aligned with the business' cultural development • Strong internal controls, including technical and engineering controls, focussing on process safety methodologies • Focus on process safety, barrier management and layered protection • Continuous improvement of management systems • Continuous auditing and monitoring of productions processes and equipment
Change in the year	• No change

2 Capital and liquidity	
Context	The Group's financial strength has been severely impacted by the prolonged semiconductor industry-wide downturn and inventory correction cycle across key sectors, broader macroeconomic factors and the delayed market adoption of new technologies.
Risk	• Insufficient liquidity for day-to-day or to support the execution of IQE's strategy
Possible impact	• Damage to business operations • Breach of banking covenants • Financial loss • Reputational damage
Mitigation	• Completion of convertible loan note fundraising to provide additional short-term liquidity • Strategic review to realise value not currently reflected in the Group's market capitalisation and to ensure the Group has a strong capital position for future investment in its core operations • Five-year plan with scenario modelling • Annual Group and departmental budgets to define the envelope of affordability and direct the capital management and liquidity management strategy of the business • Monthly cash flow forecasts • Budgetary, expenditure and cost controls • Procurement policy • Delegated authority policy and limits
Change in the year	• No change

3 Climate change	
Context	Long-term climate-related risks to IQE's people, operations and financial performance
Risk	• Physical risks relating to heat stress, flood risk and sea level rises and transitional risks relating to energy security, carbon pricing and supply chain disruption
Possible impact	• Disruption to the Group's operations • Disruption to the operations of our customers and suppliers • Increased production and transportation costs • Investment to mitigate climate-related risks
Mitigation	• Development of sustainable supply chain strategy • Development of Scope 1 and Scope 2 emissions reduction strategy • Working with local and national government for required investments to mitigate climate-related risks • Alignment of IQE's long term facility expansion and maintenance activities to address climate-related risks
Change in the year	• Decreased risk

4 Loss of key people	
Context	IQE's people are fundamental to its future success and IQE operates in a highly competitive industry for talent. Cost optimisation initiatives in recent years have resulted in a lean workforce with some areas particularly stretched.
Risk	• Loss of key human capital capabilities • Inability to attract talent
Possible impact	• Inability to meet business demands • Wage inflation
Mitigation	• Development and maintenance of a positive company culture and focus on employee wellbeing • Regular workforce planning including talent reviews, with a focus on high potential, high risk and single points of failure • People development and retention plans • Compensation to market reviews
Change in the year	• Increased risk

5 International trade compliance	
Context	IQE operates across multiple jurisdictions in a highly regulated industry impacted by extra-jurisdictional controls on products, software and technology.
Risk	• Failure to comply with international export control laws
Possible impact	• Significant regulatory fines and penalties • Financial loss • Damage to reputation
Mitigation	• Group-wide technology control plans • Appropriate separation of duties and SME auditing • Employee training • Group-wide policies and processes to identify end use and end user • Development of products and technology that are not impacted by international export controls
Change in the year	• No change

Key: Probability Rare Unlikely Possible Likely Almost certain

Trend Increased risk Decreased risk No change to risk New risk

Impact Negligible Minor Moderate Major Severe

6 **Intellectual property**	
Context	The semiconductor industry is highly competitive with competing intellectual property rights in the major jurisdictions.
Risk	• IQE infringes the intellectual property rights of a third party • A third party infringes, or without authorisation obtains, IQE's intellectual property rights
Possible impact	• Loss of competitive position • Financial loss • Significant legal costs • Reputational damage
Mitigation	• Implementation of robust terms and conditions to protect IQE's intellectual property rights • Employee training on intellectual property rights and protecting confidential information • Implementation of intellectual property strategies aligned to the Group's business strategy
Change in the year	• No change

7 **Information technology & Cyber Security**	
Context	The Group primarily functions using its information technology systems.
Risk	• Cyber attack on the Group's IT infrastructure • Ransom-ware/spread of viruses or malware • Legacy system failure or cessation
Possible impact	• System failure, data loss and sustained disruption to production operations • Loss of business-critical data • Financial and reputational damage
Mitigation	• Technical protection through active scanning and monitoring of the Group's internal and external network • User training to improve cyber security knowledge • Periodic testing • Upgrading of aged IT infrastructure and devices • Network separation
Change in the year	• No change

8 **Business environment**	
Context	Demand from the Group's current and future customer bases may be reduced if there is a contraction in investment, , changes in expected customer demand, disruption due to the geopolitical environment and/or the imposition of import tariffs or other barriers to free trade.
Risk	• Lower demand for the Group's products • Increases in key cost drivers such as people, energy and raw materials • Undermining of IQE's diversification strategy into power and display markets • Imposition of tariffs reduces IQE's competitiveness and/or causes disruption to global supply chains
Possible impact	• Decrease in sales volumes • Increased cost of production leading to a reduction in margins if not offset by sufficient price increases • Failure to achieve longer-term business targets
Mitigation	• Proactive management of inflationary pressures through cost control and customer management • Strategic focus on key growth markets in power and display • Focus on delivering product quality excellence to maintain IQE's position in supply chain • Product, market and customer diversification • The Group's direct product and raw material input categories are currently unaffected by recent global tariff announcements • Contractual terms that protect IQE's pricing/margin
Change in the year	• No change

9 Supply of raw materials	
Context	Geopolitical tensions have resulted in a specific risk for IQE relating to the supply of critical compound semiconductor raw materials such Gallium, Antimony and Germanium, where current supply chain routes are reliant on exports from China.
Risk	• Increased pricing for raw materials and substrates incorporating raw materials • Supply chain disruption due to the imposition of export controls and/or global supply shortages
Possible impact	• Reduction in profit margin if cost increases cannot be passed on to customers • Manufacturing disruption due to supply shortages, potentially resulting in reduced revenue
Mitigation	• Inventory building of key raw materials • Working with suppliers to ensure inventory build of substrates • Engagement with relevant government bodies and alternative material suppliers, specifically suppliers outside of China • Long term supply agreements to mitigate pricing fluctuations
Change in the year	• New principal risk

Global conflict

The ongoing conflicts between Russia and Ukraine and in Gaza are demonstrative of the increasingly contested geopolitical environment. IQE has been, and will continue to be, impacted by higher energy prices which are, in part, a result of the conflict between Russia and Ukraine. The Group has not been materially impacted by the conflict in Gaza but continues to monitor the impact of the ongoing conflict. Higher inflation and the higher nominal interest rates used by national governments to combat inflation are expected to have an impact on IQE consistent with the effects felt globally.

Key:

Likelihood Low Medium High

Trend Increased risk Decreased risk No change to risk New risk

Impact Low Medium High

Long-term viability

Viability statement

As required by provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the prospects of the Company over a five-year period, considering the Group's current financial position, business strategy and the results of it performing a robust assessment of emerging and principal risks (see pages 63 to 67).

The Board believes that a five-year period is an appropriate time frame for assessing the Group's longer-term viability. This period is covered by the Group's strategic planning horizon and considers the nature of the Group's principal risks. The Board believes that a five-year period reflects a period over which information and forecasts concerning demand for the development, qualification and production of compound semiconductor wafers, is considered reasonably reliable.

The Board's key criteria for considering the Group's viability is the maintenance of a net cash position or the ability to operate within agreed debt arrangements, demonstrating that the Group would be able to meet its liabilities as they fall due.

Whilst all of the risks identified on pages 63 to 67 of this Annual Report could have an impact on the Group's performance, in making this assessment, the Directors have considered the following issues which could threaten the business model, future performance, solvency and liquidity of the Group and which, given the magnitude of their potential impact, the Board considers appropriate for the purposes of this assessment:

- The Group's current trading performance, which has remained subdued as the Group continues to experience weak customer demand and low customer orders following the global semiconductor industry downturn
- The Group's liquidity position, including its ability to comply with financial covenants contained in existing debt funding facilities and the ability to renew, refinance or repay facilities that are due to expire within the five-year period
- The Group's ability to execute its strategy, including the divestment of Group assets to repay existing debt funding facilities and provide sufficient funding to invest into core operations and the diversification of the business into high growth gallium nitride ('GaN') markets

The Group's subdued trading performance, which has resulted in a loss for the year of £38,178,000 and a significant increase in net debt (excluding lease liabilities and fair value gains/losses on derivative instruments) to £18,800,000, combined with a slower than anticipated recovery in key market sectors has prompted the Directors to initiate a Strategic Review of the Group and take immediate actions to secure short-term financing to strengthen the Group's liquidity position.

Short-term liquidity and funding actions include the formal waiver obtained pre-year end of the 31 December 2024 financial covenant tests applicable to the Group's £28,000,000 multi-currency revolving credit facility ('RCF'), the successful negotiation of a Deed of Amendment and Restatement to the RCF to amend applicable financial covenants and, the successful £18,000,000 convertible loan note fund raise completed on 10 March 2025, to provide the Group with additional short-term liquidity whilst the Directors complete their Strategic Review.

The Directors, as part of the Strategic Review, plan to raise sufficient cash from the divestment of Group assets to repay the Group's RCF and the convertible loan notes and ensure that the Group has a strong capital position to further invest in its core operations. In the first instance, this plan includes divestment options for an IPO or sale of the Group's Taiwan operations where a successful divestment, at a value commensurate with the Directors expectations, would raise sufficient cash to repay the RCF, convertible loan notes and provide sufficient cash to invest into core operations and the diversification of the business into high growth GaN markets.

Alongside the immediate steps taken to strengthen the liquidity position of the Group, and the ongoing steps to divest Group assets to deliver a strong and sustainable capital position for the future, the Directors have also taken actions to rationalise cost, strategically reposition and consolidate the Group's manufacturing operations and invest in capacity and technology asset development to support diversification into high growth GaN related markets.

- Cost rationalisation has primarily focused on labour savings, including restructuring of the Executive Leadership Team ('ELT'), operational efficiencies as the focus of manufacturing operations is repositioned and ongoing targeted reductions in areas of discretionary expenditure across the Group.
- Repositioning and consolidation of the Group's manufacturing operations has focused on completing the closure of the Group's Pennsylvania (US) facility, with the resultant consolidation of molecular beam epitaxy (MBE) capacity into the

Group's North Carolina (US) site, delivering improved production efficiency and margins in the short to medium term, and the commencement of the consolidation of the Group's South Wales operations into its Newport (UK) site, delivering improved production efficiency and margins in the medium to long term.

- Capital investment in GaN manufacturing capacity at the Group's sites in Newport (UK) and Massachusetts (US) provides capacity for growth that is aligned with the Group's strategy and its technology and product roadmap. This ongoing investment in GaN capability, including the completed commissioning of new GaN reactors, will underpin the Group's diversification into high growth advanced display and power electronics segments of the compound semiconductor market.

Stress tests and scenario analyses to determine the Group's viability have been performed as part of the assessment. In performing these tests, the Group considered a severe but plausible downside scenario in which the Group's business performance is adversely affected by a slower recovery in the broader semiconductor industry aligned with its going concern review and a reverse stress test extended over the longer five-year period. This assessment, including each individual stress test and scenario analysis, takes account of the actions implemented by the Directors to strengthen the Group's balance sheet and assumes that the ongoing Strategic Review is successfully concluded, with the Group raising sufficient funding from the divesture of assets to repay existing debt and provide sufficient funding to invest into core operations in a manner aligned with the five-year plan. The Directors have signed off on a plan to grow and diversify revenues over the five-year period and are confident, based upon the current level of external interest, that the Group will be successful in the divestment of its Taiwanese operations and/or the sale of other Group assets or operations that is required to fund the plan.

The Directors acknowledge that there can be no certainty that the divestment of Group assets or operations can be concluded to repay existing debt, or, that existing debt can be refinanced prior to its expiry date if the Group is unsuccessful in divesting assets that are sufficient to repay debt and fund the Directors plan for the five-year period.

On the basis that the Directors expect to successfully divest Group assets or operations at valuations that are sufficient to repay debt and fund the Directors plan for the five-year period, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 31 December 2029.

This Strategic Report has been approved by the Board and signed on their behalf by:

Mark Cubitt
Executive Chair

12 May 2025

Leading the way

Mark Cubitt
(63)
Executive Chair

E N

Mark Cubitt joined the IQE Board on 8 October 2024 and took over as Executive Chair on 29 October 2024.

Mark is an accountant and has been the Non-Executive Chair of both AIM-listed Beeks Financial Cloud Group plc since 2016 and also Concurrent Technologies plc since 2020. Previously, Mark was the CFO of Wolfson Microelectronics Plc for eight years from 2007 to 2014, and also Non-Executive Chair of Superglass Holdings Plc in 2015 and 2016. He has also served as VP of Finance at Jacobs Engineering and was Finance Director of Babtie Group Ltd until the sale of the company to Jacobs Engineering in 2004, when he then took up a wider finance role within Jacobs.

Jutta Meier
(59)
Chief Executive Officer & Chief Financial Officer

Jutta Meier joined IQE as Chief Financial Officer in January 2024 and became Chief Executive Officer on 29 October 2024.

Jutta is an experienced finance executive who has held senior positions at global semiconductor companies for over 25 years. She joined IQE in January 2024 from Intel Corporation, where she served as a Senior Finance Director at Intel Foundry Services, supporting Intel's Foundry business transformation. Prior to joining Intel, Jutta served as Vice President of Finance at GlobalFoundries Inc, a global leader in semiconductor manufacturing and she also held various positions at Advanced Micro Devices Inc. (AMD), a multinational semiconductor company. She holds an MBA from Technische Universität Dresden.

Carol Chesney
FCA (62)
Senior Independent Director

A R N

Carol Chesney joined IQE's Board in May 2019 and was appointed as Senior Independent Director in November 2020.

With a wealth of Board experience, Carol also serves as a Non-Executive Director and Audit Chair for Hunting plc, Hill & Smith plc and Imagination Technologies Group Limited. Previously she was Non-Executive Director and Chair of the Audit Committee of Renishaw plc and Biffa plc.

Until 2018 Carol served as the Company Secretary of Halma plc, a FTSE 100 health, safety and environmental technology group, having also served as the group's Financial Controller.

Carol is a Fellow of the Institute of Chartered Accountants in England and Wales, and qualified with Arthur Andersen in the UK.

Key for Committee membership

- A Audit & Risk Committee
- R Remuneration Committee
- N Nomination Committee
- E Environmental, Social & Governance Committee
- Chair of Committee

Victoria Hull
(62)
Non-Executive Director

R N A

Victoria Hull joined IQE as a Non-Executive Director in August 2021. An experienced Non-Executive Director, Victoria Hull currently serves Non-Executive Directorship and Committee roles for a variety of listed companies.

She is the Senior Independent Director and Chair of the Nominations Committee for Hikma Pharmaceuticals plc. Victoria is also a Non-Executive Director and Chair of the Remuneration Committee for IMI plc and Serco plc. Prior to these appointments, Ms Hull held an executive directorship at Invensys, now Schneider Electric. Having worked in a variety of global companies at Executive Committee or Board level, she brings an extensive understanding of legal, commercial and governance matters. Victoria has a strong background in corporate finance and began her career as a trainee solicitor at Clifford Chance LLP.

Harmesh Suniara
(54)
Non-Executive Director

Harmesh Suniara has over 15 years' experience of working in investment management, with a particular focus on UK small and mid-cap equities including the technology and life sciences sectors.

He brings a wealth of expertise in active engagement with companies that Lombard Odier has invested in, joining IQE's Board in June 2023. Since 2017 he has worked as a Portfolio Manager at Lombard Odier 1798 Volantis, and prior to this he was an Investment Manager at Henderson Volantis Capital and Gartmore Investment Management. Lombard Odier 1798 Volantis is a major shareholder in IQE.

Bami Bastani
(71)
Non-Executive Director

A E

Bami Bastani has a wealth of experience in the semiconductor industry.

He joined IQE's Board in January 2024 after spending seven years at GlobalFoundries, first as Senior VP and GM of the Mobile & Wireless Infrastructure Business Unit and then as Senior VP and Senior Advisor to the CEO as well as GlobalFoundries' Board member at the Global Semiconductor Alliance (GSA). Prior to GlobalFoundries Bami held President, CEO and Board member roles at Meru Networks, Trident Microsystems and ANADIGICS. Bami brings over 42 years of semiconductor industry experience in conjunction with over 20 years of experience serving on Boards of Directors of public and private companies. He holds a PhD and a Master of Science in Solid State Electronics from The Ohio State University and a Bachelor of Science in Electrical Engineering from University of Arkansas.

Maria Marced
(70)
Non-Executive Director

E R

Maria Marced is a highly experienced executive within the semiconductor sector.

She currently serves on several boards including CEVA and Sequans Communications and is the Chairwoman of the GSA EMEA Leadership Council.

Maria was the President of TSMC Europe from November 2007 until December 2023 and was responsible for the strategy and management of TSMC Europe and leading the decision of TSMC on the EU fab.

Maria joined Philips Semiconductors in 2003 as Senior Vice President and General Manager of the Connected Multimedia Solutions Business Unit and later on as General Manager of Sales and Marketing during the transformation of Philips to NXP.

Maria joined Philips from Intel where she developed her professional career over 19 years, reaching senior positions in Europe, Middle East and Africa as Vice President and General Manager.

Maria holds a degree in Telecommunications Engineering from Universidad Politecnica de Madrid, Spain.

Chair's Governance overview

I am pleased to introduce IQE's Governance Report on behalf of the Board. The Board is collectively responsible for IQE's long-term success and hence committed to conducting business responsibly, maintaining high standards of corporate governance, and to aspiring to the highest levels of quality in everything it does.

Mark Cubitt
Executive Chair

I am confident the Board's continued focus on these areas will support IQE's performance and its position in the market, and will enable it to grow and embrace its opportunities as they arise.

The Board is committed to driving IQE's long-term objectives and to overseeing IQE's operations to ensure competent and prudent management. The approach to governance is set by the Board, charging the Executive Leadership Team with the responsibility to ensure that the approach is effectively implemented across IQE's global business.

The year 2024 was again a challenging one for IQE and the broader global semiconductor industry. We continued to see softness in some market segments and a delay in expected growth in others. The global economy continued to be challenged by higher interest rates, inflation and conflict. IQE made significant changes to its cost structure through 2024, and towards the later part of the year to its Executive Leadership Team, but continued to make steady progress in its diversification strategy towards power and display markets.

Board changes in 2024

I joined the Board on 2 October 2024 as a Non-Executive Director. Americo Lemos left IQE on 28 October 2024 and, on the same date, I was appointed by the Board as Executive Chair, and Jutta Meier as Chief Executive Officer alongside her existing duties as Chief Financial Officer. Phil Smith, who had been Chair of IQE since 2019, stepped down from his role but remained on the Board as a Non-Executive Director until 31 December 2024.

Jutta brings her wide-ranging financial leadership and semiconductor industry experience to bear in her joint role as Chief Executive Officer and I am confident that the Board is well positioned to lead the Group through the current Strategic Review process.

"The Board made a number of changes to IQE's leadership in late 2024 and announced a Strategic Review designed to ensure that the Group is well positioned to take advantage of future opportunities."

Mark Cubitt
Executive Chair

Board evaluation

The Board has a well-established process for undertaking an annual review of the performance of the Board, its Committees and the Chair. We did not complete a formal evaluation of the Board in 2024 due to the number of changes at a Board and Executive Leadership Team level, and the Strategic Review and proposed financing announced on 18 November 2024, which coincided with the time in which the Board usually undertakes its annual evaluation. On page 74 we have set out the areas that the Board will be focused on through 2025.

I encourage all of our shareholders to engage with us ahead of the AGM which will be held on 30 June 2025. Notice of, and details of the arrangements for, the AGM will be provided to shareholders at the usual time.

I am confident that the steps we have taken through 2024 will make a strong positive contribution to IQE as we drive to achieve the vision and goals we have set.

Mark Cubitt
Executive Chair

12 May 2025

Governance structure

Role of the Board

The Board is responsible for the overall conduct of IQE's business and the Directors have responsibilities under both the Company's Articles of Association and UK company law. The Board delegates day-to-day management of IQE to the Chief Executive Officer and the Executive Leadership Team.

The primary tasks of the Board in 2024 included:

Strategy

- Assessed progress against the Group's strategy
- Overseeing the announced Strategic Review
- Regular reviews of key business decisions and their impact on the Group's strategy

Finance

- Oversaw the launch of the Group's proposed convertible loan note and the initiation of negotiations with the Group's bank for a revised facility agreement
- Reviewed, approved and monitored progress against the financial plan for the 2024 financial year
- Monitored, challenged and approved capital expenditure ('capex')
- Approved the Annual Report, half-year results and interim trading updates
- Considered and approved IQE's going concern and viability statements

Leadership and people

- Changed the Chief Executive Officer and implemented Executive roles
- Oversaw changes to the Group's Executive Leadership Team

Operations

- Regularly received operational, including health, safety and environment, updates at scheduled meetings
- Monitored performance and provided challenge in key areas of operations

Governance and ethics

- Received and reviewed feedback from institutional investors
- Reviewed the requirements of the 2018 UK Corporate Governance Code and areas of non-conformity
- Regular meetings between the Non-Executive Directors only

Independence

The Board considers that, with the exception of Mark Cubitt and Harmesh Suniara, all of the Non-Executive Directors are independent in character and judgement and free from any business or other relationship that could materially interfere with exercising that judgement. Mark Cubitt was appointed as Executive Chair on 28 October 2024. and will not be considered as an Independent Director for so long as he is Executive Chair. Harmesh Suniara was appointed as the representative of Lombard Odier.

The Board is also satisfied that there is no compromise to the independence of, and nothing which would give rise to conflicts of interest for, those Directors who serve as Directors on other company boards or who hold other external appointments. The Board considers potential for conflicts of interest at every Board meeting and ensures that Directors present sufficient information for those to be reviewed.

Appointment and time commitment

The Executive Chair and each of the other Non-Executive Directors have letters of appointment.

The Executive Chair's letter of appointment sets out the time commitment expected of him. The other Non-Executive Directors' letters of appointment set out a minimum expected time commitment but do not set out a fixed time commitment.

The Non-Executive Directors are expected to allocate appropriate time to IQE to perform their duties and to make themselves available for all regular and ad hoc meetings. The Board believes each of the Non-Executive Directors has sufficient time to perform their duties.

Board evaluation

The Board did not complete a formal evaluation in 2024. In the later part of 2024 the Board was focused on transitioning the Group's Executive leadership with Mark Cubitt and Jutta Meier and supporting changes to the Group's Executive Leadership Team, as well as the announced convertible loan note financing and Strategic Review. The Board was rightly focused on delivering a smooth transition and future financial stability for the Group through a challenging business environment. The Board intends to recommence its usual internal evaluation processes in the second half of 2025 once the Board has steered the Group through its short term requirements.

Board and Committee attendance

	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee*	ESG Committee
Number of meetings in 2024	14	4	5	2	2
Attendance					
Executive					
Mr Mark Cubitt**	5	1	0	0	1
Ms Jutta Meier	14	3	2	0	2
Non-Executive					
Mrs Carol Chesney	12	3	5	2	1
Maria Marced	13	3	5	2	1
Ms Victoria Hull	13	2	5	2	1
Bami Bastani	14	3	5	2	1
Mr Harmesh Suniara	12	3	5	2	2

* The Nominations Committee met on an informal basis throughout the year. In particular, there were a number of meetings and discussions relating to the appointment of a Chair-elect and the subsequent changes at an Executive level and the appointment of Mark Cubitt as Executive Chair and Jutta Meier as CEO.

** Mark Cubitt joined the Board as Non-Executive Director on 8 October 2024 and was appointed as Executive Chair on 29 October 2024.

UK Corporate Governance Code compliance

IQE complied throughout 2024 with the principles and provisions of the UK Corporate Governance Code 2018 except in the following areas:

Provision 17

IQE does not currently maintain a succession plan for the Company Secretary or all senior management immediately below Board level. IQE will work to develop such plans based on merit and objective criteria. As part of its consideration of developed succession plans, the Nominations Committee will consider the linkage of its diversity objectives with Company strategy and the gender balance of those in senior management and their direct reports.

Provision 21

Whilst the Board does have a process for formal and rigorous annual evaluations of the performance of the Board and its Committees, this was not completed in the year 2024 due to the number of changes at a Board and Executive Leadership Team level, and the Strategic Review and proposed financing announced on 18 November 2024, which coincided with the time in which the Board usually undertakes its annual evaluation.

Provision 33

The Remuneration Committee has responsibility for determining the policy and setting remuneration for the Executive Directors and the Chairman. It also has responsibility to recommend and monitor the policy, level and structure of remuneration for senior management. However actual remuneration for senior management and the Company Secretary (noting that the Company Secretary is part of the Executive Leadership Team and senior management) is set and determined by the CEO in consultation with the Group's Chief People Officer and appropriate external advice and benchmarking.

Provision 36

Share options granted to the Executive Directors under IQE's Long-Term Incentive Plan (LTIP) are subject to total vesting and holding periods of three years, opposed to five years. In addition, Executive Directors are subject to a minimum holding requirement equal to 200% of their base salary and will have a post-employment shareholding requirement for two years. The minimum holding will be equal to 200% of base salary in the first year post-employment, reducing to 100% of base salary in the second year.

IQE's approach aligns with market practice across IQE's peer group on AIM and the Remuneration Committee considers the current holding periods to be the right balance between incentivising Executive Directors and aligning with the interests of the Group's stakeholders.

A copy of the 2018 UK Corporate Governance Code is available at frc.org.uk. The UK Corporate Governance Code was updated in January 2024 with the 2024 Code applying for financial years beginning on or after 1 January 2025.

Audit & Risk Committee Chair's introduction

"The Audit Committee ensures the integrity of our financial statements, assesses the efficiency of our risk management strategies and internal controls, and reviews the effectiveness of IQE's external audit process."

Carol Chesney
Chair

I am pleased to present the Report of the Audit Committee, which provides a summary of the Committee's role and activities during the 2024 financial year. The Board considers the maintenance of high standards in its governance and management of the affairs of IQE as fundamental to the discharging of its stewardship responsibilities. Accordingly, both the Board and the Audit & Risk Committee continue to keep under review IQE's whole system of internal control, which comprises not only financial controls, but also business and operational controls, compliance and risk management.

The Committee works with IQE's internal finance function and external auditors discussing, assessing and challenging financial reporting and going concern assessments. The Committee used its structured meeting schedule to ensure that it provides robust challenge in the areas relating to financial reporting, internal controls and risk management, the external auditors and other issues pertinent to IQE.

,The Committee's work during the year focused on several key areas of governance:

- The Group's available financial resources, costs and investments, and compliance with banking covenants
- The Group's requirement for short-term financing through the Strategic Review period
- The Group's continued review and Improvement of Its financial controls

In December 2024 the Group received a letter from the Financial Reporting Council (FRC) noting that the Group's annual report and accounts to 31 December 2023 had been included in the sample for the 'Climate-related Financial Disclosures by AIM and Large Private Companies' thematic review. We were pleased to be made aware that the FRC had no questions or queries to raise with the Group following that review and we have implemented changes to our climate-related reporting to align with the FRC's recommendations to assist users of the accounts.

The Committee has noted that the UK Corporate Governance Code 2024 will be effective for the Group's financial year commencing on 1 January 2025, and its work in the year ahead will include adopting the changes necessary to comply with the revised Code. The Committee will also continue to place specific focus on the Group's financial resources and financial controls.

Carol Chesney
Chair

12 May 2025

Role of the Committee

The Audit & Risk Committee is responsible for monitoring the effectiveness of IQE's financial reporting, internal controls and risk management systems and processes and the effectiveness and independence of IQE's external auditors.

Key responsibilities

- Reviewing the effectiveness of IQE's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk
- Reviewing significant financial reporting issues and judgements including the potential for asset impairment and assessment of viability and going concern
- Monitoring the integrity of IQE's financial statements and any formal announcements relating to IQE's financial performance
- Keeping the relationship with the external auditors under review, including their terms of engagement, fees and independence
- Reviewing and monitoring the need to establish a dedicated internal audit function
- Advising the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess IQE's performance, business model and strategy
- Conducting the tender process and making recommendations to the Board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor
- Reviewing and monitoring the external auditor's independence and objectivity
- Reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, considering the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required
- Reporting to the Board on how it has discharged its responsibilities

Membership

- Carol Chesney – Chair
- Victoria Hull
- Bami Bastani

Carol Chesney is Chair of the Audit & Risk Committee. Carol is a Chartered Accountant and has also held several senior finance roles. The Board is satisfied that Carol is the Committee member with recent and relevant financial experience as required by the UK Corporate Governance Code 2018. The Board is also satisfied that the Committee as a whole, including invited attendees as necessary, has a mix of experience and competencies to assess the issues facing the Group within the semiconductor industry.

Meetings and attendance

The Audit & Risk Committee meets quarterly, with additional meetings as required. There were four meetings in 2024 and all of the Committee members (as at the date of the meeting) attended each meeting, with the exception of the meeting on 4 April 2024 which Victoria Hull was unable to attend for personal reasons.

The meetings are also regularly attended by the Executive Chair, Chief Executive Officer & Chief Financial Officer, Chief People Officer & General Counsel and other senior members of the finance team.

IQE's external auditors attend meetings and time is allowed at the end of each meeting for the Audit & Risk Committee members to discuss issues with the external auditors without management being present. The Chair also holds at least one separate meeting with the audit partner ahead of each Committee meeting.

Activities during 2024

The Committee continues to oversee a range of risk areas that are key to IQE's long-term success and compliance with applicable laws and regulations.

The majority of the Committee's work derives from a structured programme that is designed to fulfil its responsibilities as set out in its terms of reference, with additional focus areas in 2024 as set out on page 77. The table below summarises the key activities at each meeting during 2024:

Agenda item	4 April	5 September	9 September	12 December
Review financial performance with focus on liquidity and covenant strength	•	•	•	•
Review of financial statements, going concern assumption and compliance with accounting standards	•	•	•	
Review and recommend for approval year-end and half-year announcements			•	
Review of significant reporting issues and material judgements	•	•	•	
Review of key business risks	•	•		•
Annual review of process and procedures for risk management				•
Consider requirements for internal audit function				•
Consider any material breach of law	•	•		•
Review Whistleblowing Policy and procedures for preventing fraud, bribery and corruption		•		•
Review of insurance programme, policies and material judgements		•		
Review representation letter for full-year and half-year	•	•		
Review effectiveness of Audit & Risk Committee				•
Review of auditor quality and independence				•
Consider audit effectiveness	•			
Review accounting and corporate governance developments				•
Committee-only meeting with external auditor	•			•

The UK Corporate Governance Code 2018 requires the Directors to prepare the Annual Report and Accounts and to state that they consider them, taken as a whole, to be fair, balanced and understandable and provide the information necessary for shareholders to assess IQE's position and performance, business model and strategy. The Board requested that the Audit & Risk Committee advise it as to whether the Annual Report and Accounts meet those requirements.

This work formed part of the review of the draft financial statements that was undertaken by the Committee in September 2024 and April 2025.

Through consideration of reports from, and meetings with, management and the external auditors, the Committee has reviewed and determined the following:

- Judgemental areas and significant matters relating to the financial statements as set out on pages 128 to 130;
- Whether the expected future cash flows of IQE support the carrying value of the Group's cash generating units, and whether there are any triggering events which suggest any potential impairment of other intangible assets including the valuation of development intangibles and the capitalisation of development costs; and
- Whether the presentation of the financial statements, including the presentation of adjusted performance measures, is appropriate and balanced.

Through consideration of reports by independent tax specialists assessing IQE's tax affairs in the UK, the US, and Taiwan, as appropriate, and consideration of reports by and meetings with management assessing current and deferred tax accounting, the Committee has reviewed and determined whether the provision for tax liabilities, and the current and deferred tax accounting is appropriate.

The Committee has reviewed the resources available to IQE, taking account of IQE's trading and cash flow forecast together with available funding headroom to assess the appropriateness of the going concern assumption.

Significant matters relating to the financial statements

The Committee performs a review of significant matters that relate to the financial statements. The matters that the Committee considers are significant are set out below:

- Going concern and the appropriateness of the disclosure contained within the significant accounting polices note relating to the application of the going concern basis of accounting in the financial statements;

- Compliance with financial covenants contained within the Group's committed bank facilities and the associated availability of the Group's bank facilities;
- Impairment review of cash generating units and the revenue growth rates and discount factors applied in business unit value in use calculations that support the carrying value of the Group's cash generating units;
- Identification of the Group's cash generating units and the allocation of revenue, assets, costs and impairment to each cash generating unit;
- Intangible development cost carrying values and associated markets, end use applications and customer demand for the technologies which support asset carrying values;
- Revenue recognition and any judgements associated with the satisfaction of performance obligations for significant transactions; and
- Presentation and disclosure of adjusted performance measures including appropriate clarity of reconciliation between each GAAP and non-GAAP measure.

External Auditors

The Audit & Risk Committee has developed an auditor independence policy. In accordance with this policy, the Committee oversees the relationship with the external auditors and monitors all services provided by them and all fees payable to them. This is to ensure that potential conflicts of interest are considered and that an independent, objective and professional relationship is maintained.

The Committee has a policy on the provision of non-audit services by the external auditor in line with the Financial Reporting Council's Revised Ethical Standard 2019. The Group has a policy prohibiting the use of the Group's auditors for the provision of non-audit services other than an interim half-year review.

The Audit & Risk Committee also monitors the effectiveness of the external audit. Before the end of the financial year, the Committee receives a detailed audit plan from the auditors that identifies the auditors' assessment of the key risks and their intended areas of focus. This is agreed with the Committee to ensure that the scope and coverage of audit work is appropriate. IQE's management also provides the Committee with feedback on the effectiveness of the audit and the quality of the audit firm and lead audit partner.

In addition, the Group's auditors are required to make a formal report to the Audit & Risk Committee annually on the safeguards that are in place to maintain their independence and the internal safeguards in place to ensure their objectivity.

A resolution to reappoint KPMG will be proposed at the forthcoming Annual General Meeting.

KPMG LLP	**2024 £'000**	2023 £'000
Fees payable to the Company's auditor and its associates for the audit of parent company and consolidated financial statements	**720**	671
Additional fees payable in relation to the audit of the parent company and consolidated financial statements for the years ended 31 December 2023 and 2022	**25**	134
Fees payable to Company's auditor and its associates for other services:		
• The audit of the Company's subsidiaries	**25**	25
• Audit-related assurance services	**51**	-
• Tax and other advisory services	**-**	-
Total KPMG LLP (Group auditors)	**821**	830

Internal audit and controls

The Audit & Risk Committee reviewed the effectiveness of IQE's system of internal controls and risk management activities bi-annually as part of the half-year and full-year public reporting.

The system of internal control comprises those controls established in order to provide assurance that IQE's assets are safeguarded against unauthorised use or disposal, and to ensure the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The key procedures that IQE has established with a view to providing effective internal control include the following:

- A clearly defined organisational structure and limits of authority;
- Corporate policies and procedures for financial reporting and control, project appraisal, human resources, quality control, health and safety, information security and corporate governance;
- The preparation of annual budgets which require approval from the Board and the delivery of regular financial forecasts to the Board;
- The monitoring of performance against budget and forecasts and the reporting of any variances in a timely manner to the Board;
- Regular review and self-assessment of IQE's risks, taking steps to monitor and mitigate these wherever possible;
- Where appropriate, taking out insurance cover; and

- Approval by the Audit & Risk Committee of audit plans and, on behalf of the Board, receipt of reports on IQE's accounting and financial reporting practices and its internal controls together with reports from the external auditors as part of their normal audit work.

This process remained in operation for the year under review and as part of that process, management reports any material exceptions to the Audit & Risk Committee.

In the current year, the Group has continued to focus on improvements to its internal financial control procedures, work that has included formalisation of individual financial cycle risk assessments, process flow documentation and key control matrices. This work, combined with dedicated investment in finance team resources has enabled the Group to update and optimise its approach to financial governance and control, implementing new and enhanced financial controls to mitigate the occurrence of financial reporting errors and fraud. During the year the Committee has had regular dialogue between financial reporting personnel, the external auditors and members of the Committee to understand the work that has been performed and the changes to financial controls that have been implemented. The Committee is pleased with the output of the work performed, something that has been evident from the reduction in volume and frequency of period-end financial adjustments and the formal documentation of the Group's financial cycle risks, processes flows and controls. The Committee will continue to have a strong focus on financial governance and control in 2025, ensuring that the improvements implemented in the current year are maintained and remain embedded as 'business as usual' in the day-to-day operations and financial management of the Group.

The Group relies on a range of legacy IT systems and software to support its day-to-day operations which are not fully integrated, a position that is managed from a financial governance and control perspective via manual processes which have been enhanced during the current year. The longer-term objective of the Group is to update, consolidate and integrate IT systems and software, increasing automation, control, and efficiency. This objective has initially been focused on the Group's manufacturing systems with upgrades and integration of financial systems planned as part of wider enterprise resource planning (ERP) system enhancements in the medium term.

IQE does not have an independent internal audit function, however it does operate internal audit on an ad hoc peer review basis, with a scope of evaluating and testing IQE's financial control procedures. The Committee considers that this remains appropriate for IQE's size and geographical spread, but the Committee keeps this under constant review. In completing its review of the effectiveness of IQE's system of internal controls the Audit & Risk Committee has taken account of any material developments up to the date of the signing of the most recent financial statements. In addition, recognition is given to the external audit findings, which help to inform the Audit & Risk Committee's views of areas of increased risk.

Risk Management

The Group Risk Committee identifies, reviews, assesses and tracks IQE's key risks and mitigating actions. The Group Risk Committee documents its approach through a risk register which is shared and discussed with the Audit & Risk Committee.

Key risk management activities performed by IQE are summarised on page 62. The Committee takes an active role in the risk management process that includes a regular review of IQE's risk register and 'deep dives' into specific areas of risk. The Audit & Risk Committee has been particularly focused on the Group's financial and liquidity risks through 2024.

IQE's principal risks and uncertainties are set out on pages 63 to 67. While many of the key risks identified recur from year to year, the relative importance evolves over time and may require IQE to refocus its assurance activities. In the year ahead, the Committee will continue to work with the Board, Executive Leadership Team and other senior management to ensure that there is appropriate focus on the most significant risk areas together with the associated plans for mitigating their impact.

Anti-bribery and corruption

IQE maintains a zero-tolerance approach to corruption. It has an established Anti-bribery and Corruption Policy, which includes guidance on the giving and receiving of gifts and hospitality. This policy applies throughout IQE's business. A Gifts and Hospitality Register is maintained to ensure transparency.

Whistleblowing

IQE operates a confidential reporting mechanism, overseen by IQE's Chief People Officer & General Counsel, which enables employees to raise concerns of malpractice, non-compliance or unethical conduct. The options for raising concerns are widely communicated to employees. These channels are clearly set out in IQE's Whistleblowing Policy. Any whistleblowing reports are confidentially reported tothe Audit & Risk Committee. IQE's reporting policy and procedures provide a framework for protected disclosure.

Nominations Committee Chair's introduction

"The Nominations Committee is dedicated to sourcing and securing top-tier global talent. Our strong Board will be instrumental to achieving IQE's long-term goals, leveraging their deep industry knowledge, technical experience and diverse skill sets."

Mark Cubitt
Chair

The Nominations Committee has overseen several changes to IQE's Board in recent years. In 2024, the Nominations Committee initiated a search for a new Chair which concluded with my appointment as a Non-Executive Director and 'Chair Elect'. I became Executive Chair on 29 October 2025 and am confident that my partnership with our CEO and CFO, Jutta, will provide the Group with the right amount of support through our current Strategic Review. The Nominations Committee has not yet initiated a search for a new permanent CEO.

The Committee was also involved in succession planning for the Executive Leadership Team departures, supporting the departure of several executives and the appointment of existing members of the Executive Leadership Team into broader roles.

The Committee engaged Lygon Group to assist with the search for the new Chair.

Role of the Committee

The Nominations Committee is responsible for leading the process for the selection and appointment of Directors and for ensuring plans are in place for an orderly succession of Board and senior management positions.

Key responsibilities

- Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes
- Identify, evaluate and recommend candidates for appointment as Directors
- Succession planning for Directors and other senior management
- Review developments in law, regulation and best practice relating to corporate governance and make recommendations to the Board on appropriate action

Membership

- Mark Cubitt - Chair
- Carol Chesney
- Victoria Hull

Meetings and attendance

The Committee meets regularly on an ad hoc basis, often following the conclusion of scheduled Board meetings. All members attended each meeting.

Mark Cubitt
Committee Chair

12 May 2025

ESG Committee Chair's introduction

"IQE achieved approval for its near and long-term science-based emissions reduction targets from the Science-Based Targets initiative (SBTi) in 2024, a significant milestone in our journey to being Net Zero across our operations by 2050."

Mark Cubitt*
Committee Chair

The ESG Committee is responsible for developing and monitoring the execution of IQE's sustainability strategy and the communication of IQE's activities with our stakeholders. The ESG Committee is also responsible for monitoring the Board's engagement with IQE's people, with Victoria Hull and Bami Bastani acting as the Board's workforce representatives.

The ESG Committee is working with the Executive Leadership Team and colleagues within IQE to develop IQE's sustainability strategy. In 2024, the Committee was focused in supporting management with the development of the Group's first report under the Task Force for Climate-related Financial Disclosures and in the development of the Group's targets for the Science-Based Targets initiative, which the Group committed to in May 2022.

The Committee was pleased that the Group's emissions reduction targets were approved by the SBTi in late 2024 and looks forward to working with management in 2025 to further develop the Group's transition plans.

Role of the Committee

The ESG Committee is responsible for developing and monitoring the execution of IQE's ESG strategy and the communication of that strategy to IQE's stakeholders.

Key responsibilities

- Ensure that IQE has a fit-for-purpose ESG strategy and drive momentum behind the development and implementation of that strategy
- Be responsible for communicating IQE's position on Environmental, Social and Governance issues
- Ensure that the strategy meets IQE's short- and long-term business objectives
- Review the effectiveness of the strategy and the governance for its successful delivery
- Approve ESG reporting and specifically any reporting and data included in IQE's Annual Report
- Report to the Board about the Committee's work and progress against the strategy

Membership

- Mark Cubitt – Chair
- Maria Marced
- Bami Bastani

Meetings and attendance

The ESG Committee aims to meet at least twice a year. In 2024 the Committee met twice, in May and November. The first meeting was chaired by Phil Smith and the second meeting was chaired by Mark Cubitt*.

Mark Cubitt
Committee Chair

12 May 2025

* Mark Cubitt joined the Board on 8 October 2024.

Remuneration Committee Chair's introduction

"On behalf of the Board, I present the Remuneration Report for the year ended 31 December 2024."

2024 incentive awards and outturns

The Committee engaged in extensive consultation with shareholders in 2024 covering changes to the approach to incentivising Executive Directors and senior management. The Committee wishes to thank shareholders for their engagement and feedback. Ultimately, IQE decided not to proceed with the proposed changes and given that awards under the Company's Long-Term Incentive Plan (LTIP) had not been concluded at the time of Americo Lemos' departure in late October 2024, and the immediate need to ensure that Jutta Meier was appropriately incentivised in her new role as CEO at a time when the Company was commencing a strategic review, a one-off award of nominal-priced share options with a face value equal to 34.46% of her salary was granted to Jutta on 28 November 2024. The award will vest after three years subject to the Remuneration Committee's assessment of the Group's financial performance over that period.

There was no bonus for the Executive Directors for the year 2024 and any share options that were due to vest in 2024 have lapsed based on financial performance.

Executive changes and short-term incentives

Americo Lemos, Chief Executive Officer, departed the Company on 28 October 2024. Americo received a payment in lieu of notice equal to his contractual notice period for his basic salary and accrued holiday. The Company remains in discussion with Americo Lemos relating to the terms of his departure. Jutta Meier, who joined the Board as Chief Financial Officer on 22 January 2024, became CEO & CFO and Mark Cubitt, who had joined the Board on 8 October 2024 as Non-Executive Director and Chair-elect, became Executive Chair. Given the initial interim nature of their appointments, the Committee did not immediately increase their fixed remuneration at the time of their appointment into these roles and instead agreed to award them additional payments to compensate them for their significantly increased responsibilities over the period from November 2024 to April 2025. Further details are contained in the report below.

2025 remuneration

In light of the ongoing increase in their responsibilities following the leadership changes in late 2024, the Committee determined that the base salary for Jutta (as combined CEO & CFO) should be increased to £425,000 (26% below the salary of her predecessor) and the base salary for Mark (as Executive Chair) would increase to £200,000. Both increases are effective from 1 May 2025. Mark's base remuneration has been calculated on the basis that the current demands of the role require that he work on average for 2 days a week for the Company. The Committee will periodically review Mark's role as Executive Chair and the appropriate timing for him to return to a Non-Executive Chair role.

At the time of writing this report, the Committee was still assessing the long-term incentive arrangements for the Executive Directors and anticipates that the applicability of any annual bonus opportunity will be reviewed later in the year.

Victoria Hull

Non-Executive Director and Chair
of the Remuneration Committee

12 May 2025

Remuneration at a glance

	Purpose and link to strategy	Key features	Implementation in 2024
Salary	Supports the attraction and retention of the best global talent with capability to deliver IQE's strategy.	Reviewed annually Salaries take account of external market and internal employee context.	No increase for the CEO & CFO although Jutta was paid an additional allowance of £62,500 to reflect her significantly increased responsibilities over the period from November 2024 to April 2025. Average pay increases for the wider workforce were c.3%.
Allowance and benefits	Provision of market-competitive and cost-effective benefits to support attraction and retention of talent.	Provision of competitive benefits linked to local market practice. Maximum Company pension contribution is 10% of salary.	Allowances and benefits unchanged from prior year.
Annual incentive	Incentivises delivery of IQE's financial and strategic targets. Provides focus on key financial metrics and the individual's contribution to IQE's performance.	Maximum is 120% of salary with 50% of the maximum payable for target performance. Performance measures, weightings and stretching targets set annually. Normally paid in cash after end of the financial year, save that any payout above 100% of salary will normally be made in the form of share grant. Subject to malus and clawback provisions.	There was no 2024 annual bonus payout for the CEO & CFO.
Long-term incentives	Provides alignment with shareholders by ensuring a significant percentage of remuneration is delivered in shares and rewards long-term performance in line with IQE's strategy.	Normal annual awards of up to 200% of salary may be granted under IQE's LTIP. The normal maximum award may be exceeded in exceptional circumstances, such as recruitment. Three-year performance period. Performance measures, weightings and stretching targets reviewed annually. Subject to malus and clawback provisions.	The CEO & CFO was granted a one-off award of nominal-priced share options with a face value equal to 34.46% of her salary on 28 November 2024. Vesting is subject to the Committee's assessment of financial performance over the vesting period.
Shareholding requirement	Ensures alignment between the interests of Executive Directors and shareholders.	Minimum shareholding requirements: • CEO 200% of salary • CFO 200% of salary New joiners given time to reach threshold and not expected to self-fund.	CEO & CFO shareholding as at 31 December 2024 - nil.

Directors' Remuneration Policy

IQE aims to attract, retain and motivate high calibre executives in a highly competitive global industry, whilst recognising the need to be cost effective, and to incentivise significant industry out-performance. The Remuneration Committee established the current Remuneration Policy with the aim of balancing these factors, taking account of investor feedback and prevailing best practice.

This Policy section of the Directors' Remuneration Report sets out the Policy for Executive Director remuneration which the Committee intends to operate for 2025. As an AIM quoted company, IQE is not required to put its Policy to a binding shareholder vote, however, in developing the new Policy, the Committee has sought to comply with the main best practice expectations for UK companies while ensuring the Policy is sufficiently competitive compared to IQE's sector, talent markets and ambitions for growth.

Given recent changes to the Executive and senior leadership within the Group, the Committee is committed to ensuring that their total reward is competitive in the Company's global marketplace and that the Executive and senior leadership are incentivised and rewarded for providing exceptional performance aligned with the Group's strategic objectives.

Function	Operation	Opportunity	Performance metrics
Base salary To recognise the individual's skills and experience and to provide a competitive total package	Base salaries are normally reviewed annually, with reference to market levels, individual contribution, the experience of each Executive and increases across the Group. Any adjustments normally become effective on 1 April.	It is anticipated that salary increases will normally be no higher than those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity, material market misalignment) the Remuneration Committee has discretion to make appropriate adjustments to salary levels to ensure they remain appropriate.	n/a
Pension To provide an opportunity for Executives to build up income on retirement.	All Executives are members of the Group pension scheme and/or receive a cash pension allowance. Salary is the only element of remuneration that is pensionable.	Executive Directors receive a pension contribution of 10% of salary or an equivalent cash allowance. This aligns with the pension arrangements for IQE's employees who can receive matching contributions from IQE of up to 10% of salary.	n/a

Function	Operation	Opportunity	Performance metrics
Benefits To provide non-cash benefits which are competitive in the market in which the Executive is employed.	Executives receive benefits which consist primarily of health cover, life assurance, long-term disability insurance and reimbursement for fuel, although may include other benefits that the Remuneration Committee deems appropriate in the circumstances. Relocation and expatriation-related benefits may also be provided where appropriate.	Benefits may vary according to role and individual circumstances. Eligibility for benefits and the cost of benefits are reviewed periodically. The cost of benefits is dependent on market rates and is not capped.	n/a
Annual Bonus To incentivise and reward strong performance against financial and personal annual targets, thus delivering value to shareholders and being consistent with the delivery of the strategic plan.	Performance measures, targets and weightings are set at the start of the year. The scheme is based on a combination of financial performance and personal objectives. At the end of the year, the Remuneration Committee determines the extent to which the objectives have been achieved. Bonus payments are delivered in cash and any payment above 100% of salary will normally be made in the form of a share grant. Clawback (of any bonus paid) may be applied during employment or for two years post-termination in the event of gross misconduct, material financial misstatement, error in calculation of outcomes or in any other circumstance that the Remuneration Committee considers appropriate.	For Executive Directors, the maximum annual bonus opportunity will be 120% of base salary. The bonus pays 0% at Threshold, 50% at Target and 100% at Stretch, with straight-line vesting between these levels.	Performance is assessed on an annual basis against a scorecard of financial and personal/strategic objectives set at the start of each year. Financial measures will be weighted appropriately each year according to business priorities, and will normally represent between 70% and 100% of the scorecard. Personal objectives will normally have a weighting of between 0% and 30% of the maximum opportunity. These will be set annually to capture expected individual contributions to IQE's strategic plan. The payout for any personal element will be reduced by 50% in the event the thresholds for a majority of the relevant financial measures are not met. The Remuneration Committee has discretion to adjust formulaic bonus outcomes to ensure fairness for shareholders and participants, to ensure pay aligns with underlying Company performance, and to avoid unintended outcomes. These adjustments can be either upwards (within plan limits) or downwards (including down to zero). The Remuneration Committee may consider measures outside of the bonus framework to ensure there is no reward for failure. Any adjustment would be carefully considered and fully explained in the Annual Report on Remuneration.

Function	Operation	Opportunity	Performance metrics
LTIP To provide alignment with shareholders and competitive rewards by delivering a significant proportion of remuneration in company shares and incentivise sustained long-term performance that supports the creation of shareholder value.	Under the Long-Term Incentive Plan (LTIP) annual awards of shares or nominal-cost options may be made to participants. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate. The Committee has the discretion to authorise a payment, in shares, equal to the value of dividends which would have accrued on vested shares during the vesting period. Malus (of any unvested LTIP) and clawback (of any vested LTIP) may be applied during employment or for two years post-termination in the event of gross misconduct, material financial misstatement, error in calculation of outcomes or in any other circumstance that the Remuneration Committee considers appropriate.	Normal awards of up to 200% of salary may be granted under the LTIP. In exceptional circumstances, including but not limited to recruitment, normal awards may be exceeded. Up to 25% of PSP awards granted under the LTIP will be paid for achieving Threshold performance, normally increasing on a straight-line basis to full vesting for achieving Stretch performance.	Vesting of PSP awards granted under the LTIP is subject to achieving performance conditions and continued employment. Performance conditions are normally measured over three consecutive financial years with awards vesting three years after grant. The Remuneration Committee has limited discretion to amend the performance conditions provided that the amended performance condition is not materially easier to satisfy than the original condition. The Remuneration Committee has discretion to adjust outcomes to ensure they fairly reflect underlying performance. The Remuneration Committee also considers environmental, social, governance and health and safety criteria, to ensure there is no reward for failure.

Notes to the Policy table

Performance measure selection and approach to target setting:

The measures used under the annual bonus plan are selected annually to reflect IQE's main objectives for the year and reflect both financial performance and personal contributions to delivering the strategic plan. The performance conditions for new LTIP awards are selected to reflect IQE's long-term objectives which support the creation of shareholder value.

Targets applying to the bonus and LTIP awards are reviewed annually, based on a number of internal and external reference points. Performance targets are intended to be stretching and achievable, and reflect IQE's strategic priorities and its market opportunities.

Remuneration Policy for other employees

IQE provides all employees with a consistent package of benefits that includes private medical insurance, life assurance, long-term disability insurance and reimbursement for fuel.

All employees are eligible to participate in a discretionary annual bonus and receive awards under the LTIP. The same principles apply to the assessment of performance for determining the individual component of bonuses for all employees.

For other employees, grants under the LTIP are subject to a pre-grant minimum personal performance condition and normally vest in annual tranches over three years subject to the employee remaining employed by the Group.

Shareholding guidelines

The Remuneration Committee wishes to encourage Executive Directors to build up a significant shareholding in the Company. Shareholding guidelines are therefore in place to require Executive Directors to acquire a shareholding (excluding shares held conditionally pursuant to LTIP performance) equivalent to 200% of base salary. 50% of any shares vesting (post-tax) under the LTIP are required to be held until the relevant shareholding level is achieved. Executive Directors are expected to build up the required shareholding within five years of appointment to the Board, although the Remuneration Committee will exercise appropriate discretion where Executive Directors have been impeded from building up the requisite shareholding due to business performance. Details of the Executive Directors' current shareholdings are provided in the Annual Report on Remuneration on page 95.

Non-Executive Director remuneration

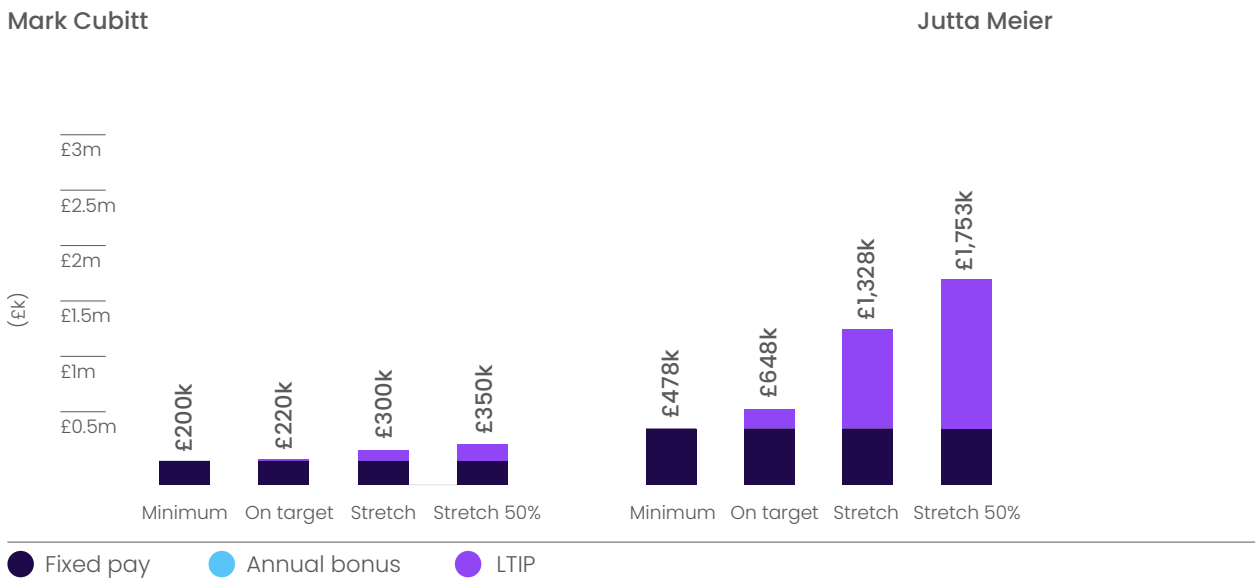
Non-Executive Director	Date of appointment letter	Remuneration per annum
Carol Chesney	13 May 2019	£50,000
Victoria Hull	1 August 2021	£50,000
Bami Bastani	1 January 2024	$62,000
Maria Marced	1 January 2024	€57,000
Harmesh Suniara*	30 June 2023	£50,000

* Harmesh Suniara is the representative for Lombard Odier who receive a fee of £50,000 per annum equivalent to the Group's standard Non-Executive Director fee.

Subject to re-election by shareholders, Non-Executive Directors are appointed by the full Board and retire annually in accordance with the Company's Articles of Association. The remuneration of Non-Executive Directors is a matter reserved for the full Board, subject to an individual limit of £150,000 per annum or such other figure as shareholders may approve plus reasonable expenses in accordance with the Company's Articles of Association.

The Non-Executive Directors are not eligible to participate in IQE's performance-related bonus plan, long-term incentive plans or pension arrangements. Copies of the Non-Executive Directors' appointment letters are available for inspection at the Company's registered office during normal business hours.

2025 Executive Director remuneration



* LTIP value calculated based on market value of the options at the date of grant less the nominal grant price.

For illustrative purposes given that the actual 2025 LTIP award levels have not yet been determined, the chart assumes 2025 LTIP grants at the normal maximum limit of 200% of salary for the CEO & CFO and 50% of salary for the Executive Chair. The 'Minimum' scenario comprises fixed remuneration, i.e. base salary, pension, and benefits, which are the elements of the remuneration package not linked to performance. The figures for base salary and pension (10% of salary) are as of 1 May 2025, while those for taxable benefits are based on the latest single figure table for 2024. Mark Cubitt is not entitled to pensions or other benefits. The 'On-Target' scenario reflects fixed remuneration as above and threshold vesting for the PSPs of 20% of maximum. The 'Stretch' scenario reflects fixed remuneration plus full vesting of LTIPs. The 'Stretch + 50%' reflects the 'Stretch' scenario plus an assumed 50% share price appreciation over the LTIP performance period. We have assumed that there will be no annual bonus for 2025.

Approach to recruitment remuneration

External appointments

When hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over multiple years subject to the individual's development in the role.
Pension	New appointees will receive pension contributions or an equivalent cash supplement in line with existing policy.
Benefits	New appointees will be eligible to receive benefits which may include those outlined in the policy table but may also include additional benefits consistent with market practice in their home location (if based outside of the UK).
Annual Bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the personal element will be tailored to each executive.
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the policy table.

In determining the appropriate remuneration for a new Executive Director appointee, the Remuneration Committee will take into consideration all relevant factors (including nature and quantum of each component of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of IQE and its shareholders. The Remuneration Committee may make an award in respect of a new appointment to 'buy out' remuneration arrangements forfeited on leaving a previous employer.

This may be granted in addition to the ongoing remuneration elements outlined in the table above. In doing so, the Remuneration Committee will consider relevant factors, including the value and form of the award, time to vesting, performance conditions attached to awards, and the likelihood of these conditions being met.

Any 'buyout' awards will typically be made under the existing annual bonus and LTIP schemes, although in exceptional circumstances the Remuneration Committee may make awards using a different structure.

Any 'buyout' awards would have a fair value no higher than the awards forfeited.

Internal appointments

Internal promotions to the Board will be appointed on terms in line with the Policy. Any existing entitlement made prior to their appointment to the Board, which are not consistent with the Policy may be allowed to continue on their original terms.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Remuneration Committee will utilise the Policy as set out on pages 85 to 90.

Service contracts and treatment for leavers and change of control

Executive	Date of service contract
Mark Cubitt (Executive Chair)	7 October 2024
Jutta Meier (CEO & CFO)	22 January 2024

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Remuneration Committee. Each of the Executive Directors has a rolling service contract requiring six months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay refers to salary, benefits and pension only. Executive Directors' service contracts are available to view at the Company's registered office.

When considering exit payments, the Remuneration Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and LTIP are typically treated in different circumstances, with the final treatment remaining subject to the Remuneration Committee's discretion:

Reason for leaving	Calculation of vesting/payment
Annual bonus	
Resignation	No annual bonus payable.
'Good leaver'[1]	Cash bonuses will typically be paid to the extent that performance objectives have been met. Any resulting bonus will typically be pro-rated for time worked. The Remuneration Committee retains discretion to vary this treatment in individual circumstances.
Change of control	
Resignation	Outstanding awards lapse.
LTIP	
'Good leaver'* and change of control	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the vesting period worked. The Remuneration Committee retains discretion to vary this treatment in individual circumstances. The determination of vesting will be made as soon as reasonably practical following the end of the performance period or such earlier date as the Remuneration Committee may agree (within 12 months in the event of death). In the event of a change of control, awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.

* A 'good leaver' is a participant ceasing to be employed by the Group by reason of death, disability, ill health, retirement in agreement with the Company or any other reason that the Committee determines in its absolute discretion.

External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Group, Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any fees received. None of the Executive Directors received any remuneration from external directorships during the year.

Consideration of conditions elsewhere in the Company

When making decisions on changes to Executive Director remuneration, the Remuneration Committee considers changes to pay and conditions across the Group. To this end, the Remuneration Committee receives a summary of the proposed level of average increase for employees prior to the annual salary review. For Executive Directors, the Remuneration Committee does not formally consult with employees on the Executive Remuneration Policy and implementation.

Consideration of shareholder views

The Remuneration Committee maintains a regular dialogue with the Company's major shareholders. During 2024 and early 2025, the Committee engaged extensively with investors on the terms of Executive Director and senior leadership remuneration, with the feedback received on the quantum and conditions used by the Committee in its discussions with the Executive Directors.

Annual Report on Remuneration

Role of the Committee

The Remuneration Committee has responsibility for determining the policy for Executive Director remuneration and setting remuneration for the Company Chair and Executive Directors.

Key responsibilities

- Recommending the remuneration policy for Executive Directors, whilst considering the remuneration for the Executive Leadership Team and remuneration policies for employees below the Board
- Approving the principles of IQE's long-term incentives and the parameters, including performance conditions, for the annual awards under long-term incentives
- Maintaining appropriate dialogue with shareholders on remuneration matters
- Preparing the annual remuneration report to shareholders to show how the remuneration policy has been implemented.

Membership

- Victoria Hull – Chair
- Carol Chesney
- Maria Marced

Changes to Committee Membership

Phil Smith stepped down as a Non-Executive Director on 31 December 2024 and left the Committee at the same time.

For details of attendance at Committee meetings during the year, please see page 75.

For the biographies of all Committee members, see pages 70 to 71.

Meetings and attendance

The Remuneration Committee met four times in 2024, although Committee members also met on a number of occasions throughout the year on an informal basis. All members attended each meeting. The Executive Directors attended meetings to discuss proposed performance ratings for the Executive Directors and the Executive Leadership Team and remuneration policy's principles for the workforce. The Executive Directors did not attend those parts of the Committee meetings relating to the Committee's decisions on their own performance and remuneration.

Remuneration Committee role, membership and advice

The primary role of the Remuneration Committee is to determine and agree with the Board fair and reasonable remuneration arrangements for the Chairman and Executive Directors. The main activities of the Remuneration Committee during the year were as follows:

- Evaluated the performance of the former Chief Executive Officer;
- Determined one-off allowances for the Executive Directors and Executive Leadership Team following the departure of the previous Chief Executive Officer and several other senior leaders in late 2024;
- Assessed the annual bonus outcomes for the Executive Directors and the Executive Leadership Team in 2023;
- Reviewed salary increases for IQE's employees, including the Executive Directors and the Executive Leadership Team, ensuring fairness with the wider workforce;
- Determined a one-off share option award to Jutta Meier;
- Considered proposed workforce policies on performance rating and workforce pay increases;
- Drafted the Directors' Remuneration Report; and
- Considered benchmarking and advice from independent remuneration consultants, Mercer.

The Remuneration Committee's Terms of Reference are set out on the Company's website at www.iqep.com.

Mercer provides independent advice to the Remuneration Committee. Mercer is a signatory to the Code of Conduct for Remuneration Consultants in the UK, operated by the Remuneration Consultants Group, and which requires all advice to be objective and independent (see www.remunerationconsultantsgroup.com for more information).

Fees of £54,898 inclusive of VAT were paid to Mercer in respect of services it provided to the Company in 2024. The Committee considers that Mercer is independent, does not have any connections with IQE that may impair their independence, and does not provide any services to the Group other than its advice on remuneration.

Board changes

Americo Lemos left IQE as Chief Executive Officer on 28 October 2024. Under the terms of this departure, Americo received his contractual payment in lieu of notice equal to his basic salary and his accrued holiday. The Company remains in discussion with Americo Lemos relating to the terms of his departure.

Mark Cubitt, who joined the Board as Non-Executive Director and Chair-elect on 8 October 2024, became Executive Chair on 29 October 2024. Mark received a one-off additional allowance of £87,500 to reflect his significantly increased role and workload as Executive Chair, which was paid at the end of April 2025, and is based on a three-days-a-week time commitment. From 1 May 2025, Mark will be paid £200,000 based on a two-days-a week time commitment. Mark does not receive any benefits, participate in pension arrangements and is not eligible for a bonus.

Jutta Meier, who was appointed to the Board on 22 January 2024 as Chief Financial Officer, also became CEO on following the Executive changes. Jutta received a one-off additional allowance of £62,500 to reflect her significantly increased role and workload as Chief Executive Officer, which was paid at the end of April 2025. From 1 May 2025, Jutta will be paid £425,000.

Single total figure of remuneration for Executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2024 and the prior year:

	Mr Americo Lemos[6]		Mr Tim Pullen[5]		Mrs J Meier[7,8]		Mr M Cubitt[9,10]		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Salary	**479**	575	**–**	160	**284**	–	**22**	–	**785**	735
Benefits[1]	**13**	16	**–**	5	**10**	–	**–**	–	**23**	21
Pension[2]	**47**	58	**–**	12	**23**	–	**–**	–	**70**	70
Other allowances	**–**	–	**–**	–	**21**	–	**29**	–	**50**	–
Buy out - cash[3]	**–**	400	**–**	–	**–**	–	**–**	–	**–**	400
Buy out - shares	**–**	–	**–**	–	**200**	–	**–**	–	**200**	–
Total fixed	**539**	1,049	**–**	177	**538**	–	**51**	–	**1,128**	1,226
Annual bonus	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Long-term incentives[4]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total variable	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total Executive Remuneration	**539**	1,049	**–**	177	**538**	–	**51**	–	**1,128**	1,226
									–	–
Non-executive fees	**–**	–	**–**	–	**–**	–	**3**	–	**3**	–
Total Director Remuneration	**539**	1,049	**–**	177	**538**	–	**54**	–	**1,131**	1,226

1. Benefits consist of health cover, private medical insurance, life assurance, long term disability insurance, car allowance and travel allowance.
2. Executive Directors are entitled to participate in a defined contribution scheme, in relation to which the Company contributes 10% of salary or equivalent cash allowance.
3. Cash award of £800,000 agreed as part of Americo Lemos' recruitment arrangements. £200,000 was paid on 28 February 2022 and £200,000 was paid on 31 July 2022. The final £400,000 was paid on 31 January 2023.
4. No long-term incentives vested.
5. Tim Pullen was entitled to payments in lieu of notice totalling £195,000 which were paid within 2023. Tim Pullen also provided the Group with consultancy services within the year ended 31 December 2023 and was paid an aggregate amount of £75,000.
6. Americo Lemos' annual salay was £575,000. The 2024 salary figure reflects his date of termination on 28 October 2024. He was entitled to payments in lieu of notice totalling £288,000 of which £96,000 had been paid within the year.
7. Jutta Meier received a new starter award on 22 January 2024 with a value of £200,000(995,521 share options) with 50% to vest on each of the two subsequent anniversary dates.
8. Jutta Meier's annual salary is £300,000. The 2024 salary figure reflects her start date of 22 January 2024.
9. Mark Cubitt took on a Non-executive Director and Chair-elect role for the period from 8 October 2024 to 28 October 2024 with an annual salary of £50,000. From 29 October 2024, he became Executive Chair of IQE with an annual salary of £125,000.
10. Mark Cubitt recevied a one-off additional allowance of £87,500 to reflect his significantly increased role and workload as Executive Chair from November 2024, which will be paid at the end of April 2025. Jutta Meier received a one-off additional allowance of £62,500 to reflect her increased role and workload as Chief Executive Officer, which will be paid at the end of April 2025. The amount disclosed relfects the pro-rated allowance relating to the year ended 31 December 2024.

Incentive outcomes for year ending 31 December 2024

Annual bonus

The Committee was engaged in discussions with the Executive Directors throughout much of the year on the appropriate structure and performance targets for the 2024 bonus. By the time Americo Lemos left the Group in October 2024, the Committee determined that the Group's financial performance for the year was likely to mean that it would not be appropriate to pay bonuses to Executive Directors and therefore the bonuses for 2024 were nil.

The Committee is satisfied the policy has operated as intended and has concluded that there are no circumstances arising where it would need to exercise discretion to adjust any of the variable pay outcomes.

Long-term incentive plan

The LTIP options that were awarded in 2022 with a performance period ending on 31 December 2024 have not satisfied the applicable financial performance measures and have lapsed in that part.

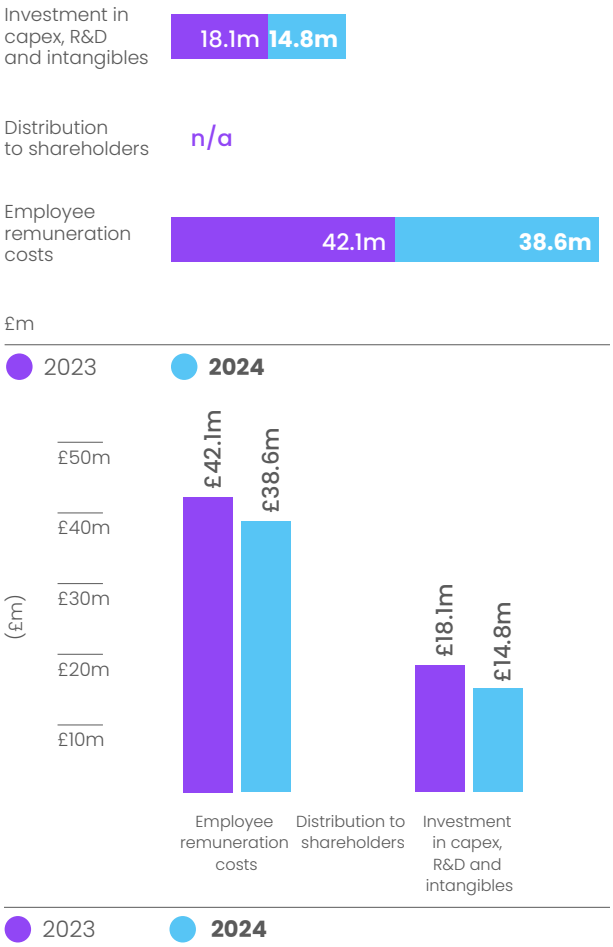
Percentage change in Executive Director remuneration

The table below shows the percentage change in Executive Director remuneration from the prior year compared to the average percentage change in remuneration for other employees. The Executive Director annual remuneration includes base salary, taxable benefits and annual bonus. The percentage change in annual remuneration for other employees is calculated using the average increase in the earnings of all employees who were employed in the UK throughout 2023 and 2024. The Committee considers the UK employee population to be the most appropriate comparison for the CEO vs. other employee pay, as all Executive Directors are currently employed in the UK, our UK employee population includes employees at all levels of the organisation, and pay inflation in our other geographies is affected by different local market factors.

Relative importance of spend on pay

The graph below shows shareholder distributions (i.e. dividends and share buybacks), total employee pay expenditure and investment in capital expenditure, research & development and intangibles for the financial years ended 31 December 2023 and 31 December 2024.

	Employee remuneration Costs	Distribution to shareholders	Investment in capex, R&D and intangibles
2023	£42.1m	–	£18.1m
2024	£38.6m	–	£14.8m
Decrease	(8.3%)	n/a	(18.2%)



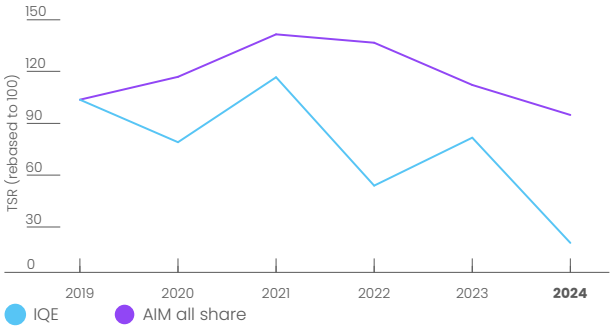
	Americo Lemos			Jutta Meier			Mark Cubitt			All UK Employees
	2024	2023	Increase	**2024**	2023	Increase	**2024**	2023	Increase	Increase
Salary	**479**	575	0.0%	**284**	–	n/a	**22**	–	n/a	3.9%
Benefits and pension	**60**	74	0.0%	**33**	–	n/a	**–**	–	n/a	53.7%
Annual bonus	**–**	n/a	n/a	**–**	–	n/a	**–**	–	n/a	n/a
Total	**539**			**317**	–	`	**22**	–		

1. Mark Cubitt took on a Non-Executive Director and Chair-elect role for the period from 8 October 2024 to 28 October 2024 with an annual salary of £50,000. From 29 October 2024, he became Executive Chair of IQE with an annual salary of £125,000.
2. Jutta Meier's annual salary is £300,000. The 2024 salary figure reflects her start date of 22 January 2024.
3. Americo Lemos left IQE on 28 October 2024.

Review of past performance

The following graph charts the Total Share Return ('TSR') of the Company and the FTSE AIM Index (of which IQE is a member) over the period from 1 January 2019 to 31 December 2024. The table below details the Chief Executive's single figure remuneration over the same period.

Historical TSR performance



Historical CEO Remuneration

	2020	2021	2022	2023	**2024**
CEO single figure of remuneration (£'000)	1,110	507	643	649	**579**
STI award as a % of maximum opportunity	79%	0%	0%	0%	**0%**
LTI award as a % of maximum opportunity	0%	0%	0%	0%	**0%**

The 2024 figure includes Americo Lemos' remuneration to the date of his termination on 28 October 2024. Jutta Meier's remuneration is included from 29 October 2024 to 31 December 2024.

Scheme interests awarded in 2024 (audited information)

Jutta Meier received a new starter award on 22 January 2024 with a value of £200,000 (995,521 share options) with 50% to vest on each of the two subsequent anniversary dates. Jutta was also granted 860,092 nominal priced share options with a face value of £103,800 in late 2024. This award will vest after three years subject to the Remuneration Committee's assessment of the Group's financial performance over that period.

Payment on loss of office (audited information)

Americo Lemos, Chief Executive Officer, left the Group on 28 October 2024. Under the terms of his departure, he received payment in lieu of notice equal to his basic salary of £287,500 and accrued holiday pay of £53,078. The Company remains in discussion with Americo Lemos relating to the terms of his departure.

Payments to past Directors (audited information)

Andrew Nelson received £26,000, under the terms of a consultancy agreement with IQE.

Single total figure of remuneration for Non-Executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2024 and the prior year:

	NED fees		Other		Total	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Carol Chesney	**50**	50	**–**	–	**50**	50
Sir Derek Jones	**–**	50	**–**	–	**–**	50
Andrew Nelson	**35**	75	**–**	–	**35**	75
Victoria Hull	**50**	50	**–**	–	**50**	50
Maria Marced	**50**	–	**–**	–	**50**	–
Bami Bastani	**50**	–	**–**	–	**50**	–
Phil Smith	**112**	125	**–**	–	**112**	125

Directors' interests (audited information)

A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2024 is set out below.

Since 1 January 2024 there have been the following changes in Directors' interests in shares:

2024	Shares owned outright as at 01 Jan 2024	Shares owned outright as at 31 Dec 2024	Shareholding requirement % salary/fee	Current shareholding % salary/fee
Dr Andrew Nelson	44,867,587	38,835,514	n/a	n/a
Americo Lemos	9,837,469	9,837,469	200%	228%
Jutta Meier	–	–	200%	0%
Mark Cubitt	–	–	n/a	0%
Phil Smith	140,000	140,000	n/a	n/a
Carol Chesney	90,000	90,000	n/a	n/a
Victoria Hull	281,192	281,192	n/a	n/a

2023	Shares owned outright as at	Shares owned outright as at 31 Dec 2023	Shareholding requirement % salary/fee	Current shareholding % salary/fee
Dr Andrew Nelson	40,567,234	44,867,587	N/A	N/A
Americo Lemos	970,457	9,837,469	200%	419%
Tim Pullen	–	–	200%	n/a
Phil Smith	40,000	140,000	–	–
Sir Derek Jones	–	–	–	–
Victoria Hull	231,192	281,192	–	–
Carol Chesney	40,000	90,000	–	–

Directors outstanding share awards (audited information)

2024	Unvested and subject to continued performance	Vested but unexercised	Vested during year	Lapsed during year	Exercised during year
Americo Lemos	–	–	–	8,815,591	–
Jutta Meier	1,855,613	–	–	–	–
2023 (restated)					
Americo Lemos	8,815,591	–	–	–	–
Tim Pullen*	3,091,634	–	–	–	–

* All of Tim Pullen's outstanding share awards have lapsed because they did not satisfy the performance conditions. He resigned as a Director on 7 June 2023.

The prior period 'Unvested and subject to continued performance' category was disclosed incorrectly in the 2023 annual report and accounts for Americo Lemos as 5,940,591 shares. The comparative has been restated to present the correct number of shares.

Summary of shareholder voting at the 2024 AGM

Results of the vote on the Remuneration Report at the IQE's AGM on 25 June 2024 are as below:

	Total number of votes	% of votes cast
For (including discretionary)	508,563,445	97.26
Against	14,353,825	2.74
Total votes cast (excluding withheld votes)	522,917,270	100
Votes withheld	63,178	–
Total votes cast (including withheld votes)	522,980,448	100

Directors' Report

The Directors present their Annual Report and the Financial Statements for IQE plc (the "Company") for the year ended 31 December 2024.

Principal Activities and Future Development

The Company is the ultimate holding company of a group of subsidiary undertakings (the "Group") engaged in the research, design, development, manufacture and sale of compound semiconductor materials. An overview of our principal activities and an indication of likely future developments in the Group is given in the Strategic Report.

Strategic Report

The Strategic Report is set out on pages 2 to 69 of the Annual Report.

Directors & Directors' Interests

Biographies of all of the Company's Directors at the date of this Annual Report, including Non-Executive Directors, appear on pages 70 to 71 of the Annual Report. Mark Cubitt joined the Board as a Non-Executive Director and 'Chair-elect' on 8 October 2024 and became Executive Chair on 29 October 2024. Jutta Meier, who joined IQE as Chief Financial Officer and a Director on 22 January 2024, also became Chief Executive Officer on 29 October 2024.

The beneficial interests of the Directors in the Company's share capital is shown on page 95 of the Remuneration Report.

No Director was beneficially interested in the shares of any subsidiary company at any time during the year.

In the year to 31 December 2024, no Director had a material interest in any contract of significance with the Company or any of its subsidiaries.

Insurance and Indemnities

The Group maintains insurance to cover its Directors and officers against their costs in defending themselves in legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. In addition, to the extent permitted by UK law, the Group indemnifies its Directors and officers for liabilities arising from such proceedings. Neither the insurance nor the indemnity provides cover for situations where the Director has acted fraudulently or dishonestly.

Risk Management and Principal Risks

A description of risk management and the principal risks facing the business are set out on pages 62 to 67 of the Annual Report.

Relationship with Suppliers and Customers

Our relationships with our customers are explained throughout the Annual Report, particularly on page 34. Our relationships with our suppliers are specifically covered on page 35 of the Annual Report.

The Group seeks to agree favourable credit terms with its suppliers where possible.

Auditor and Disclosure of Information to the Auditor

The Company's auditor throughout the period of this Annual Report was KPMG LLP, who were appointed in December 2017.

As at the date of the approval of this Annual Report, as far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all such steps as he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Share Capital

The Company's share capital is made up of one class of ordinary shares of 1p each which each carry one vote at general meetings of the Company. Except as set out in the Articles of Association or in applicable legislation, there are no restrictions on the transfer of shares in the Company and there are no restrictions on the voting rights in the Company's shares. The full rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Directors, are set out in the Company's Articles of Association, a copy of which is available on the Company's website. These can also be obtained from Companies House or by writing to the General Counsel and Company Secretary.

The Company is not aware of any agreements entered into between any shareholders in the Company which restrict the transfer of shares or the exercise of any voting rights attached to the shares. The Company has not acquired any of its own shares during 2024 (2023: nil).

Financial Instruments

An explanation of the Group policies on the use of financial instruments and financial risk management objectives is contained in Note 23 of the financial statements.

Substantial shareholdings

As at 30 April 2025, the following are beneficial interests of 3% or more (where the holding is direct) or of 5% or more (where the holding is indirect) which have been notified to the Directors of the Company.

Shareholder	Shares	Issued Capital %
Lombard Odier Investment Managers	143,680,429	14.79
Canaccord Genuity Wealth Management	92,591,748	9.53
T Rowe Price Global Investments	77,842,802	8.02
Artisan Partners	74,179,949	7.64
Hargreaves Lansdown	71,476,572	7.36
Mr Richard Griffiths	60,891,441	6.27
Interactive Investor	59,085,719	6.08
Dr Andrew W Nelson	38,835,514	4.00
M&G Investments	38,159,663	3.93

* Source: Equiniti Investor Analytics

Going Concern

In the twelve months to 31 December 2024, reported revenue has remained subdued at £118,034,000, the Group made a loss after tax for the year of £38,178,000 and adjusted net debt increased to £18,800,000.

In assessing the going concern basis of preparation, the Directors have considered the period to 30 September 2026 ('the going concern assessment period') to align with the expiry of the extended RCF and extended term date of the CLN. The Directors have prepared financial projections containing both a 'base case' and a 'severe but plausible downside case'.

In both the base and severe but plausible downside case, the Group is forecast to maintain liquidity headroom and to comply with its minimum EBITDA and minimum liquidity covenants up to the date of expiry of the RCF on 1 September 2026 or redemption of the CLN on 13 September 2026.

The Directors, as part of the announced Strategic Review, plan to raise cash from the divestment of Group assets to ensure that the Group has a strong capital position to further invest in its core operations and to enable the Group to refinance or repay its loan facilities. In the first instance, this plan includes divestment options for an IPO or full sale of the Group's Taiwan operations and a comprehensive Strategic Review of all other Group assets and operations.

Whilst the Directors are confident that the divestment of IQE Taiwan is progressing as planned and will realise sufficient cash, they acknowledge that a delayed outcome of the potential sale or IPO of the non-core asset could impact the availability of sufficient funding for the Group's needs beyond the maturity of its existing facilities.

The Directors have concluded that the successful completion of the planned sale of non-core assets and/or availability of sufficient, appropriate funding for the group's needs beyond the maturity of existing facilities represents a material uncertainty related to events or conditions that may cast significant doubt on the Group's and the company's ability to continue as a going concern and, therefore, that the group and company may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate. Details of the going concern assumption and basis of accounting is set out in note 2.2 to the financial statements.

Dividends

The Directors do not recommend the payment of a dividend (2023: £nil).

Research and Development

The Group continues to devote significant resources to the research and development and the updating and expansion of its range of products in order to remain at the forefront of its world markets. Further information on the expenditure on research and development is contained in Note 6 of the Financial Statements. The amount of research and development expenditure capitalised, and the amount amortised, in the year, are given in Note 6 of the Financial Statements.

Employment Policies

A review of the Group's employment policies is provided on pages 40 to 42 of the Annual Report.

Political Donations

The Group has a policy of not making political donations and no political donations were made during the year (2023: nil).

Climate Change, Greenhouse Gas and Energy Emissions

The Group recognises Climate Change is a key challenge for the world and is working to minimise its environmental impact through a rigorous environmental management system, in order to minimise greenhouse gas (GHG) and energy emissions. We recognise that as a technology leader, IQE is in a unique position to be able to improve energy efficiency through our products.

Our approach to environmental protection is underpinned by our Environmental Policy and Environmental Management System, which ensures all our sites operate in compliance with ISO 14001 requirements. We target minimisation of GHG and energy emissions, as well as focusing on waste, water and recycling initiatives.

Details of our GHG and energy emissions figures, as well as the measures we are undertaking to promote energy efficiency, including incorporating energy-saving features into facility design, can be found on pages 48 to 49.

Details of our approach to climate-related risks and opportunities can be found on page 50.

Mark Cubitt
Executive Chair, IQE plc

12 May 2025

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange, they are required to prepare the Group's financial statements in accordance with UK adopted international accounting standards and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK adopted international accounting standards;
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they intend either to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. The Directors have also decided to prepare voluntarily a Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the Board and signed on its behalf by:

Mark Cubitt
Executive Chair, IQE plc.

12 May 2025

Non-Financial and Sustainability Information Statement

The table below outlines how we meet the non-financial and reporting requirements set out in the Companies Act 2006. Our business model is set out on pages 12 and 13. Our vision and mission statements are described on page 1, and on pages 37 to 49 we set out how we act as a responsible business.

Requirement	Information necessary to understand our business	Key policies
Environmental Matters	Our Group policies that support environmental matters help keep our people and communities safe. Sustainability - see pages 48. Task Force on Climate-related Financial Disclosures - see pages 50 to 60.	Environmental Policy Code of Conduct
Colleagues	IQE promotes a safe working culture where all of our colleagues, whichever their diverse background, feel welcomed and belong. Our HR and ethics policies help to support this ambition.	Code of Conduct Health and Safety Policies Dignity at Work Policy Paternity Leave Policy Whistleblowing Policy Flexible Working Policy Hybrid Working Policy
Social Matters	Our Code of Conduct helps our people to do the right thing and is a framework for responsible business practices. Ethical standards - page 39. Community engagement - page 43. Health and Safety - pages 46 to 47. Environmental performance - page 48 to 49.	Code of Conduct Environment Policy Health and Safety Policies
Human Rights	We consider our value chain when considering human rights, including our own operations, suppliers and customers. Suppliers - page 38. Anti-Slavery Statement - page 39. Whistleblowing and Speak-Up Statement - page 39.	Code of Conduct Anti-Slavery Statement Data Protection Policy Whistleblowing Policy
Anti-corruption and anti-bribery	Our Group global policies support compliance with international laws relating to anti-bribery and corruption. Ethical standards - page 39.	Code of Conduct Anti-Bribery and Corruption Policy Gifts and Hospitality Policy
Climate-related financial disclosures	We are committed to reducing the impact of our operations on the environment. TCFD Report - pages 50 to 60.	Environment Policy

KPMG

Independent auditor's report

to the members of IQE plc

1. Our opinion is unmodified

We have audited the financial statements of IQE plc ("the Company") for the year ended 31 December 2024 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, parent company balance sheet, parent company statement of changes in equity, parent company cash flow statement and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
Materiality: group financial statements as a whole	£0.96m (2023:£0.90m) 0.81% (2023: 0.8%) of revenue
Coverage	93% of group revenue

Key audit matters		vs 2023
Recurring risks	Going concern	▲
	Carrying amount of Wireless and Photonics cash generating units	▲
	Revenue recognition	▲
Parent Company Only	Recoverability of parent company's investments in subsidiaries	◀▶

2. Material uncertainty related to going concern

	The risk	Our response
Going concern Risk vs 2023: ▲ *Refer to pages 78 and 79 (Audit committee report)* We draw attention to note 2.2 to the financial statements which indicates that there is uncertainty over the successful completion of the planned sale of non-core assets and / or availability of sufficient, appropriate funding for the group's needs beyond the maturity of existing facilities. These events and conditions, along with the other matters explained in note 2.2, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations until at least 30 September 2026. There is little judgement involved in the directors' conclusion that risks and circumstances described in note 2.2 to the financial statements represent a material uncertainty over the ability of the group and company to continue as a going concern until at least 30 September 2026. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.	Our procedures included: — **Assessing transparency:** We considered whether the going concern disclosures in note 2.2 to the financial statements give a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies and related sensitivities. Our assessment of management's going concern assessment also included: — **Funding assessment:** We reviewed the lender agreements, including the Revolving Credit facility (RCF) and the Convertible Loan Note (CLN) to understand the terms including covenant requirements, maturity and any restrictions in the use of funds. We inspected confirmation of the waiver of the December 2024 covenant requirements by the Group's lenders in that month. — **Test of detail:** We used our modelling specialists to assess the integrity of the financial model used by the Board to assess the base case projections and the various scenarios, including the severe but plausible downside forecasts. — **Historical comparisons:** We considered forecasting accuracy when preparing forecast data by performing retrospective review of historical forecasts to actuals. — **Benchmarking assumptions:** We benchmarked the key assumptions behind the cashflow forecasts to customer forecasts where available. We also benchmarked to wider market commentary and market research reports. — **Sensitivity analysis:** We assessed the downside sensitivities to ensure that these were consistent with our knowledge of the business, the associated risk exposure and we considered the most recent trading results to form a holistic view of the Group. We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of plausible, but not unrealistic, adverse effects which could arise from these risks, both individually and collectively. — **Evaluating Director's intent**: We evaluated the achievability of the mitigating actions the Directors consider they would take to improve the Group's financial position, should further risks materialise, which include delays on discretionary expenditure and delays to certain software upgrade expenditure, taking into account the extent to which the Directors are able to control the timing and outcome.

3. Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Going concern is a significant key audit matter and is described in section 2 of our report. In arriving at our audit opinion above, the other key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2023):

	The risk	Our response
Carrying amount of Wireless and Photonics cash generating units (Wireless - £88.3 million; 2023: £89.1 million Photonics - £121.2 million; 2023: £131.9 million Wireless Impairment - £3.1m; 2023:nil) Risk vs 2023: ▲ *Refer to page 79 (Audit committee report), note 2.5 and 2.8 (accounting policy), note 3.1 (accounting estimate) and note 13 (financial disclosures)*	**Forecast based assessment** The carrying amount of the Wireless and Photonics cash generating units are at an increased risk of irrecoverability due to the impact of current market conditions on the timing and level of cashflows. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting future revenue growth and applying an appropriate discount factor. The current market capitalisation is below total net assets. This is therefore a potential impairment indicator which also increases the associated risk. The effect of these matters is that there is a high degree of uncertainty and involvement of subjective key assumptions, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. We also identified a fraud risk related to the estimation of the recoverable amount of the Wireless and Photonics cash generating units in response to possible pressures on the Group arising from the announced strategic review. The financial statements (note 13) disclose the sensitivities estimated by the Group.	Our procedures included: — **Benchmarking assumptions:** Comparing the Group's assumptions, in particular those relating to forecast revenue growth to externally derived data, such as independent market reports and customer communications where available. — **Valuation expertise:** We derived a reasonable range of appropriate discount rates independently, with the support of our valuation specialist and compared these with those calculated by the Group. — **Historical comparisons:** We considered forecasting accuracy when preparing forecast data by performing retrospective review of historical forecasts to actuals for revenue growth. — **Sensitivity analysis:** We performed reasonably foreseeable scenario analysis on the discount rate and growth assumptions included in the forecast. — **Personnel interviews:** We held discussions with the Group's Chief Technology officer and the Group Chief Revenue Officer to corroborate our understanding of future uses for technologies and routes to market. — **Comparing valuations:** Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cashflows and — **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of the Wireless and Photonics cash generating units. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

3. Other key audit matters: our assessment of risks of material misstatement

Revenue recognition (£118.0 million; 2023: £115.3 million) Risk vs 2023: ▲ *Refer to page 79 (Audit committee report) note 2.22 (accounting policy) and note 4.3 (financial disclosures).*	**Fraud risk related to revenue recognised in the incorrect period** Due to the Group's continued subdued performance there are pressures on achieving internal and external expectations of results because of the announcement of the Strategic review, in particular Revenue and Adjusted EBITDA targets, therefore there may be an incentive to accelerate or delay the recognition of revenue in the cut-off period.	Our procedures included: — **Test of detail:** We agreed a sample of sales transactions arising around the year end based on their financial significance, to purchase order and external delivery confirmation, to assess whether the performance obligation has been met and that revenue has not been over- or understated in the year. — **Test of detail:** We agreed a sample of post year end credit notes, based on their financial significance, to sales order and external delivery confirmation, to assess that revenue has not been overstated to date. — **Test of detail**: We agreed a sample of inventory quantities used in the year end revenue recognition adjustment to inventory and purchase order. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.
Parent company: Recoverability of parent company's investments in subsidiaries (Investments: £80.6 million; 2023: £60.2 million) Reversal of impairment: £18.6m (2023: nil) Risk vs 2023: ◄► *Refer to note 2.29 (accounting policy) and note 16 (financial disclosures).*	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 39% (2023: 26%) of the company's total assets. The recoverable amount of the investments is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows however, this is not considered to be at a high risk of significant misstatement. Due to their size in the context of the parent company financial statements, this is considered to be the area which has the greatest impact on the parent company audit.	Our procedures included: — **Test of detail:** We compared the carrying amount of 100% of investments to the net assets of the relevant subsidiary included within the group consolidation to identify whether the net asset value, being an approximation of the minimum recoverable amount, was in excess of their carrying amount and assessed whether those subsidiaries have historically been profit-making. — **Assessing subsidiary audit:** We assessed the work performed by the subsidiary audit teams on all of those subsidiaries and considered the results of that work on those subsidiaries' profits and net assets. — **Comparing valuations:** For the investments where the carrying amount exceeded the net asset value, we compared their carrying amount with the expected value of the business based on the subsidiaries' forecast profitability and cashflows. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £0.96m (2023: £0.90 million), determined with reference to a benchmark of Group revenue of which it represents 0.81% (2023: 0.80%). We consider total Group revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group loss before tax because of significant fluctuations in recent years.

Materiality for the parent Company financial statements as a whole was set at £0.95m (2023: £0.93 million), determined with reference to a benchmark of Company total assets, of which it represents 0.45% (2023: 0.39%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2023: 65%) of materiality for the financial statements as a whole, which equates to £624,000 (2023: £611,000) for the Group and £617,000 (2023: £604,000) for the parent company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies identified in the prior year.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £43,200 (2023: £47,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ("RMMs"). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

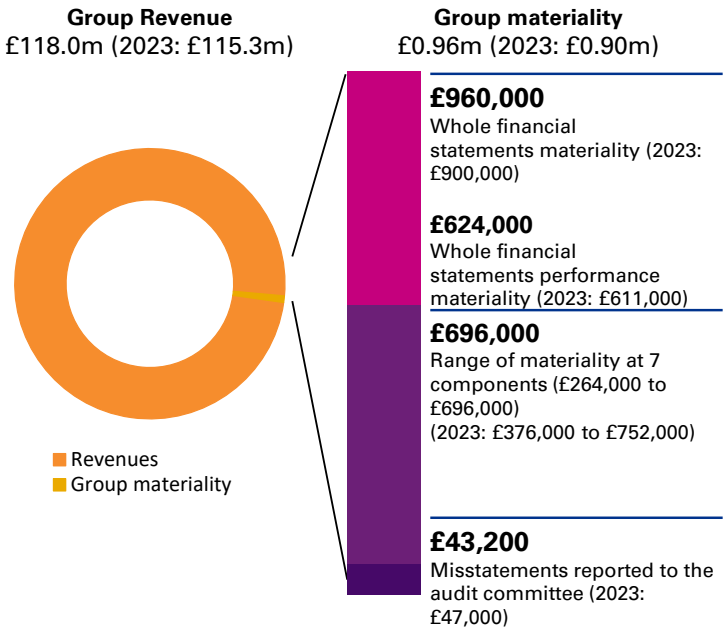
We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 18 components, having considered our evaluation of the Group's operational structure and our ability to perform audit procedures centrally.

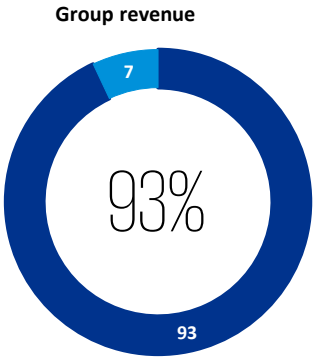
Of those, we identified 5 quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

We also identified 1 component as requiring special audit consideration, owing to risks related to revenue and related accounts, costs and inventory.

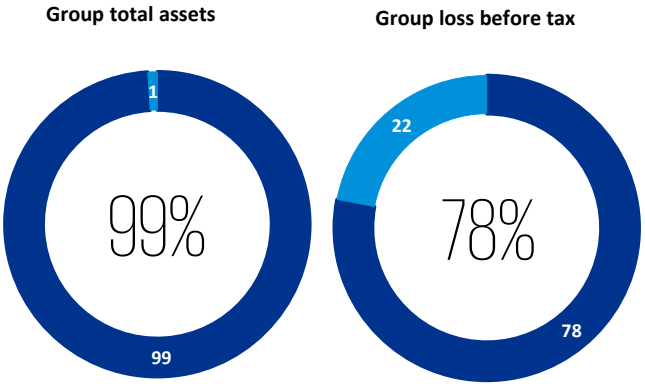
Additionally, having considered qualitative and quantitative factors, we selected 3 components with accounts and/or disclosures contributing to the specific RMMs of the Group financial statements.



Our audit procedures covered the following percentage of Group revenue.



We performed audit procedures in relation to components that accounted for the following percentages.



4. Our application of materiality and an overview of the scope of our audit (continued)

Accordingly, we performed audit procedures on 9 components, of which we involved component auditors in performing the audit work on one component. We also performed the audit of the parent Company.

The Group auditor set the component materialities which ranged from £264,000 to £696,000 (2023: £376,000 to £752,000) having regard for the mix of size and risk profile of the Group across the components.

Our audit procedures covered 93% of Group revenue and we performed audit procedures in relation to components that accounted for 78% of Group loss before tax and 99% of Group total assets .

For the remaining components for which we performed no audit procedures, no component represented more than 5% of Group total revenue, Group profit before tax or Group total assets. We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

The Group auditor issued audit instructions to component auditors on the scope of their work, including minimum procedures to perform in their audit of revenue.

As part of establishing the overall Group audit strategy and plan, we conducted the risk assessment and planning discussion meeting with the component auditor to discuss Group audit risks relevant to the component, including the key audit matter in respect of revenue recognition.

We visited one component auditor in Taiwan to assess the audit risk and strategy. Video and telephone conference meetings were also held with the component auditor. At these visits and meetings, the results of planning procedures and further audit procedures communicated to us were discussed in more detail, and any further work required by us was then performed by the component auditor.

We inspected the work performed by the component auditor for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed, with a particular focus on work related to revenue recognition and journal entries.

Impact of controls on our audit

The Group has three main IT systems relevant to our group audit, being:

- ERP system used by one out-of-scope component;
- ERP system used by all remaining in-scope components; and
- Inventory management system used for managing itemised inventory with quantities and recording movements.

We obtained an understanding of these IT systems in the current period and identified that the Group do not rely on automated controls in their financial reporting process. Our knowledge of the general control environment obtained in the current year and previous audits indicated that we would be unlikely to obtain the required evidence to support reliance on IT controls. In addition, whilst the majority of components use the same ERP system, a number of versions of that ERP system is used within the Group and therefore there are multiple instances of similar controls. As a result, we did not plan to rely on the Group's general IT controls in our audit and instead planned additional substantive testing.

Manual control deficiencies, including in relation to journals, were identified across the Group which, following incremental risk assessment, didn't lead to significant changes to our planned audit approach or to identification of additional fraud risks, but resulted in a primarily substantive audit approach being undertaken in all areas of the audit.

We adopted a data-oriented approach to testing journals across all components and in one component used data and analytical routines to test revenue. Given that we did not rely on IT controls, a manual testing approach was performed over the completeness and accuracy of data used in these routines and in respect of system data used in our substantive testing on other transactional areas.

5. Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic for the period to 30 September 2026 ("the going concern period"). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern.

An explanation of how we evaluated management's assessment of going concern is set out in section 2 of our report. Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have nothing material to add or draw attention to in relation to the directors' statement on pages 117 to 118 to the financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Group and Company's ability to continue to use that basis for the going concern period.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

— Enquiring of directors, the Audit Committee and the Company Secretary and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

— Reading Board, Audit Committee and Remuneration Committee meeting minutes.

— Considering remuneration incentive schemes and performance targets for directors and management including bonus targets and Long Term Incentive Plan EPS growth targets for director and management remuneration.

— Consultation with our own forensic professionals regarding the identified fraud risks and the design of the audit procedures planned in response to these.

We communicated identified fraud risks throughout the audit and remained alert to any indications of fraud throughout the audit. This included communication from the Group auditor to the component auditor of relevant fraud risks identified at the Group level and requesting the component auditor performing procedures at the component level to report to the Group auditor any identified fraud risk factors or identified or suspected instances of fraud.

As required by auditing standards, and taking into account our overall knowledge of the control environment, possible pressures to meet profit targets and revisions to market guidance, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is overstated or understated through recording revenue in the wrong period.

We also identified a fraud risk related to the carrying amount of Wireless and Photonics cash generating units in response to the Group's announced strategic review.

Further detail in respect of this risk is set out in the key audit matter disclosures in section 3 of this report.

6. Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to fraud (continued)

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls. We also performed procedures including:

— Identifying journal entries to test at selected components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to revenue and cash accounts with an unusual account pairing.
— Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and others within management (as required by auditing standards) and discussed with the directors and others within management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit . This included communication from the Group audit team to the one component auditor of relevant laws and regulations identified at the Group level, and a request for the component auditor to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and hazardous material legislation, environmental legislation, export control legislation, anti-bribery, employment law and certain aspects of company legislation, recognising the nature of the Group's global manufacturing and development activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;
— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, as if those requirements applied to the Company.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

7. We have nothing to report on the other information in the Annual Report (continued)

Based on those procedures, other than the material uncertainty related to going concern referred to above we have nothing further material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 68 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

In addition to our audit of the financial statements, the directors have engaged us to review their Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters. Under the terms of our engagement we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 98, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

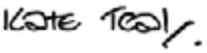
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Kate Teal

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

66 Queen Square

Bristol

BS1 4BE

12 May 2025

KPMG

Five-year financial summary

	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Revenue	**118,034**	**115,252**	**167,494**	**154,096**	**178,016**
Adjusted EBITDA (see below)	**8,112**	**4,313**	**23,365**	**18,679**	**30,101**
Operating (loss)/profit					
• Adjusted*	(18,357)	(20,199)	(3,557)	(6,454)	5,386
• Reported	(32,958)	(25,779)	(72,976)	(19,978)	(5,517)
(Loss)/profit after tax					
• Adjusted*	(23,734)	(23,990)	(5,920)	(19,281)	2,702
• Reported	(38,178)	(29,378)	(74,541)	(31,002)	(2,893)
Net cash flow from operations					
Adjusted* (note 5)	6,087	15,744	15,652	17,940	36,324
Reported	1,282	10,074	8,873	18,883	35,457
Free cash flow**					
Before adjusted* cash flows	(4,948)	(3,128)	4,148	(1,640)	24,929
Reported	(9,753)	(8,798)	(2,631)	(697)	24,062
Adjusted net (debt)/cash***	**(18,800)**	**(2,228)**	**(15,248)**	**(5,804)**	**1,923**
Equity shareholders' funds	**134,110**	**169,785**	**175,060**	**234,621**	**260,435**
Basic EPS – adjusted****	**(2.46p)**	**(2.68p)**	**(0.74p)**	**(2.41p)**	**0.29p**
Basic EPS – unadjusted	**(3.96p)**	**(3.28p)**	**(9.27p)**	**(3.87p)**	**(0.41p)**
Diluted EPS – adjusted****	**(2.46p)**	**(2.68p)**	**(0.74p)**	**(2.41p)**	**0.29p**
Diluted EPS – unadjusted	**(3.96p)**	**(3.28p)**	**(9.27p)**	**(3.87p)**	**(0.41p)**

* The adjusted performance measures for 2024 and 2023 are reconciled in note 5. The adjusted performance measures for 2020-2022 are reconciled in those financial statements.

** Free cash flow is defined as net cash outflow of £910,000 (2023: £5,409,000) before cash inflows from financing activities of £12,160,000 (2023: £6,631,000) and net interest paid of £3,317,000 (2023: £3,242,000).

*** Adjusted net (debt)/cash is defined as cash less borrowings but excluding lease liabilities and fair value gains/losses on derivative instruments.

**** Adjusted EPS measures exclude the impact of certain non-cash charges, non-operational items and significant infrequent items that would distort period on period comparability (see note 12).

Adjusted EBITDA has been calculated as follows:

	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Loss after tax	**(38,178)**	**(29,378)**	**(74,541)**	**(31,002)**	**(2,893)**
Tax charge / (credit)	**1,273**	**567**	**(862)**	**8,811**	**(1,001)**
Interest expense	**3,947**	**3,032**	**2,427**	**2,213**	**2,165**
Share-based payments	**3,174**	**2,565**	**332**	**1,691**	**265**
(Profit)/Loss on disposal of PPE and intangibles	**(62)**	**(152)**	**(688)**	**(77)**	**182**
Adjusted items	**11,427**	**3,015**	**70,403**	**11,833**	**6,850**
Depreciation of PPE	**16,552**	**13,186**	**14,529**	**13,309**	**12,983**
Depreciation of right-of-use asset	**3,791**	**3,790**	**3,981**	**3,854**	**3,681**
Amortisation of intangible assets	**6,390**	**7,688**	**7,784**	**8,047**	**7,869**
Gain on remeasurement of right-of-use assets	**(202)**	**–**	**–**	**–**	**–**
Adjusted EBITDA	**8,112**	**4,313**	**23,365**	**18,679**	**30,101**

Consolidated income statement

for the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Revenue	4	**118,034**	**115,252**
Cost of sales		(113,588)	(112,924)
Gross profit		**4,446**	**2,328**
Selling, general and administrative expenses		(29,982)	(32,486)
Impairment loss on intangible assets	5	(3,772)	–
Impairment loss on property, plant and equipment	5	(4,615)	–
Impairment loss on right-of-use asset	5	(31)	–
Gain on remeasurement of right-of-use asset	5	202	–
Impairment (loss)/reversal on trade receivables and contract assets	23	(3)	1,808
Gain on acquisition of remaining interest in CSC	32	–	2,419
Profit on disposal of intangible assets and property, plant and equipment	5	797	152
Operating loss	6	**(32,958)**	**(25,779)**
Finance costs	8	(3,947)	(3,032)
Adjusted loss before income tax		**(22,304)**	**(23,231)**
Adjustments	5	(14,601)	(5,580)
Loss before income tax		**(36,905)**	**(28,811)**
Taxation	9	(1,273)	(567)
Loss for the year		**(38,178)**	**(29,378)**
Loss attributable to:			
Equity shareholders		(38,178)	(29,378)
		(38,178)	**(29,378)**
Loss per share attributable to owners of the parent during the year			
Basic loss per share	12	(3.96p)	(3.28p)
Diluted loss per share	12	(3.96p)	(3.28p)

Adjusted basic and diluted loss per share are presented in note 12.

All items included in the loss for the year relate to continuing operations.

The notes on pages 117 to 169 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2024

	2024 £'000	2023 £'000
Loss for the year	(38,178)	(29,378)
Exchange differences on translation of foreign operations*	(826)	(8,088)
Total comprehensive expense for the year	**(39,004)**	**(37,466)**
Total comprehensive expense attributable to:		
Equity shareholders	(39,004)	(37,466)
	(39,004)	**(37,466)**

* Items that may subsequently be reclassified to profit or loss.

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive expense is disclosed in note 9.

The notes on pages 117 to 169 form an integral part of these consolidated financial statements.

Consolidated balance sheet

as at 31 December 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Intangible assets	13	28,950	35,378
Property, plant and equipment	14	113,674	129,553
Right-of-use assets	15	42,210	37,895
Deferred tax assets	10	–	–
Total non-current assets		**184,834**	**202,826**
Current assets			
Inventories	17	20,009	24,577
Trade and other receivables	18	37,424	38,220
Cash and cash equivalents		4,660	5,617
Assets held for resale	19	120	2,274
Total current assets		**62,213**	**70,688**
Total assets		**247,047**	**273,514**
Current liabilities			
Trade and other payables	20	(34,405)	(42,572)
Current tax liabilities		(428)	(531)
Bank borrowings	21	–	(4,153)
Lease liabilities	21	(5,658)	(5,865)
Provisions for other liabilities and charges	22	(774)	(2,998)
Total current liabilities		**(41,265)**	**(56,119)**
Non-current liabilities			
Trade and other payables	20	(2,035)	(2,208)
Bank borrowings	21	(23,460)	(3,692)
Lease liabilities	21	(44,872)	(40,435)
Deferred tax liabilities	10	(774)	(604)
Provisions for other liabilities and charges	22	(531)	(671)
Total non-current liabilities		**(71,672)**	**(47,610)**
Total liabilities		**(112,937)**	**(103,729)**
Net assets		**134,110**	**169,785**
Equity attributable to the shareholders of the parent			
Share capital	24	9,672	9,615
Share premium		155,972	155,844
Retained earnings		(85,644)	(47,466)
Exchange rate reserve		31,621	32,447
Other reserves		22,489	19,345
Total equity		**134,110**	**169,785**

The notes on pages 117 to 169 form an integral part of these consolidated financial statements. The financial statements on pages 108 to 169 were authorised for issue by the Board of Directors and approved on 12 May 2025 and were signed on its behalf.

Mrs J Meier

Consolidated statement of changes in equity

for the year ended 31 December 2024

	Share capital £'000	Share premium £'000	Retained earnings / (losses) £'000	Exchange Rate reserve £'000	Other reserves £'000	Total equity £'000
At 1 January 2024	**9,615**	**155,844**	**(47,466)**	**32,447**	**19,345**	**169,785**
Comprehensive expense						
Loss for the year	–	–	(38,178)	–	–	(38,178)
Other comprehensive expense for the year	–	–	–	(826)	–	(826)
Total comprehensive expense for the year	**–**	**–**	**(38,178)**	**(826)**	**–**	**(39,004)**
Transactions with owners						
Share-based payments	–	–	–	–	3,177	3,177
Tax relating to share options	–	–	–	–	(33)	(33)
Proceeds from shares issued	57	128	–	–	–	185
Total transactions with owners	**57**	**128**	**–**	**–**	**3,144**	**3,329**
At 31 December 2024	**9,672**	**155,972**	**(85,644)**	**31,621**	**22,489**	**134,110**

	Share capital £'000	Share premium £'000	Retained earnings/ (losses) £'000	Exchange Rate reserve £'000	Other reserves £'000	Total equity £'000
At 1 January 2023	**8,048**	**154,720**	**(45,246)**	**40,535**	**17,003**	**175,060**
Comprehensive expense						
Loss for the year	–	–	(29,378)	–	–	(29,378)
Other comprehensive expense for the year	–	–	–	(8,088)	–	(8,088)
Total comprehensive expense for the year	**–**	**–**	**(29,378)**	**(8,088)**	**–**	**(37,466)**
Transactions with owners						
Share-based payments	–	–	–	–	2,484	2,484
Tax relating to share options	–	–	–	–	(142)	(142)
Proceeds/(charge) from shares issued	1,567	1,124	(1,342)	–	28,500	29,849
Transfer of merger reserve to retained earnings (see note 24)	–	–	28,500	–	(28,500)	–
Total transactions with owners	**1,567**	**1,124**	**27,158**	**–**	**2,342**	**32,191**
At 31 December 2023	**9,615**	**155,844**	**(47,466)**	**32,447**	**19,345**	**169,785**

Other reserves relate to share-based payments.

The notes on pages 117 to 169 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Adjusted cash inflow from operations		**6,087**	**15,744**
Cash impact of adjustments	5	(4,805)	(5,670)
Cash generated from operations	27	**1,282**	**10,074**
Interest paid		(3,317)	(3,242)
Income tax paid		(841)	(912)
Net cash generated from operating activities		**(2,876)**	**5,920**
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,359)	(12,158)
Purchase of intangible assets		(1,609)	(3,113)
Capitalised development expenditure		(1,877)	(2,852)
Proceeds from disposal of property, plant and equipment and intangible assets		4,906	553
Acquisition of subsidiary, net of cash received*		(255)	(390)
Adjusted cash used in investing activities		**(15,022)**	**(17,960)**
Cash impact of adjustments – proceeds from disposal of property, plant and equipment	5	4,828	–
Net cash used in investing activities		**(10,194)**	**(17,960)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		185	31,239
Expenses associated with issue of ordinary shares		–	(1,390)
Proceeds from borrowings	28	19,493	9,932
Repayment of borrowings	28	(4,048)	(28,363)
Payment of lease liabilities	28	(3,470)	(4,787)
Net cash generated from financing activities		**12,160**	**6,631**
Net decrease in cash and cash equivalents		**(910)**	**(5,409)**
Cash and cash equivalents at 1 January		5,617	11,620
Exchange losses on cash and cash equivalents		(47)	(594)
Cash and cash equivalents at 31 December		**4,660**	**5,617**

The notes on pages 117 to 169 form an integral part of these consolidated financial statements.

*Acquisition of subsidiary, net of cash received relates to deferred consideration paid in respect of the Group's acquisition of Compound Semiconductor Centre Limited in 2023.

Parent company balance sheet

for the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Intangible assets	13	8,741	7,664
Property, plant and equipment	14	5	17
Investments	16	80,608	60,169
Deferred tax assets	10	–	–
Trade and other receivables	18	118,032	165,422
Total non-current assets		**207,386**	**233,272**
Current assets			
Trade and other receivables	18	1,636	2,217
Cash and cash equivalents		306	–
Total current assets		**1,942**	**2,217**
Total assets		**209,328**	**235,489**
Current liabilities			
Trade and other payables	20	(40,037)	(37,193)
Bank borrowings	21	–	(857)
Provisions for other liabilities and charges	22	(200)	(195)
Total current liabilities		**(40,237)**	**(38,245)**
Non-current liabilities			
Bank borrowings	21	(23,460)	(3,692)
Provisions for other liabilities and charges	22	(280)	(671)
Total non-current liabilities		**(23,740)**	**(4,363)**
Total liabilities		**(63,977)**	**(42,608)**
Net assets		**145,351**	**192,881**
Shareholders' equity			
Share capital	24	9,672	9,615
Share premium		155,972	155,844
Retained (losses)/earnings		(42,964)	7,928
Other reserves		22,671	19,494
Total equity		**145,351**	**192,881**

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

The parent company's (registered number: 03745726) loss for the financial year amounted to £50,892,000 (2023: £11,762,000 loss).

The notes on pages 117 to 169 form an integral part of these consolidated financial statements.

The financial statements on pages 108 to 169 were authorised for issue by the Board of Directors and approved on 12 May 2025 and were signed on its behalf.

Mrs J Meier

Parent company statement of changes in equity

for the year ended 31 December 2024

	Share capital £'000	Share premium £'000	Retained earnings/ (losses) £'000	Other reserves £'000	Total Equity £'000
At 1 January 2024	**9,615**	**155,844**	**7,928**	**19,494**	**192,881**
Comprehensive expense					
Loss for the year	–	–	(50,892)	–	(50,892)
Total comprehensive expense	**–**	**–**	**(50,892)**	**–**	**(50,892)**
Transactions with owners					
Share-based payments	–	–	–	3,177	3,177
Proceeds from shares issued	57	128	–	–	185
Total transactions with owners	**57**	**128**	**–**	**3,177**	**3,362**
At 31 December 2024	**9,672**	**155,972**	**(42,964)**	**22,671**	**145,351**

	Share capital £'000	Share premium £'000	Retained earnings/ (losses) £'000	Other reserves £'000	Total Equity £'000
At 1 January 2023	**8,048**	**154,720**	**(7,468)**	**17,012**	**172,312**
Comprehensive expense					
Loss for the year	–	–	(11,762)	–	(11,762)
Total comprehensive expense	**–**	**–**	**(11,762)**	**–**	**(11,762)**
Transactions with owners					
Share-based payments	–	–	–	2,484	2,484
Tax relating to share options	–	–	–	(2)	(2)
Proceeds/(charge) from shares issued	1,567	1,124	(1,342)	28,500	29,849
Transfer of merger reserve to retained earnings (see note 24)	–	–	28,500	(28,500)	–
Total transactions with owners	**1,567**	**1,124**	**27,158**	**2,482**	**32,331**
At 31 December 2023	**9,615**	**155,844**	**7,928**	**19,494**	**192,881**

Other reserves relate to share-based payments.

The notes on pages 117 to 169 form an integral part of these consolidated financial statements.

Parent company cash flow statement

for the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Cash outflow from operations	27	(16,455)	(17,453)
Interest received		892	–
Interest paid		(1,371)	(1,025)
Net cash used in operating activities		**(16,934)**	**(18,478)**
Purchase of intangible assets		(1,582)	(2,767)
Purchase of property plant and equipment		(1)	(3)
Proceeds from disposal of property, plant and equipment and intangible assets		2	351
Net cash used in investing activities		**(1,581)**	**(2,419)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		185	31,239
Expenses associated with issue of ordinary shares		–	(1,390)
Proceeds from borrowings		19,493	9,932
Repayments of borrowings		–	(22,177)
Net cash generated from financing activities		**19,678**	**17,604**
Net increase/(decrease) in cash and cash equivalents		**1,163**	**(3,293)**
Cash and cash equivalents at 1 January		(857)	2,436
Cash and cash equivalents at 31 December		**306**	**(857)**

The notes on pages 117 to 169 form an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2024

1. General information

IQE plc ('the Company') and its subsidiaries (together 'the Group') develop, manufacture and sell advanced semiconductor materials. The Group has manufacturing facilities in Europe, United States of America and Asia and sells to customers located globally.

IQE plc is a public limited company incorporated in the United Kingdom under the Companies Act 2006. The Company is domiciled in the United Kingdom and is quoted on the Alternative Investment Market (AIM). The address of the Company's registered office is Pascal Close, St Mellons, Cardiff, CF3 0LW.

2. Material accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards ('UK adopted IFRS'). The financial statements have been prepared under the historical cost convention except where fair value measurement is required by IFRS. The Group applies fair value measurement in its accounting for derivative foreign currency financial instruments (see note 2.18).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

2.2 Going concern

The Group has continued to experience weaker customer demand and lower customer orders than originally anticipated following the global semiconductor industry downturn as market recovery has been slower than expected in key sectors, driven primarily by the uncertainty in consumer demand in end markets.

The continuation of weaker customer demand than anticipated, resulting in sales that have remained broadly flat year-on-year, has presented a significant challenge to the business which, as previously announced, led the Directors to commence a Strategic Review of the Group and to take immediate actions to raise the necessary short-term finance to strengthen the Group's liquidity position.

The actions taken by the Directors, and previously announced, include:

- The implementation of cost-cutting actions, including staff redundancies, operational efficiencies and reductions in areas of discretionary expenditure which are under the control of the Directors
- The formal waiver, obtained pre-year end, from HSBC Bank plc of the Group's 31 December 2024 leverage and interest cover covenant tests applicable to the Group's £28,000,000 ($35,000,000) multi-currency revolving credit facility ('RCF')
- The successful £18,000,000 convertible loan note ('CLN') fund raise completed on 13 March 2025 to provide the Group with additional short-term liquidity whilst the Board completes its Strategic Review. The CLN has an initial term of 12 months, the Group has an option to extend for a further six months, bringing the term to 13 September 2026
- The successful negotiation of a Deed of Amendment and Restatement with HSBC Bank plc to the Group's £28,000,000 ($35,000,000) RCF on 10 March 2025 that replaces the leverage and interest cover financial covenants with minimum EBITDA and minimum liquidity financial covenants for the remaining tenor of the facility to 1 May 2026

We are also pleased that as of 12 May 2025, the Group has received a four-month extension of its RCF to 1 September 2026 from HSBC, a reflection of the longstanding and supportive relationship with the lender.

In the twelve months to 31 December 2024, reported revenue has remained subdued at £118,034,000 and the Group made a loss after tax for the year of £38,178,000. The liquidity impact of the loss, combined with capital and technology development expenditure, property lease payments and debt service costs has resulted in an increase in the Group's adjusted net debt position (net debt excluding lease liabilities and fair value gains/losses on derivative instruments) to £18,800,000 (2023: £2,228,000). At 31 December 2024, the Group had undrawn committed funding of £4,400,000 ($5,500,000) available under the terms of its multi-currency revolving credit facility.

In assessing the going concern basis of preparation, the Directors have considered the period to 30 September 2026 ('the going concern assessment period') to align with the expiry of the extended RCF and extended term date of the CLN.

The Directors have prepared financial projections containing both a 'base case' and a 'severe but plausible downside case'.

Base Case

The base case is derived from Group's Board-approved 2025 budget, latest H12026 forecast and run rate to 30 September 2026, updated for actual results to 31 March 2025. The base case incorporates a modest expected improvement in market dynamics and the impact of cost cutting actions already implemented by the Board.

The base case was prepared with the following key assumptions:

- Revenue for 2025 is forecast to return to modest mid-single digit percentage year-on-year growth with sequential mid-single digit percentage half-on-half growth forecast in H12026

2. Material accounting policies continued

- GBP to USD FX rate of 1.32 adopted for the forecast cash flows throughout the going concern period
- Direct wafer product margins for 2025 and H12026 reflect operating efficiency improvements linked to a combination of restructuring actions that have been implemented in 2024 and increased capacity utilisation
- Labour inflation in 2025 and H12026 in line with labour market norms and non-labour cost inflation in 2025 and H12026 in line with the current inflationary environment
- Low double digit £'m of capital expenditure in 2025 which includes investment in committed Gallium Nitride (GaN) related manufacturing capacity, enabling diversification into the high-growth power electronics and advanced display (uLED) markets and low single digit £'m of capital expenditure in H12026 related to operational sustainability and maintenance capital expenditure

Severe but plausible downside

The severe but plausible downside case was prepared by applying the following downsides and mitigating actions:

- Revenue is assumed 7% down on the base case for 2025 and 20% down for H12026 reflecting a broadly flat year on-year outlook resulting from a combination of continued weakness in customer demand, further delays in market recovery and the impact of greater forecasting uncertainty the further out into the future
- In line with the revenue reduction in both years, there is a reflective reduction in variable operating costs for 2025 and H12026
- The application of mitigations in the form of reductions in certain non-manufacturing related discretionary expenditure and deferred investment in technology asset development over and above those reflected in the base case. These cost savings and cash management actions have already been identified, are in the control of management and can be swiftly implemented

In both the base and severe but plausible downside case, the Group is forecast to maintain liquidity headroom and to comply with its minimum EBITDA and minimum liquidity covenants up to the date of expiry of the RCF on 1 September 2026 or redemption of the CLN on 13 September 2026.

The Directors, as part of the announced Strategic Review, plan to raise cash from the divestment of Group assets to ensure that the Group has a strong capital position to further invest in its core operations and to enable the Group to refinance or repay its loan facilities. In the first instance, this plan includes divestment options for an IPO or full sale of the Group's Taiwan operations and a comprehensive Strategic Review of all other Group assets and operations.

Whilst the Directors are confident that the divestment of IQE Taiwan is progressing as planned and will realise sufficient cash, they acknowledge that a delayed outcome of the potential sale or IPO of the non-core asset could impact the availability of sufficient funding for the Group's needs beyond the maturity of its existing facilities.

The Directors have concluded that the successful completion of the planned sale of non-core assets and/or availability of sufficient, appropriate funding for the group's needs beyond the maturity of existing facilities represents a material uncertainty related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern and, therefore, that the group and company may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.3 Changes in accounting policy and disclosures

a) New standards, amendments and interpretations

The following new standards, amendments and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2024:

- Amendment to IAS 1 'Presentation of Financial Statements' on classification of liabilities which is intended to clarify that liabilities are classified as either current or non-current depending upon the rights that exist at the end of the reporting period. The amendment also requires disclosure of information relating to the risks associated with non-current liabilities that are subject to future covenants that the liability could become repayable within 12 months.
- Amendment to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' related to the disclosure and transparency of supplier finance arrangements.
- Amendment to IAS 12 'Income taxes' which provides temporary mandatory relief from deferred tax accounting for top up tax and disclosure of new information to compensate for the potential loss of information arising from the mandatory relief.
- Amendment to IFRS 16 'Leases' which confirms the initial and subsequent recognition principles for variable lease payments as a liability in a sale and leaseback transaction.

The adoption of these standards, amendments and interpretations has not had a material impact on the financial statements of the Group or parent company.

b) New standards, amendments and interpretations issued but not effective and not adopted early

A number of new standards, amendments to standards and interpretations which are set out below are effective for annual periods beginning after 1 January 2025 and have not been applied in preparing these consolidated financial statements:

- Annual Improvements to IFRS Accounting Standards—Volume 11 which contains various improvement and enhancements to existing standards
- IFRS S1 'General Requirements for Disclosure of Sustainability related Financial Information' and IFRS S2 'Climate related Disclosures'
- IFRS 18 'Presentation and disclosure in financial statements' which includes new requirements for presentation and disclosure with a focus on the income statement
- IFRS 19 'Subsidiaries without public accountability: disclosures' is a voluntary standard that contains a reduced disclosure framework for use by eligible subsidiaries that prepare financial statements applying IFRS Accounting Standards.
- Amendment to IAS 21 'The Effects of Changes in Foreign Exchange Rates' which establishes how a spot exchange rate is estimated when a currency lacks exchangeability.
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) which provides further clarification and requirements for the recognition and derecognition criteria for financial assets and liabilities, the classification requirements for financial assets and disclosure requirements related to the amendments to the classification requirements.
- Amendments to contracts referencing nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) for power purchase agreements

The Directors anticipate that at the time of this report none of the new standards, amendments to standards or interpretations are expected to have a material effect on the financial statements of the Group or parent company.

2.4 Consolidation

The consolidated financial statements comprise the results of IQE plc (the Company) and its subsidiary undertakings, together with the Group's share of the results of its joint venture.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated and accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The nature of the Group's joint arrangements has been assessed, and each joint arrangement has been determined to be a joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Gains by the Group on transactions with joint ventures are eliminated against the carrying value of the Group's interest in its joint ventures to the extent that the gain does not exceed the carrying amount. In circumstances where a gain exceeds the carrying amount the Group has made an accounting policy choice to recognise the gain in the comprehensive income statement, subject to an assessment of recoverability of value from the joint venture rather than recognising the gain as deferred income in the consolidated balance sheet.

2. Material accounting policies continued

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Where the fair values of acquired identifiable assets, liabilities and contingent liabilities are initially recognised on a provisional basis, these are reassessed during the 12-month period following the date of the business combination. Adjustments to the fair values as at the date of acquisition that result from new information that existed at the date of acquisition which, if known at the time, would have resulted in a different amount being recognised within this 'measurement period', are recorded with any net impact being added to or deducted from the goodwill recognised. Such adjustments are recognised in both the current period and the restated comparative period balance sheets as if the final fair values had been used in the initial recognition of the acquisition. Subsequent to the measurement period, any adjustments to the recorded fair value of identifiable assets, liabilities and contingent liabilities are taken through the income statement as an exceptional income or expense.

The Group recognises any non-controlling interest on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

2.5 Intangible assets

a) Goodwill

Goodwill arising on an acquisition is recognised as an asset and initially measured at cost, being the excess of the fair value of the consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is not amortised but is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to each of the Cash Generating Units to which it relates. Any impairment identified is immediately charged to the Consolidated Income Statement. Subsequent reversals of impairment losses for goodwill are not recognised.

Negative goodwill arising on an acquisition where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of the consideration is credited and recognised in the consolidated income statement immediately.

b) Patents, trademarks and licences

Separately acquired patents, trademarks and licences are shown at historical cost. Patents, trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives of 10 to 15 years. Amortisation is charged to selling and general administration expenses in the income statement.

The carrying value of patents, trademarks and licences is reviewed for potential impairment if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the Consolidated Income Statement.

c) Development costs

Expenditure incurred that is directly attributable to the development of new or substantially improved products or processes is recognised as an intangible asset when the following criteria are met:

- the product or process is intended for use or sale;
- the development is technically feasible to complete;
- there is an ability to use or sell the product or process;
- it can be demonstrated how the product or process will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development; and
- the development expenditure can be reliably measured.

Directly attributable costs refer to the materials consumed; the directly attributable labour; and the directly attributable overheads incurred in the development activity. General operating costs, administration costs and selling costs do not form part of directly attributable costs.

All research and other development costs are expensed as incurred.

Capitalised development costs are amortised in line with the expected production volume profile over the period during which the economic benefits are expected to be received, which typically ranges between 3 and 8 years. The estimated remaining useful lives of development costs are reviewed at least on an annual basis. Amortisation commences once the project is completed, and the development has been released into production. Amortisation is charged to selling and general administration expenses in the income statement.

The carrying value of capitalised development costs in respect of completed projects is reviewed for impairment if events or circumstances indicate a potential impairment. Projects that remain under development at the reporting date are reviewed for impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the Consolidated Income Statement.

d) Software

Directly attributable costs incurred in the development of bespoke software for the Group's own use are capitalised and amortised on a straight-line basis over the expected useful life of the software, which typically ranges between 3 and 10 years. Amortisation is charged to selling and general administration expenses in the income statement.

The carrying value of capitalised software costs is reviewed for potential impairment if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the Consolidated Income Statement. The costs of maintaining internally developed software and annual licence fees paid to utilise third-party software are expensed as incurred.

2.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Cost comprises all costs that are directly attributable to bringing the asset into working condition for its intended use. Depreciation is calculated to write down the cost of property, plant and equipment to its residual value on a straight-line basis over the following estimated useful economic lives:

Freehold buildings	10 to 40 years
Short leasehold improvements	5 to 30 years
Plant and machinery	3 to 25 years
Fixtures and fittings	3 to 10 years

No depreciation is provided on land or assets yet to be brought into use. Depreciation is charged to cost of sales and selling and general administration expenses in the income statement.

Costs incurred after initial recognition are included in the assets' carrying amounts, or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'profit/loss on disposal of property, plant and equipment' in the income statement.

Assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying value of property, plant and equipment is reviewed for potential impairment if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the Consolidated Income Statement.

2. Material accounting policies continued

2.7 Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low-value assets (such as small items of office furniture and equipment) and leases with variable rentals not linked to a relevant index. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets and lease liabilities are recognised at the lease commencement date. Right-of-use assets are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when there is a change in future lease payments. Changes in future lease payments can arise from a change in an index or rate, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or from a change in assessment about whether a termination option is reasonably certain not to be exercised.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Cost of sales' in profit or loss.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life, or intangible assets not ready to use, are not subject to amortisation and are reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (less disposal costs) and value in use.

Value in use is based on the present value of the future cash flows relating to the asset, discounted at the Group's risk adjusted pre-tax discount rate. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Indicators that impairment losses might have reversed are assessed annually.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Cost comprises direct materials and, where applicable, direct labour costs and attributable overheads that have been incurred in bringing the inventories to their present location and condition based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.10 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes 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 presented within cash and cash equivalents where the Group has a right of set-off under its treasury arrangements that are pooled by territory.

2.12 Assets held for resale

Assets held for resale are not depreciated, are measured at the lower of carrying amount and fair value less costs to sell and are presented separately in the statement of financial position.

2.13 Financial assets

Financial assets are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the financial instrument and are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income – debt investment, fair value through other comprehensive income – equity investment or fair value through profit or loss.

The classification depends on the purpose for which the financial assets were acquired, and the classification is determined at the date of initial recognition. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period where the item is classified as a non-current asset. The Group's financial assets comprise trade and other receivables (note 2.10), cash and cash equivalents (note 2.11) and contract assets (note 2.22).

Amortised cost and effective interest method

Financial assets are measured at amortised cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2. Material accounting policies continued

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ('ECL') on trade receivables and contract assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In circumstances where credit risk increases to the point that it becomes highly probable that the debt instrument will not become recoverable, the Group considers that this would represent a default event and moves to stage 3.

The Group recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors including observable data such as changes in arrears, or economic conditions that provide an indication that a debtor is experiencing significant financial difficulty, default or delinquency in payment that correlate with defaults.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Exposure at default is represented by the gross carrying amount of the financial asset at the reporting date.

ECL for financial assets is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract, and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for financial assets with a corresponding adjustment to the carrying amount in the consolidated balance sheet.

2.14 Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss. A financial liability is classified as fair value through profit and loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit and loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are non-derivative financial liabilities with fixed or determinable payments and they are included in current liabilities, except for maturities greater than 12 months after the reporting period where the item is classified as a non-current liability. The Group's financial liabilities comprise trade and other payables (note 2.15), borrowings (note 2.16) and lease liabilities (note 2.7) in the consolidated balance sheet.

2.15 Trade payables

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

Cash flow hedges and derivatives that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Cash flow hedges and derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses). Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

2.19 Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group has complied with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the income statement over the useful lives of the related assets, while grants related to expenses are treated as other income in the income statement.

2.20 Share capital and other reserves

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.

Other reserves relate to share-based payment transactions.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

- Restructuring provisions comprise site closure costs and employee termination payments. Provisions are not recognised for future operating losses.
- Warranty provisions comprise the replacement cost of wafers expected to be returned under warranty
- Dilapidation provisions comprise costs to fulfil property lease obligations at expiry of the relevant property lease
- Onerous contract provisions comprise contractual obligations related to future payments where the Group expects to receive no economic benefit.

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 the time value of money and the risks specific to the obligation.

2.22 Revenue recognition

Revenue represents the transaction price specified in a contract with a customer for goods, services and intellectual property licences provided in the ordinary course of business net of value added and other sales related taxes.

Standard Customer Products

Revenue is recognised when the goods are delivered and have been accepted by customers. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

The amount of revenue recognised is adjusted for expected returns, which are estimated based on historical data for each specific type of product, with a refund liability recognised as part of provisions. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of any liability accordingly.

2. Material accounting policies continued

A receivable is recognised when the goods are delivered, since this is the point in time that the consideration is unconditional, performance obligations have been satisfied and only the passage of time is required before the payment is due.

Bespoke Customer Products

Revenue is recognised for bespoke customer products with no alternative use where the Group has a guaranteed contractual right to payment on an over time basis prior to the delivery of goods to the customers' premises. Revenue is recognised on an input basis by reference to the stage of completion of the manufacturing process, a process which includes an epitaxial wafer manufacture stage and a metrology and wafer test stage which are both typically completed within a limited number of days.

The amount of revenue recognised is adjusted for expected returns, which are estimated based on historical data for each specific type of product with a refund liability recognised as part of provisions. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of any liability accordingly.

The Group operates supplier managed inventory arrangements for certain global customers where the Group is responsible for ensuring that contractually agreed levels of inventory are maintained at specified locations. The Group has a guaranteed contractual right to payment for the bespoke customer products manufactured under these arrangements with revenue recognised on an over time basis.

Assets and liabilities arising from contracts with customers are separately identified. Contract assets relate to consideration recognised for work completed but not billed at the balance sheet date. Contract liabilities relate to obligations to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

Reactor Rental

Reactor rental revenue relates to the sale of reactor capacity to customers, primarily for development purposes. Revenue is recognised on a straight-line basis over the time period to which the capacity sold relates.

Intellectual Property Licences

Intellectual property licence income relates to the sale of finite and perpetual period licences.

Revenue is recognised for intellectual property licences with a right to use over a finite period when control of the licence is transferred to the customer in accordance with the terms of the relevant licensing agreement and collection of the resulting receivable is reasonably assured.

Revenue is recognised for perpetual intellectual property licences with a right to use at a point in time when the following conditions are met:

- when a signed agreement or other persuasive evidence of an arrangement exists;
- the intellectual property has been delivered;
- the licence fee is fixed or determinable; and
- collection of the resulting receivable is reasonably assured.

2.23 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Leadership Team, who oversee the allocation of resources and the assessment of operating segment performance.

2.24 Finance income and finance costs

The Group's finance income and finance costs include interest income and interest expense.

Interest income or expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

Interest income or expense associated with cash and cash equivalents, bank borrowings and lease liabilities is treated as an operating activity cashflow in the consolidated cashflow statement.

2.25 Pension costs

The Group operates defined contribution pension schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Contributions are charged in the Consolidated Income Statement as they become payable in accordance with the rules of the scheme. The Group has no further obligations once the contributions have been made.

2.26 Share-based payments

The Group operates a number of equity-settled share-based compensation plans under which the Group receives services from employees as consideration for equity instruments in IQE plc. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the consolidated income statement, and as a credit in other reserves in the consolidated statement of changes in equity, except for the social security element of the award which is treated as cash settled with the liability recognised in other taxation and social security within trade and other payables in the consolidated balance sheet. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting

conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) and including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and the balance to share premium. In the Company's own financial statements, the grant of share options to the employees of subsidiary undertakings is treated as a capital contribution. Specifically, the fair value of employee services received (measured at the date of grant) is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2.27 Foreign currency

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Group's presentational currency.

Foreign currency transactions are translated into the subsidiaries' functional currency at the rates of exchange ruling at the date of the transaction, or at the forward currency hedged rate where appropriate. Monetary assets and liabilities in foreign currencies are translated into the subsidiaries' functional currency at the rates ruling at the balance sheet date. All exchange differences are taken to the income statement.

The balance sheets of overseas subsidiaries are translated into sterling at the closing rates of exchange at the balance sheet date, whilst the income statements are translated into sterling at the average rate for the period. The resulting translation differences are taken directly to reserves.

Foreign exchange gains and losses on the retranslation of foreign currency borrowings that are used to finance overseas operations are accounted for on the 'net investment' basis and are recorded directly in reserves provided that the hedge is effective.

2.28 Current and deferred tax

Income tax for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, respectively.

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 tax is provided in full on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences, unless specifically exempt. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

2.29 Investment in subsidiaries

Investments in subsidiaries are held at cost of investment less provision for impairment in the parent company financial statements.

2.30 Other equity investments

Other equity investments are held at cost less provision for impairment in both the parent company and Group financial statements on the basis that the Group (and Company) does not have the ability to exert significant influence or control over the strategic and operating activities of the other equity investments.

2.31 Alternative performance measures

Income Statement

Alternative income statement performance measures are disclosed separately in the financial statements after a number of adjusted non-cash items, non-operational items and significant infrequent items that would distort period on period comparability, where it is deemed necessary by the Directors to do so to provide further understanding of the financial performance of the Group. Adjusted items are material items of income or expense that have been shown separately due to the significance of their nature or amount. The tax impact of adjusted items is calculated applying the relevant enacted tax rate for each adjusted item. Details of the adjusted items are included in note 5.

2. Material accounting policies continued

Balance Sheet

Alternative balance sheet performance measures for net debt are disclosed separately in the financial statements after adjustments to exclude lease liabilities and fair value gains/losses on derivative instruments where it is deemed necessary by the Directors to do so to provide further understanding of the financial position, gearing and liquidity of the Group.

Cashflow Statement

Alternative cash flow statement performance measures are disclosed separately in the financial statements that reflect the cash impact of adjusted items included in alternative income statement performance measures. Adjusted items are material items of income or expense that have been shown separately due to the significance of their nature or amount. Details of the adjusted items are included in note 5.

3. Critical accounting judgements and key sources of estimation uncertainty

The Group's principal accounting policies are described in note 2. The application of these policies necessitates the use of estimates and judgements in a number of areas. Accordingly, the actual amounts may differ from these estimates. The main areas involving significant judgement and estimation are set out below:

a) Critical accounting judgements in applying the Group's accounting policies

Going Concern

The going concern basis of preparation of the financial statements has been determined by reference to financial projections prepared to 30 June 2026 which contain both a 'base case' and a 'severe but plausible downside case'.

In both the base case and the severe but plausible downside case the Group is forecast to maintain liquidity headroom and to comply with all financial covenants contained in its banking facilities throughout the going concern assessment period.

Key assumptions in respect of the going concern basis of preparation is presented in note 2.2.

Intangible assets – Technology development asset impairment

The Group has product development costs totalling £2,828,000 linked to its Dilute Nitride technology where the Group has taken the decision to discontinue the development and commercialisation of the technology.

Although Dilute Nitride technology has a number of potential applications, the level of customer and partner engagement that is required to develop the technology has remained low, a position that has led to the decision to discontinue the development and commercialisation of the technology given the lack of a clear near-term route to the delivery of commercial volumes and cash flows.

The current lack of visibility on the timeline to commercialise the product development technology assets and the decision to discontinue development of the assets, has resulted in a non-cash intangible asset charge of £2,828,000 that has been charged to 'Impairment loss on intangible assets' in the consolidated income statement, following the write down of all Dilute Nitride product development costs to £nil.

Intangible assets – Technology development assets not yet available for use

Intangible assets include development cost assets not yet available for use of £4,054,000 (2023: £2,992,000) which have been reviewed for impairment as at the reporting date.

The Group is committed to the technical completion and commercialisation of each of its technology development assets which are governed and controlled by reference to a combination of technical development objectives and market and customer related commercial plans. The recoverable amount of each technology development project is determined based on value in use calculations, using cash flow projections in line with the expected useful economic life of each asset. The value in use calculations are based on management approved risk-adjusted cash flow forecasts for each project and comprise assumptions that include cost to complete forecasts for each technology development and commercial forecasts relating to the expected level of market penetration, revenue and cost of production for each technology.

Identification of Cash Generating Units ('CGUs') for impairment testing and allocating impairment losses

Identification of cash generating units

Under IAS 36, impairment is assessed at the individual asset level except in circumstances where individual assets do not generate cash inflows that are largely independent from other assets. In these circumstances impairment is tested at the CGU or group of CGUs level.

Based on the nature of the Group's operations, multiple production facilities and epitaxial assets are considered by the Group to form distinct CGUs. This reflects the interdependency and dual-purpose nature of the Group's manufacturing facilities, and that production can (and is) transferred between sites to suit capacity planning and operational efficiency.

Given the interdependency of the Group's manufacturing facilities and operations the Group considers each of the Photonics and Wireless operating segments to be CGUs based on the type of production. In the judgement of the Directors, the assets of the Group's Taiwanese subsidiary, which the Directors are considering divesting as part of the ongoing strategic review, is included in the Wireless CGU due to its interdependency with the rest of that CGU.

CGU-level impairment testing has been performed at the level of the Photonics and Wireless CGUs. An impairment loss of £3,066,000 has been identified for the Wireless CGU. Had the assets of the Group's Taiwanese subsidiary been identified as a separate CGU and tested separately from the remainder of the Wireless CGU, no impairment would have been identified in respect of the Taiwanese assets; though a larger impairment may have been identified in respect of the remainder of the Wireless CGU.

Allocating impairment losses

When assigning an impairment loss to assets within the scope of IAS 36, the impairment loss is required to first reduce the carrying value of goodwill to nil and then allocate any remaining loss pro rata based on the carrying value of other assets in the CGU, except that the carrying value of an individual asset within the CGU should not be reduced below the higher of its fair value less costs of disposal, its value in use and zero. The Wireless CGU does not contain any goodwill.

In the Directors judgement, developments in the strategic review post year end have led the directors to conclude that the fair value less costs of disposal of individual assets in the Wireless CGU for the Taiwan-based assets of the CGU were in excess of their carrying value at the reporting date. As a result, the impairment loss recognised in the Wireless CGU has been allocated pro-rata to US-based intangible and tangible assets (i.e. not to Taiwanese assets), reflecting production volume allocations and capacity planning assumptions and cash flow forecasts used to estimate the impairment.

Refer to note 13 for further details.

Adjustments to profit

Alternative performance measures are disclosed separately in the financial statements after a number of adjusted non-cash, non-operational or significant and infrequent items that would distort period on period comparability, where it is deemed necessary by the Directors to do so to provide further understanding of the financial performance of the Group. Details of the adjusted items are included in note 5.

b) Critical accounting estimates and key sources of estimation uncertainty

3.1 Cash Generating Unit impairment testing

At the end of each reporting period, the Group assesses whether there is any indication of impairment of non-current assets allocated to the Group's CGUs. Multiple production facilities and production assets are included in a single CGU reflecting that production can (and is) transferred between sites and production assets for different operating segments to suit capacity planning and operational efficiency. Given the interdependency of facilities and production assets, non-current assets are tested for impairment by grouping operational sites and production assets into CGUs based on type of production.

The Group has continued to experience weak customer demand and low customer orders following the global semiconductor industry downturn as market recovery has been slower than anticipated in key sectors, driven primarily by weak consumer demand in end markets. Weak customer demand, resulting in depressed sales that have remained broadly flat year-on-year, has resulted in the Group continuing to deliver either low levels of profitability or operating losses in each of its Wireless and Photonics CGUs, a position that has been considered as part of the impairment tests.

Photonics

The recoverable amount of the Photonics CGU of £121,751,000, determined based on value in use calculations is greater than the carrying amount (£121,196,000) of the associated intangible assets, property, plant and equipment, right-of-use assets and working capital allocated to the CGU such that no impairment of Photonics CGU assets has been identified.

Key assumptions and sensitivity analysis in respect of the recoverable amount of the Photonics CGU is presented in note 13.

Wireless

The recoverable amount of the Wireless CGU of £88,341,000, determined based on value in use calculations is lower than the carrying amount (£91,407,000) of the associated intangible assets, property, plant and equipment, right-of-use assets and working capital allocated to the CGU such that an impairment of Wireless CGU assets has been identified.

The noncash impairment loss of £3,066,000 relates to the Group's US related wireless assets and has been allocated to the relevant US based intangible and tangible assets which has resulted in a non-cash intangible asset impairment charge of £885,000 and a non-cash property, plant and equipment impairment charge of £2,181,000.

Key assumptions and sensitivity analysis in respect of the recoverable amount of the Wireless CGU is presented in note 13.

3. Critical accounting judgements and key sources of estimation uncertainty continued

c) Other accounting estimates and sources of estimation uncertainty

3.2 Useful economic lives of development cost intangible assets

The periods of amortisation used for product and process development cost assets require estimates to be made on the estimated useful economic lives of the intangible assets to determine an appropriate rate of amortisation. Capitalised development costs are amortised in line with the expected production volume profile of the products to which they relate over the period during which economic benefits are expected to be received, which is typically between 3-8 years.

The carrying value of development cost intangible assets is £12,528,000 (2023: £19,063,000). The amortisation charge for development cost intangible assets in the current year is £5,084,000 (2023: £5,996,000). If useful economic lives of development cost intangible assets were reduced by 1 year across the whole portfolio of assets, the impact on current year amortisation would be to increase the charge by £786,000 (2023: £855,000) to £5,870,000 (2023: £6,851,000).

3.3 Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the Group to make judgements and estimates that affect the valuation of the lease liabilities and the valuation of right-of-use assets that includes determining the contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group generally comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

Exercise of extension options, principally existing in the Group's property leases, are assumed to be reasonably certain, except for the Group's Newport facility where it has been assumed that it is reasonably certain that the Group will exercise its buy-out option at the end of the initial lease term. The same term applied to the length of the lease contract has been applied to the useful economic life of right-of-use assets.

The present value of the lease payments applicable to the Group's portfolio of property and plant leases has been determined using a discount rate that represents the Group's incremental rate of borrowing at the date of inception or modification of the lease, assessed as 2.25%-8.20% depending on the lease characteristics for existing historic leases.

If the incremental rate of borrowing decreased by 0.10%, the impact would be to increase the lease liability by £140,000 (2023: £156,000). If the incremental rate of borrowing decreased by 1.0%, the impact would be to increase the lease liability by £1,463,000 (2023: £1,560,000).

3.4 Share-based payments

Share-based payment charges associated with long-term incentive plans are calculated taking account of an assessment of the achievability of relevant performance conditions. The share-based payment charge for long-term incentive awards would be £138,000 (2023: £713,000) greater in 2024 if it were assumed that all performance criteria for existing awards would be met.

4. Segmental analysis

4.1 Description of segments and principal activities

The Chief Operating Decision-Maker is defined as the Executive Leadership Team ('ELT'). The ELT, prior to the departure of the Chief Executive Officer on 29 October 2024 consisted of the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief People Officer, Executive VP Global Business Development, SVP of Communications Infrastructure and Security Business Unit, VP US Sales, Director of Corporate Marketing, VP US EPI Operations and Substrates, VP Asia and Europe EPI Operations, VP Government Affairs, Chief of Staff and the Executive VP General Counsel & Company Secretary. Subsequent to the departure of the Chief Executive Officer, the ELT has been restructured and from November 2024 the ELT consists of the Interim Chief Executive Officer and Chief Financial Officer, Chief Technology and Operating Officer, Chief Revenue Officer and the Executive VP General Counsel, Company Secretary and Chief People Officer. The Executive Leadership Team consider the group's performance from a product perspective and have identified three primary reportable segments:

- Wireless – this part of the business manufactures and sells compound semiconductor material for the wireless market which includes radio frequency devices that enable wireless communications.
- Photonics – this part of the business manufactures and sells compound semiconductor material for the photonics market which includes applications that either transmit or sense light, both visible and infrared.
- CMOS++ – this part of the business manufactures and sells advanced semiconductor materials related to silicon which include the combination of the advanced properties of compound semiconductors with those of lower-cost silicon technologies. Starting in 2025, the Group will no longer report CMOSS++ revenue as a standalone segment reflecting the strategic rebalancing of the business' product portfolio and a shift in focus towards diversification into GaN Power and MicroLED.

The ELT primarily use revenue and a measure of adjusted EBITDA to assess the performance of the operating segments. Measures of total assets and liabilities for each reportable segment are not reported to the ELT and therefore have not been disclosed.

4. Segmental analysis continued

4.2 Adjusted EBITDA Loss

Adjusted EBITDA excludes the effects of significant non-cash, non-operational or significant and infrequent items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs, CEO and CFO recruitment costs, CEO severance costs and impairments where the impairment is the result of an isolated, non-recurring event. Adjusted EBITDA also excludes the effects of equity settled share-based payments.

Finance costs are not allocated to segments because treasury and the cash position of the group is managed centrally.

Revenue	2024 £'000	2023 £'000
Wireless	67,295	53,877
Photonics	49,876	59,098
CMOS++	863	2,277
Revenue	**118,034**	**115,252**
Adjusted EBITDA		
Wireless	16,205	12,347
Photonics	5,840	6,189
CMOS++	(1,517)	(1,919)
Central corporate costs	(12,416)	(12,304)
Adjusted EBITDA	**8,112**	**4,313**
Depreciation	(20,343)	(16,976)
Amortisation	(6,390)	(7,688)
Gain on remeasurement	202	-
Profit on disposal of PPE	62	152
Adjusted operating loss	**(18,357)**	**(20,199)**
Adjusted items (see note 5)		
Wireless	(7,441)	(1,004)
Photonics	(5,974)	(2,445)
CMOS++	(669)	(45)
Central corporate costs	(517)	(2,086)
Operating loss	**(32,958)**	**(25,779)**
Finance costs	(3,947)	(3,032)
Loss before tax	**(36,905)**	**(28,811)**

Adjusted items include £8,418,000 (2023: £nil) of non-cash impairment charges of which £5,159,000 (2023: £nil) relates to the wireless segment and £3,259,000 (2023: £nil) relates to the photonics segment.

4.3 Revenue – Disaggregation of segmental revenue from contracts with customers

The group derives revenue from the transfer of goods, services and intellectual property over time and at a point in time. Revenues from external customers derive from the sale of standard or bespoke compound semiconductor material, or from the sale or licensing of intellectual property.

Disaggregate Segment Revenue	Wireless 2024 £'000	Photonics 2024 £'000	CMOS++ 2024 £'000	Total 2024 £'000
Timing of revenue recognition				
At a point in time				
Standard customer products	–	7,852	–	7,852
Intellectual property licences	–	–	–	–
Over time				
Bespoke customer products	67,295	42,024	863	110,182
Total revenue	**67,295**	**49,876**	**863**	**118,034**

Disaggregate Segment Revenue	Wireless 2023 £'000	Photonics 2023 £'000	CMOS++ 2023 £'000	Total 2023 £'000
Timing of revenue recognition				
At a point in time				
Standard customer products	–	8,982	–	8,982
Intellectual property licences	–	–	–	–
Over time				
Bespoke customer products	53,877	50,116	2,277	106,270
Total revenue	**53,877**	**59,098**	**2,277**	**115,252**

Included within bespoke customer product revenue is revenue of £45,379,000 (2023: £50,712,000) that relates to supplier managed inventory arrangements where billing occurs from the earlier of a specified contractual backstop date following delivery, or when the product is drawn from inventory by the customer.

Revenues of approximately £37,752,000 (2023: £45,961,000) are derived from two customers (2023: three) who each account for greater than 10% of the Group's total revenues:

Customer	Segment	2024 £'000	2024 % revenue	2023 £'000	2023 % revenue
Customer 1	Wireless	22,169	19%	18,268	16%
Customer 2	Photonics	N/A	N/A	13,625	12%
Customer 3	Photonics & Wireless	15,583	13%	14,067	12%

There are no customers in the CMOS++ segment that account for greater than 10% of the Group's total revenue.

4. Segmental analysis continued

4.4 Geographical information

Revenue by location of customer

	2024 £'000	2023 £'000
Americas	**52,025**	**54,520**
United States of America	51,974	54,448
Rest of Americas	51	72
Europe, Middle East & Africa (EMEA)	**24,914**	**16,226**
France	663	1,319
Germany	1,618	1,853
Israel	5,008	3,826
United Kingdom	12,642	7,490
Rest of EMEA	4,983	1,738
Asia Pacific	**41,095**	**44,506**
People's Republic of China	1,928	2,157
Japan	6,456	14,326
Taiwan	27,142	25,174
Rest of Asia Pacific	5,569	2,849
Total revenue	**118,034**	**115,252**

Non-current assets by location

	Property, plant and equipment		Intangible assets		Right-of-use assets	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
USA	32,651	44,733	13,679	17,849	15,312	8,354
Taiwan	28,060	32,495	1,171	1,623	386	433
UK	52,963	52,325	14,100	15,906	26,512	29,108
	113,674	**129,553**	**28,950**	**35,378**	**42,210**	**37,895**

5. Adjusted performance measures ('APM')

The Directors assess the operating performance of the Group based on both statutory and adjusted measures. Adjusted measures include adjusted earnings before interest, tax, depreciation, amortisation, impairment and profit/loss on disposal of PPE and intangibles (AEBITDA), AEBITDA margin, adjusted operating loss, adjusted loss before income tax and adjusted losses per share. These measures are collectively described as Adjusted Performance Measures (APMs) in this Annual Report. The Directors believe that APMs provide a useful comparison of business trends and performance and allow management and other stakeholders to better compare the performance of the Group between periods, excluding the effects of certain non-cash charges, non-operational items and significant infrequent items that would distort period on period comparability. The Group uses these APMs for internal planning, budgeting, reporting and assessment of the performance of the business. The term adjusted is not defined under IFRS and therefore the APMs may not be directly comparable with similarly titled measures used by other companies.

Adjusted profit measures

The following table summarises the statutory and adjusted profit and loss account measures for the year together with the adjustments made to each line item.

	Adjusted Results £'000	**Adjusted Items £'000**	**2024 Reported Results £'000**	Adjusted Results £'000	Adjusted Items £'000	2023 Reported Results £'000
Revenue	**118,034**	**–**	**118,034**	**115,252**	**–**	**115,252**
Cost of sales	(112,543)	(1,045)	(113,588)	(111,244)	(1,680)	(112,924)
Gross profit/(loss)	**5,491**	**(1,045)**	**4,446**	**4,008**	**(1,680)**	**2,328**
SG&A	(24,109)	(5,873)	(29,982)	(26,167)	(6,319)	(32,486)
Impairment of intangibles	–	(3,772)	(3,772)	–	–	–
Impairment of PPE	–	(4,615)	(4,615)	–	–	–
Impairment of right-of-use assets	–	(31)	(31)	–	–	–
Gain on remeasurement of right-of-use asset	202	–	202	–	–	–
Impairment (loss)/reversal on receivables	(3)	–	(3)	1,808	–	1,808
Gains on acquisitions	–	–	–	–	2,419	2,419
Profit on disposal of PPE	62	735	797	152	–	152
EBITDA	**8,112**	**(6,918)**	**1,194**	**4,313**	**(5,580)**	**1,267**
Depreciation	(20,343)	–	(20,343)	(16,976)	–	(16,976)
Amortisation	(6,390)	–	(6,390)	(7,688)	–	(7,688)
Impairment of intangibles	–	(3,772)	(3,772)	–	–	–
Impairment of PPE	–	(4,615)	(4,615)	–	–	–
Impairment of right-of-use assets	–	(31)	(31)	–	–	–
Gain on remeasurement of right-of-use asset	202	–	202	–	–	–
Profit on disposal of PPE	62	735	797	152	–	152
Operating loss	**(18,357)**	**(14,601)**	**(32,958)**	**(20,199)**	**(5,580)**	**(25,779)**
Finance costs	(3,947)	–	(3,947)	(3,032)	–	(3,032)
Loss before tax	**(22,304)**	**(14,601)**	**(36,905)**	**(23,231)**	**(5,580)**	**(28,811)**
Taxation	(1,430)	157	(1,273)	(759)	192	(567)
Loss for the period	**(23,734)**	**(14,444)**	**(38,178)**	**(23,990)**	**(5,388)**	**(29,378)**
Loss per share attributable to owners of the parent company during the year						
Basic loss per share	(2.46p)	1.50p	(3.96p)	(2.68p)	0.60p	(3.28p)
Diluted loss per share	(2.46p)	1.50p	(3.96p)	(2.68p)	0.60p	(3.28p)

5. Adjusted performance measures ('APM') continued

Adjustments to operating profit

2024	Cost of sales £'000	SG&A £'000	Impairments £'000	Profit on disposal £'000	2024 Adjusted Pre-Tax Items £'000	Tax Impact £'000	2024 Adjusted Items £'000
Share-based payments	(1,045)	(1,929)	–	–	(2,974)	157	(2,817)
Share-based payments – CEO recruitment	–	(77)	–	–	(77)	–	(77)
Share-based payments – CFO recruitment	–	(123)	–	–	(123)	–	(123)
CEO recruitment	–	(307)	–	–	(307)	–	(307)
CEO severance	–	(416)	–	–	(416)	–	(416)
Wireless CGU impairment	–	–	(3,066)	–	(3,066)	–	(3,066)
Restructuring	–	(3,021)	(5,352)	735	(7,638)	–	(7,638)
Total	**(1,045)**	**(5,873)**	**(8,418)**	**735**	**(14,601)**	**157**	**(14,444)**

2023	Cost of sales £'000	SG&A £'000	Other Gains £'000	2023 Adjusted Pre-Tax Items £'000	Tax Impact £'000	2023 Adjusted Items £'000
Share-based payments	(1,680)	(840)	–	(2,520)	192	(2,328)
Share-based payments – CEO recruitment	–	(45)	–	(45)	–	(45)
CEO recruitment	–	(300)	–	(300)	–	(300)
CFO severance & recruitment	–	(454)	–	(454)	–	(454)
Restructuring	–	(4,680)	–	(4,680)	–	(4,680)
Gain on deemed disposal of JV	–	–	2,419	2,419	–	2,419
Total	**(1,680)**	**(6,319)**	**2,419**	**(5,580)**	**192**	**(5,388)**

The nature of the adjusted items is as follows:

Share-based payments

The £2,974,000 (2023: 2,520,000) charge relates to share-based payments recorded in accordance with IFRS 2 'Share-based payment'. Share-based payments which arise each financial year are classified as an APM due to the non-cash charge being partially outside of the Group's control as it is based on factors such as share price volatility and interest rates which may be unrelated to the performance of the Group during the period in which the expense occurred.

Chief Executive Officer recruitment

The charge of £77,000 (2023: £45,000) relates to the share-based payment charge for new starter awards granted to the former CEO upon recruitment. The charge of £307,000 (2023: £300,000) relates to costs associated with the cash element of the new starter award granted to the former CEO upon recruitment.

Chief Financial Officer recruitment

The charge of £123,000 (2023: £nil) relates to the share-based payment charge for new starter awards granted to the CFO. Chief Financial Officer severance and recruitment costs of £454,000 in 2023 related to settlement and legal costs in relation to the former Chief Financial Officer and recruitment costs in relation to the newly appointed Chief Financial Officer.

Chief Executive Officer Severance

The charge of £416,000 (2023: £nil) relates to costs, primarily related to payments in lieu of notice, associated with the termination of the former CEO's employment.

Wireless CGU impairment

An impairment was identified in the year relating to the Wireless CGU determined based on value in use calculations. The non-cash impairment loss of £3,066,000 relates to the Group's US related wireless assets and has been allocated to the relevant US based intangible and tangible assets which has resulted in a non-cash intangible asset impairment charge of £885,000 and a non-cash property, plant and equipment impairment charge of £2,181,000 (see note 13).

Restructuring

The charge of £7,638,000 (2023: £4,680,000) relates to the consolidation of the Group's US, UK and Asian manufacturing operations and the restructuring of the Group's Executive Leadership Team.

Group Restructuring

- Group restructuring charges of £266,000 (2023: £nil) consist of employee-related costs of £266,000 (2023: £nil) related to the restructuring of the Group's Executive Leadership Team following the departure of the former CEO. Group restructuring charges of £1,290,000 in 2023 related to employee costs and redundancies associated with a group-wide restructuring programme.

US Restructuring

- US restructuring charges of £763,000 (2023: £3,390,000) relating to the closure of the Group's manufacturing facility in Pennsylvania consist of employee-related costs of £261,000 (2023: £1,789,000), site decommissioning costs of £1,014,000 (2023: £1,601,000), non-cash property, plant and equipment asset impairments of £89,000 (2023: £nil) and profit on disposal of property, plant and equipment of £632,000 (2023: £nil). As at 31 December 2024, cumulative restructuring charges of £6,164,000 (2023: £5,346,000) have been incurred. No further restructuring charges associated with the closure of the site are expected in 2025.

- US restructuring charges of £4,889,000 (2023: £nil) relating to the strategic re-positioning of the Group's Massachusetts and North Carolina manufacturing sites consist of non-cash property, plant and equipment asset impairments of £2,002,000 (2023: £nil) and non-cash intangible development cost impairments of £2,887,000 (2023: £nil).

UK Restructuring

- UK restructuring charges of £1,584,000 (2023: £nil) relating to the consolidation of the Group's South Wales activities into its Newport manufacturing site consist of employee-related costs of £447,000 (2023: £nil), site decommissioning costs of £897,000 (2023: £nil), non-cash property, plant and equipment asset impairments of £343,000 (2023: £nil) and profit on disposal of PPE of £103,000 (2023: £nil).

Asian Restructuring

- Taiwanese restructuring charges of £155,000 (2023: £nil) consist of legal and professional fees relating to the dual track IPO or sale of the Group's Taiwanese manufacturing operations.

- Singapore restructuring credit of £19,000 (2023: £nil) relates to certain final cash receipts linked to the voluntary liquidation of the Group's Singapore subsidiaries, where manufacturing operations ceased in June 2022.

Gain on deemed disposal of joint venture

Gain on acquisitions of £nil (2023: £2,419,000) relates to the gain recognised on acquisition of the remaining shares in the Group's joint venture, CSC, in 2023 increasing its shareholding to 100%.

5. Adjusted performance measures ('APM') continued

Cash impact of adjusting items

The cash impact of adjusting items is set out below:

Cash Impact	Cash from operations £'000	Investing activities £'000	2024 Total £'000	Cash from operations £'000	Investing activities £'000	2023 Total £'000
Reported cash flows	2,472	(10,194)	(7,722)	10,074	–	10,074
Share-based payments – social security	123	–	123	–	–	–
CEO recruitment	–	–	–	463	–	463
CEO severance	196	–	196	–	–	–
CFO severance & recruitment	–	–	–	454	–	454
Onerous contract	394	–	394	256	–	256
Restructuring	4,092	(4,828)	(736)	4,497	–	4,497
Total adjusted items	**4,805**	**(4,828)**	**(23)**	**5,670**	**–**	**5,670**
Adjusted cash flows	**7,277**	**(15,022)**	**(7,745)**	**15,744**	**–**	**15,744**

Onerous contract

Onerous contract cash flows reflect royalty payments relating to the Group's cREO™ technology where development activity ceased in prior periods totals £394,000 (2023: £256,000).

Restructuring

Cash generated in the year from the restructuring of the Group's Executive Leadership Team and the consolidation of the Group's US, UK and Asian manufacturing operations totalled £736,000 (2023: £4,497,000 cash defrayed)

Group Restructuring

- Cash costs defrayed of £64,000 (2023: £nil) consist of employee-related costs related to the restructuring of the Group's Executive Leadership Team following the departure of the former CEO. Cash costs of £1,290,000 in 2023 related to employee costs and redundancies associated with a group-wide restructuring programme.

US Restructuring

- Cash costs relating to the closure of the Group's manufacturing facility in Pennsylvania total £6,856,000 (2023: £4,037,000) of which, £2,820,000 (2023: £3,087,000) has been defrayed in the current period. Cash proceeds on disposal of PPE is included in investing activities and totals £4,061,000 (2023: £nil) in the year.

UK Restructuring

- Cash costs relating to the consolidation of the Group's South Wales activities into its Newport manufacturing site total £1,072,000 (2023: £nil). Cash proceeds on disposal of property, plant and equipment is included in investing activities and totals £767,000 (2023: £nil) in the year.

Asian Restructuring

- Cash costs relating to the dual track IPO or sale of the Group's Taiwanese manufacturing operations total £155,000 (2023: £nil)

- Final cash receipts linked to the voluntary liquidation of the Group's Singapore subsidiaries, where manufacturing operations ceased in June 2022 total £19,000.

Adjustments to net debt

Adjusted net debt	2024 £'000	2023 £'000
Net debt (note 29)	(69,330)	(48,528)
Lease liabilities due after one year	44,872	40,435
Lease liabilities due within one year	5,658	5,865
Adjusted net debt	**(18,800)**	**(2,228)**

6. Operating loss

	2024 £'000	2023 £'000
The operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment	16,552	13,186
Depreciation of right-of-use assets	3,791	3,790
Amortisation of intangible assets	6,390	7,688
Gain on remeasurement of right-of-use asset	(202)	–
Services provided by auditors	821	830
Expenses relating to variable lease payments not included in the measurement of the lease liability	66	4,818
Research and development (net)	4,489	1,823
Exchange gains	(511)	(1,108)
Cost of raw materials consumed	45,255	43,412
Profit on disposal of PPE*	(62)	(152)
Adjusted items (see note 5)	14,601	5,580
Share-based payments	2,971	2,520
Share-based payments – CEO & CFO recruitment	203	45
CEO recruitment	307	300
CEO severance	416	–
CFO severance & recruitment	–	454
Gain on deemed disposal of JV	–	(2,419)
Wireless CGU impairment	3,066	–
Restructuring	7,638	4,680

* Excludes the adjustment for profit on disposal of PPE relating to restructuring which is separately disclosed as part of the Group's adjusted items.

Expenses relating to variable lease payments not included in the measurement of the lease liability principally relate to the variable cash costs of production based on usage that were payable to the Group's joint venture, CSC, associated with the Group's right-of-use of the joint venture's assets. The Group acquired its joint venture, CSC, on 22 September 2023.

	2024 £'000	2023 £'000
Services provided by auditors		
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	720	671
Additional fees payable in relation to the audit of the parent company and consolidated financial statements for the year ended 31 December 2023	25	–
Additional fees payable in relation to the audit of the parent company and consolidated financial statements for the year ended 31 December 2022	–	134
Fees payable to the Company's auditor and its associates for other services:		
• Audit of the Company's subsidiaries	25	25
• Audit-related assurance services	51	–
Total KPMG LLP (Group auditors)	**821**	**830**

7. Employee costs

	2024 £'000	2023 £'000
Employee costs (including Directors' remuneration)		
Wages and salaries	30,012	33,960
Social security costs	3,364	3,566
Other pension costs	2,096	2,024
Share-based payments	3,174	2,565
	38,646	**42,115**

	2024 Number	2023 Number
Average number of employees (including Directors)		
Manufacturing	396	446
Selling, general and administrative	121	131
	517	**577**

Directors' emoluments, share options and other long-term incentive plan details, including details of all outstanding options and long-term incentive awards, and the value of Director pension contributions paid, are set out in the Remuneration Report where the relevant disclosures have been highlighted as audited.

Key management within the Group comprises members of the Executive Leadership Team and Non-Executive Directors. Compensation to key management in 2024 totalled £4,151,000 (2023: £4,212,000), consisting of emoluments and other benefits in kind of £4,023,000 (2023: £4,106,000) and pension contributions of £128,000 (2023: £106,000). The charge for share-based payment awards to key management totalled £1,007,000 (2023: £1,001,000). A charge for termination costs payable to key management who have left the business totalled £628,000 (2023: £424,000).

8. Finance costs

	2024 £'000	2023 £'000
Bank and other loans	(2,293)	(1,810)
Interest expense on lease liabilities	(1,654)	(1,222)
	(3,947)	**(3,032)**

9. Taxation

Income tax expense	2024 £'000	2023 £'000
Current tax on profits for the year	1,106	1,112
Total current tax charge	**1,106**	**1,112**
Origination and reversal of temporary differences	85	(407)
Adjustment in respect of prior years	82	(138)
Total deferred tax charge/(credit)	**167**	**(545)**
Total tax charge	**1,273**	**567**

The tax on the Group's loss before tax differs from the theoretical amount that would arise from applying the standard rate of corporation tax in the UK of 25.0% (2023: 23.5%) as follows:

	2024 £'000	2023 £'000
Loss on ordinary activities before taxation	(36,905)	(28,811)
Tax credit at 25.0% thereon (2023: 23.5%)	(9,226)	(6,771)
Effects of:		
Expenses not deductible for tax purposes	1,241	2,366
Overseas tax rate differences	(28)	(126)
Temporary differences for which no deferred tax asset was recognised	8,566	4,787
Share option schemes	638	449
Adjustments in respect of prior years	82	(138)
Total tax charge for the year	**1,273**	**567**

Recognition of deferred tax assets is based on an assessment of future cash flow forecasts and the associated profitability of the Group's operations, an assessment which has restricted the ability of the Group to recognise deferred tax assets for UK, US and Singapore trading losses.

Deferred tax asset recognition has been restricted in the UK and US to reflect future forecast profitability, an assessment that includes the impact of the continuation of weak customer demand as market recovery is forecast to remain subdued in certain key sectors following the global semiconductor industry downturn. As a result, lower utilisation of UK and US deferred tax assets is projected, which has restricted the ability to recognise deferred tax assets for current year losses.

Deferred tax asset recognition has not been recognised in Singapore due to the closure of the manufacturing site in 2022.

The share option schemes amount shown above represents the change in the expected tax impact on the exercise of options, principally reflecting the reduction in future corporation tax deductions associated with a movement in the number of options where performance criteria are expected to be achieved and a reduction in the Group share price.

The Group's results report certain financial measures after a number of adjusted items with a tax impact of £157,000 (2023: £192,000) as detailed in note 5. The tax impact of adjusted items, excluding share-based payments, is £nil due to the restricted recognition of deferred tax assets.

Deferred tax is measured at the tax rates that are expected to apply in the relevant territory in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been substantively enacted at the balance sheet date.

Any closing UK deferred tax asset or liability in the financial statements has been recognised in accordance with the rate enacted as part of the Finance Act 2021 with any timing differences recognised at a corporation tax rate of 25%.

Amounts recognised directly in equity	2024 £'000	2023 £'000
Aggregate current and deferred tax arising in the period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: Share options	(33)	(142)
Total tax charge to equity for the year	**(33)**	**(142)**

10. Deferred Taxation

Deferred tax	2024 £'000	2023 £'000
At 1 January	(604)	(1,065)
Income statement credit recognised in the year	(167)	545
Tax charge recognised directly in equity	(33)	(142)
Exchange differences	30	58
At 31 December	**(774)**	**(604)**

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group

Deferred tax liabilities	Right of Use Asset £'000	Accelerated Capital Allowances £'000	Intangibles £'000	Total £'000
At 1 January 2023	**(10,128)**	**(12,454)**	**(3,183)**	**(25,765)**
(Charge)/credit to income statement	708	968	(29)	1,647
Exchange differences	139	223	42	404
At 31 December 2023	**(9,281)**	**(11,263)**	**(3,170)**	**(23,714)**
(Charge)/credit to income statement	(1,014)	(355)	1,491	122
Exchange differences	(88)	40	18	(30)
At 31 December 2024 before set-off	**(10,383)**	**(11,578)**	**(1,661)**	**(23,622)**
Set-off of tax*				22,848
At 31 December 2024 after set-off				**(774)**

Deferred tax assets	Leases £'000	Tax Losses £'000	Other £'000	Total £'000
At 1 January 2023	**12,479**	**11,798**	**423**	**24,700**
Charged to income statement	(957)	(761)	616	(1,102)
Charged to equity	–	–	(142)	(142)
Exchange differences	(146)	(186)	(14)	(346)
At 31 December 2023	**11,376**	**10,851**	**883**	**23,110**
Charged to income statement	686	(729)	(246)	(289)
Charged to equity	–	–	(33)	(33)
Exchange differences	85	–	(25)	60
At 31 December 2024 before set-off	**12,147**	**10,122**	**579**	**22,848**
Set-off of tax*				(22,848)
At 31 December 2024 after set-off				**–**

* Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits from the same trade is probable. The Group assesses future forecast taxable profit as probable by reference to Board-approved five-year cashflow forecasts consistent with the underlying cashflow forecasts used in the Group's goodwill impairment review. Any potential deferred tax asset assessed by reference to the level of future forecast taxable profit over this five-year period has, in the current year, been restricted to the extent of taxable temporary differences due to the Group's current financial performance and recent history of taxable losses in its UK, US and Singapore operations.

The Group did not recognise deferred tax assets of £60,209,000 (2023: £52,968,000) in respect of tax losses amounting to £256,787,000 (2023: £228,197,000) that can be carried forward against future taxable income.

The Group did not recognise other deferred tax assets of £7,723,000 (2023: £3,816,000) in respect of other carried forward temporary timing differences relating to certain US accelerated capital allowances, interest restrictions and R&D restrictions and UK notional tax credits associated with the Groups R&D Expenditure Credit Scheme (RDEC) claims amounting to £24,148,000 (2023: 8,967,000).

Tax losses in the UK totalling £173,474,000 (2023: £135,278,000) have no date of expiry. Tax losses in Singapore totalling £39,287,000 (2023: £39,713,000) have no date of expiry. Tax losses in the US can be carried forward against future

taxable income for 20 years before expiring. Of the Group's total US tax losses of £84,514,000 (2023: £96,858,000) losses amounting to £16,090,426 expire within 5 years, £34,592,000 expire within 6-10 years, £11,024,000 expire within 11-15 years and £22,809,000 may be carried forward indefinitely.

Deferred tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested. Unremitted Taiwanese earnings total £34,365,000 (2023: £32,471,000). Tax credits in relation to claims made under the R&D Expenditure Credit Scheme (RDEC) in the UK are recognised within operating loss. Tax credits of this nature total £1,528,000 (2023: £1,914,000).

Company

Deferred tax assets	Tax Losses £'000	Share Options £'000	Other Timing Differences £'000	Total £'000
At 1 January 2023	744	72	(816)	–
(Charged)/credited to income statement	777	19	(794)	2
Charged to equity	–	(2)	–	(2)
At 31 December 2023	**1,521**	**89**	**(1,610)**	**–**
(Charged)/credited to income statement	263	61	(324)	–
Charged to equity	–	–	–	–
At 31 December 2024	**1,784**	**150**	**(1,934)**	**–**

The Company did not recognise deferred tax assets of £7,568,000 (2023: £6,511,000) in respect of tax losses amounting to £30,273,000 (2023: £26,043,000) that can be carried forward against future taxable income. The Company did not recognise other deferred tax assets of £39,000 (2023: £39,000) in respect of UK notional tax credits associated with R&D Expenditure Credit Scheme (RDEC) claims.

11. Dividends

No dividend has been paid or proposed in 2024 (2023: £nil).

12. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of shares and the dilutive effect of 'in the money' share options in issue. Share options are classified as 'in the money' if their exercise price is lower than the average share price for the year. As required by IAS 33, this calculation assumes that the proceeds receivable from the exercise of 'in the money' options would be used to purchase shares in the open market in order to reduce the number of new shares that would need to be issued.

The Directors also present an adjusted earnings per share measure which eliminates certain adjusted items. The Directors believe that the adjusted earnings per share measure provides a useful comparison of performance and allows management and other stakeholders to better compare the performance of the Group between the current and prior year, excluding the effects of certain non-cash charges, non-operational items and significant infrequent items that would distort period on period comparability. The adjustments are detailed in note 5.

	2024 £'000	2023 £'000
Loss attributable to ordinary shareholders	(38,178)	(29,378)
Adjustments to loss after tax (note 5)	14,444	5,388
Adjusted loss attributable to ordinary shareholders	**(23,734)**	**(23,990)**

	2024 Number	2023 Number
Weighted average number of ordinary shares	964,315,248	896,744,318
Dilutive share options	14,291,760	10,155,464
Adjusted weighted average number of ordinary shares	**978,607,008**	**906,899,782**
Adjusted basic loss per share	(2.46p)	(2.68p)
Basic loss per share	(3.96p)	(3.28p)
Adjusted diluted loss per share	(2.46p)	(2.68p)
Diluted loss per share	(3.96p)	(3.28p)

13. Intangible assets

Group	Goodwill £'000	Patents £'000	Development costs £'000	Software £'000	Customer contracts £'000	Total £'000
Cost						
At 1 January 2024	68,186	8,318	91,662	16,449	1,490	186,105
Additions	–	163	1,877	1,419	–	3,459
Foreign exchange	1,202	5	941	16	–	2,164
At 31 December 2024	**69,388**	**8,486**	**94,480**	**17,884**	**1,490**	**191,728**
Accumulated amortisation and impairment						
At 1 January 2024	60,787	7,355	72,599	9,181	805	150,727
Charge for the year	–	290	5,084	331	685	6,390
Impairment	–	59	3,407	306	–	3,772
Foreign exchange	1,018	1	862	8	–	1,889
At 31 December 2024	**61,805**	**7,705**	**81,952**	**9,826**	**1,490**	**162,778**
Net book value						
At 31 December 2024	**7,583**	**781**	**12,528**	**8,058**	**–**	**28,950**
At 31 December 2023	7,399	963	19,063	7,268	685	35,378

Group	Goodwill £'000	Patents £'000	Development costs £'000	Software £'000	Customer contracts £'000	Total £'000
Cost						
At 1 January 2023	72,128	8,860	92,271	13,882	8,330	195,471
Additions	–	124	2,852	2,643	–	5,619
Acquired through business combination	204	–	–	–	1,490	1,694
Disposals	–	(651)	–	–	(8,029)	(8,680)
Foreign exchange	(4,146)	(15)	(3,461)	(76)	(301)	(7,999)
At 31 December 2023	**68,186**	**8,318**	**91,662**	**16,449**	**1,490**	**186,105**
Accumulated amortisation and impairment						
At 1 January 2023	64,472	7,852	69,303	8,500	8,330	158,457
Charge for the year	–	167	5,996	720	805	7,688
Disposals	–	(651)	–	–	(8,029)	(8,680)
Foreign exchange	(3,685)	(13)	(2,700)	(39)	(301)	(6,738)
At 31 December 2023	**60,787**	**7,355**	**72,599**	**9,181**	**805**	**150,727**
Net book value						
At 31 December 2023	**7,399**	**963**	**19,063**	**7,268**	**685**	**35,378**
At 31 December 2022	7,656	1,008	22,968	5,382	–	37,014

Customer contract intangible assets relate to customer contracts acquired as part of business combinations.

The amortisation charge of £6,390,000 (2023: £7,688,000) has been classified within 'selling, general and administrative expenses' in the Consolidated Income Statement. Development costs include £4,054,000 (2023: £2,992,000) and Software costs include £nil (2023: £6,722,000) of assets not subject to amortisation.

Development cost impairment charges of £3,772,000 incorporate £2,887,000 of charges relating to the impairment of Dilute Nitride technology development costs where the Group has taken the decision to discontinue the development and commercialisation of the technology given the current lack of visibility over the timeline to commercialisation of the technology. The net book value of the assets has been impaired to £nil with the charge recognised in 'Impairment loss on intangible assets' in the Consolidated Income Statement. The remaining charge of £885,000 relates to the impairment of the Group's US related wireless CGU assets (see note 13).

Impairment tests for goodwill

Goodwill is tested for impairment annually and whenever there is an indication of impairment at the level of the CGU to which it is allocated. Multiple production facilities and production assets are included in a single CGU reflecting that production can (and is) transferred between sites and production assets for different operating segments to suit capacity planning and operational efficiency. Given the interdependency of facilities and production assets, goodwill is tested for impairment by grouping operational sites and production assets into CGUs based on type of production. Corporate assets are allocated to CGUs in proportion to the utilisation of production assets and facilities by each CGU.

	2024 Cost £'000	**2024 Impairment £'000**	**2024 Foreign exchange £'000**	**2024 NBV £'000**	2023 Cost £'000	2023 Acquired on business combination £'000	2023 Foreign exchange £'000	2023 NBV £'000
Allocation of goodwill by CGU								
Wireless	–	–	–	–	–	–	–	–
Photonics	7,399	–	184	7,583	7,656	204	(461)	7,399
Total Goodwill	**7,399**	**–**	**184**	**7,583**	**7,656**	**204**	**(461)**	**7,399**

The recoverable amount of the CGUs has been determined based on value in use calculations, using cash flow projections for a five-year period plus a terminal value based upon a long-term growth rate of 2% (2023: 2%) in line with The Bank of England's and the US Federal Reserve's monetary policy 2% inflation target.

Value in use calculations are based on the Group's Board-approved 2025 budget and latest five-year cash flow forecasts which have been risk adjusted and adjusted to exclude the impact of expansionary capital expenditure and certain linked earnings and cash flows. The Group has continued to experience weak customer demand and low customer orders following the global semiconductor industry downturn as market recovery has been slower than anticipated in key sectors, driven primarily by weak consumer demand in end markets. Revenue assumptions in year 1 reflect modest mid-single digit percentage year-on-year growth. Revenue assumptions for years 2, 3, 4 and 5 incorporate a combination of market penetration and new business assumptions and business segment growth that takes account of industry trends and external market research.

Within the 2024 value in use calculations, risk adjustments have been factored directly into the 5-year cashflows. In 2023, this risk adjusted was reflected within the discount rate utilised. The calculation of the recoverable amount of each CGU in the value in use calculations is sensitive to small changes in the following key assumptions applied in the 2024 cash flow forecast:

2024	**Year 1 %**	**Year 2 %**	**Year 3 %**	**Year 4 %**	**Year 5 %**	**5 Year CAGR %**
Unadjusted discount rate	16.8%	16.8%	16.8%	16.8%	16.8%	N/A
Photonics revenue growth rate	Adjusted Board - approved forecast*	15.9%	18.7%	10.8%	9.8%	18.7%
Wireless revenue growth rate	Adjusted Board - approved forecast*	22.8%	23.6%	13.7%	7.6%	9.5%

* Adjusted Board approved forecast relates to the Group's Board approved 2025 budget and latest five year cash flow forecasts adjusted to exclude earnings and cash flows associated with expansionary capital expenditure

2023	Year 1 %	Year 2 %	Year 3 %	Year 4 %	Year 5 %	5 Year CAGR %
Risk adjusted discount rate	18.5%	18.5%	18.5%	18.5%	18.5%	N/A
Photonics growth rate	Adjusted Board approved forecast*	Adjusted Board approved forecast*	8.6%	17.6%	11.9%	20.2%
Wireless growth rate	Adjusted Board approved forecast*	Adjusted Board approved forecast*	7.2%	4.8%	4.2%	18.5%

The assumptions and growth rates contained in the Group's value in use calculations have been updated in 2024. The updated cashflow forecasts reflect latest industry trends and external market research and a slower market recovery in key sectors following the industry-wide semiconductor downturn compared to the assumptions contained in the Group' prior year value in use calculations. The value in use calculations comprise revenue, material costs and site manufacturing labour and overhead cost forecasts that have been assessed and updated by reference to a combination of customer and supplier specific information and a combination of market penetration and new business assumptions combined with business segment growth rates that take account of industry trends and external market research market growth assumptions.

13. Intangible assets continued

Photonics CGU

The recoverable amount of the Photonics CGU of £121,751,000, determined based on value in use calculations is greater than the carrying amount (£121,196,000) of the associated intangible assets, property, plant and equipment, right-of-use assets and working capital allocated to the CGU such that no impairment of Photonics CGU assets has been identified.

The Group has carried out a sensitivity analysis on the impairment test for the Photonics CGU, using various reasonably plausible scenarios focused on changes in business segment growth rates and changes in the discount rate applied in the value in use calculations.

- Growth rates in the value in use calculations take account of continuing market demand for compound semiconductors and associated technology advancement, driven by macro trends of 5G and connected devices, and the increasing proliferation of 3D and advanced sensing end user applications that require enabling compound semiconductor material. If the aggregated compound annual revenue growth rate used in the value in use calculations to determine the recoverable amount was to decrease by 1% the magnitude of the adverse impact on the recoverable amount of Photonics CGU non-current assets would be £8,828,000.
- If the aggregated compound annual revenue growth rate used in the value in use calculations to determine the recoverable amount was to decrease by 0.1%, this would eliminate all the headroom in the value in use calculation.
- If the discount rate used in the value in use calculations to determine the recoverable amount was to increase by 0.5%, the magnitude of the adverse impact on the recoverable amount of Photonics CGU non-current assets would be £5,112,000.
- If the discount rate used in the value in use calculations to determine the recoverable amount was to increase by 0.1%, this would eliminate all the headroom in the value in use calculation.

Wireless CGU

The recoverable amount of the Wireless CGU of £88,341,000 determined based on value in use calculations is lower than the carrying amount (£91,375,000) of the associated intangible assets, property, plant and equipment, right-of-use assets and working capital allocated to the CGU such that an impairment of Wireless CGU assets has been identified. The impairment has arisen as a result of weak customer demand and lower customer orders in the wireless sector as market recovery has been slower than anticipated.

The non-cash impairment loss of £3,066,000 relates to the Group's US related wireless assets and has been allocated to the relevant US based intangible and tangible assets which has resulted in a non-cash intangible asset impairment charge of £885,000 and a non-cash property, plant and equipment impairment charge of £2,181,000.

The Group has carried out a sensitivity analysis on the impairment test for the Wireless CGU, using various reasonably plausible scenarios focused on changes in business segment growth rates, direct wafer product margins and changes in the discount rate applied in the value in use calculations.

- Growth rates in the value in use calculations take account of continuing market demand for compound semiconductors and associated technology advancement, driven by macro trends of 5G and connected devices where 5G network infrastructure and 5G mobile handsets are being enabled by next generation wireless compound semiconductor material. If the aggregated compound annual revenue growth rate used in the value in use calculations to determine the recoverable amount was to decrease by 1% the impact on the impairment charge would be to increase the charge by £6,606,000.
- If the discount rate used in the value in use calculations to determine the recoverable amount was to increase by 0.5%, the impact on the impairment charge would be to increase the charge by £3,457,000.

Company	Patents £'000	Software £'000	Total £'000
Cost			
At 1 January 2024	7,839	7,643	15,482
Additions	163	1,419	1,582
At 31 December 2024	**8,002**	**9,062**	**17,064**
Accumulated amortisation			
At 1 January 2024	6,993	825	7,818
Charge for the year	265	181	446
Impairment	59	–	59
At 31 December 2024	**7,317**	**1,006**	**8,323**
Net book value			
At 31 December 2024	**685**	**8,056**	**8,741**
At 31 December 2023	846	6,818	7,664

Company	Patents £'000	Software £'000	Total £'000
Cost			
At 1 January 2023	7,715	5,000	12,715
Additions	124	2,643	2,767
At 31 December 2023	**7,839**	**7,643**	**15,482**
Accumulated amortisation			
At 1 January 2023	6,782	618	7,400
Charge for the year	211	207	418
At 31 December 2023	**6,993**	**825**	**7,818**
Net book value			
At 31 December 2023	**846**	**6,818**	**7,664**
At 31 December 2022	933	4,382	5,315

14. Property, plant and equipment

Group	Land and buildings £'000	Short leasehold improvements £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2024	13,364	37,888	16,681	212,572	280,505
Additions	–	58	73	7,765	7,896
Disposals	–	(4,650)	(1,203)	(31,292)	(37,145)
Transfer to assets held for resale	–	–	–	(939)	(939)
Foreign exchange	(270)	776	(532)	(64)	(90)
At 31 December 2024	**13,094**	**34,072**	**15,019**	**188,042**	**250,227**
Accumulated depreciation					
At 1 January 2024	5,705	23,388	8,161	113,698	150,952
Charge for the year	707	3,474	933	11,438	16,552
Disposals	–	(4,650)	(1,203)	(29,427)	(35,280)
Impairment	–	916	–	3,699	4,615
Transfer to assets held for resale	–	–	–	(819)	(819)
Foreign exchange	(67)	538	(159)	221	533
At 31 December 2024	**6,345**	**23,666**	**7,732**	**98,810**	**136,553**
Net book value					
At 31 December 2024	**6,749**	**10,406**	**7,287**	**89,232**	**113,674**
At 31 December 2023	7,659	14,500	8,520	98,874	129,553

Property, plant and equipment includes assets in the course of construction with a net carrying value of £7,831,000 (2023: £28,983,000).

Group	Land and buildings £'000	Short leasehold improvements £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2023	18,916	35,550	15,705	210,513	280,684
Additions	–	3,534	1,876	13,812	19,222
Acquired through business combination	–	–	37	3,493	3,530
Transfer to assets held for resale	(5,086)	–	–	–	(5,086)
Other transfers	–	672	–	(3,355)	(2,683)
Disposals	–	–	(174)	(2,722)	(2,896)
Foreign exchange	(466)	(1,868)	(763)	(9,169)	(12,266)
At 31 December 2023	**13,364**	**37,888**	**16,681**	**212,572**	**280,505**
Accumulated depreciation					
At 1 January 2023	7,720	21,408	7,712	116,789	153,629
Charge for the year	941	2,997	940	8,308	13,186
Transfer to assets held for resale	(2,812)	–	–	–	(2,812)
Other transfers	–	–	–	(3,191)	(3,191)
Disposals	–	–	(174)	(2,321)	(2,495)
Foreign exchange	(144)	(1,017)	(317)	(5,887)	(7,365)
At 31 December 2023	**5,705**	**23,388**	**8,161**	**113,698**	**150,952**
Net book value					
At 31 December 2023	**7,659**	**14,500**	**8,520**	**98,874**	**129,553**
At 31 December 2022	11,196	14,142	7,993	93,724	127,055

Other transfers relate to a reclassification of inventory to tangible fixed assets of £nil (2023: £508,000) and reclassifications between cost and accumulated depreciation totalling £nil (2023: £3,191,000) within short leasehold improvements and plant and machinery. The reclassifications had no impact on net assets, loss after tax or total cash flow for 2023.

Property, plant and machinery impairment charges of £4,615,000 incorporates £2,434,000 relating to the impairment of certain specific redundant plant and machinery assets linked to the restructuring of the Group's US operations. The net book value of the assets has been impaired to £nil with the charge recognised in 'Impairment loss on property, plant and equipment' in the Consolidated Income Statement. The remaining charge of £2,181,000 relates to the impairment of the Group's US related wireless CGU assets (see note 13).

Company	Fixtures and fittings £'000
Cost	
At 1 January 2024	190
Additions	1
Disposals	(2)
At 31 December 2024	**189**
Accumulated depreciation	
At 1 January 2024	173
Charge for the year	11
Disposals	–
At 31 December 2024	**184**
Net book value	
At 31 December 2024	**5**
At 31 December 2023	17

Company	Fixtures and fittings £'000
Cost	
At 1 January 2023	538
Additions	3
Disposals	(351)
At 31 December 2023	**190**
Accumulated depreciation	
At 1 January 2023	149
Charge for the year	24
Disposal	–
At 31 December 2023	**173**
Net book value	
At 31 December 2023	**17**
At 31 December 2022	389

15. Right-of-use assets

Group	Land and buildings £'000	Fixtures and Fittings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2024	54,978	81	735	55,794
Modifications/remeasurements	7,256	3	493	7,752
Foreign exchange	460	3	10	473
At 31 December 2024	**62,694**	**87**	**1,238**	**64,019**
Accumulated depreciation				
At 1 January 2024	17,188	17	694	17,899
Charge for the year	3,627	18	146	3,791
Impairment	31	–	–	31
Foreign exchange	87	1	–	88
At 31 December 2024	**20,933**	**36**	**840**	**21,809**
Net book value				
At 31 December 2024	**41,761**	**51**	**398**	**42,210**
At 31 December 2023	37,790	64	41	37,895

Group	Land and buildings £'000	Fixtures and Fittings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2023	55,064	26	782	55,872
Additions	798	62	–	860
Disposals	–	(4)	–	(4)
Foreign exchange	(884)	(3)	(47)	(934)
At 31 December 2023	**54,978**	**81**	**735**	**55,794**
Accumulated depreciation				
At 1 January 2023	13,856	12	572	14,440
Charge for the year	3,620	10	160	3,790
Disposals	–	(4)	–	(4)
Foreign exchange	(288)	(1)	(38)	(327)
At 31 December 2023	**17,188**	**17**	**694**	**17,899**
Net book value				
At 31 December 2023	**37,790**	**64**	**41**	**37,895**
At 31 December 2022	41,208	14	210	41,432

Modifications and remeasurements during the year primarily relate to adjustments in lease payments and lease term extensions. The total impact on right-of-use assets was £7,752,000 (2023: £nil) with corresponding changes in lease liabilities.

16. Investments

Company	Investments in subsidiaries £'000	Total £'000
Cost		
At 1 January 2024	126,006	126,006
Subsidiaries share-based payments charge	2,348	2,348
At 31 December 2024	**128,354**	**128,354**
Provisions for impairment		
At 1 January 2024	65,837	65,837
Impairment	506	506
Reversal of impairment	(18,597)	(18,597)
At 31 December 2024	**47,746**	**47,746**
Net book value		
At 31 December 2024	**80,608**	**80,608**
At 31 December 2023	60,169	60,169

Company	Investments in subsidiaries £'000	Total £'000
Cost		
At 1 January 2023	124,458	124,458
Subsidiaries share-based payments charge	1,548	1,548
At 31 December 2023	**126,006**	**126,006**
Provisions for impairment		
At 1 January 2023	48,210	48,210
Impairment charge	17,627	17,627
At 31 December 2023	**65,837**	**65,837**
Net book value		
At 31 December 2023	**60,169**	**60,169**
At 31 December 2022	76,248	76,248

Details of the Company's subsidiaries are set out in note 30.

Investments are reviewed for impairment trigger events annually. This review includes a qualitative assessment of the business performance of each investment and a quantitative assessment of any potential impact on the carrying value of each investment arising from the results of the Group's value in use calculations prepared as part of the Group's goodwill impairment review.

The Group's value in use calculations prepared as part of the Group's goodwill impairment review has identified an impairment reversal for the Company's investment in its sub-group headed by Wafer Technology International Limited and an impairment trigger event for the Company's investment in its sub-group headed by EPI Holdings Limited.

A reversal of impairment has been recognised for the Company's investment in its sub-group, headed by Wafer Technology International Limited. The impairment was originally recognised following a decline in forecast future profitability of the business, a position that has changed in the current year where improvement in forecasted future profitability, assessed by reference to the Group's 2024 value in use cash flow forecasts has resulted in a £18,597,000 (2023: £15,239,000 impairment charge) reversal of impairment in the Company's investment in its Wafer Technology sub-group.

An impairment trigger event was identified for the Company's investment in its sub-group, headed by EPI Holdings Limited, primarily as a result of a forecast decline in future profitability of the subsidiary, IQE (Europe) Limited, linked to the Group's restructuring activity and the decision to commence the consolidation of its South Wales activities into its Newport site. The decline in forecast future profitability, assessed by reference to the Group's 2024 value in use cash flow forecasts resulted in an impairment of £506,000 (2023: £2,388,000) of the investment in the EPI Holdings sub-group.

17. Inventories

Group	2024 £'000	2023 £'000
Raw materials and consumables	13,228	17,796
Work-in-progress and finished goods	6,781	6,781
	20,009	**24,577**

The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above. The carrying values are stated net of impairment provisions of £11,270,000 (2023: £13,638,000). £391,000 (2023: £522,000) of inventories were written down during 2024 and an expense recognised in the income statement.

18. Trade and other receivables

Current	2024 Group £'000	2024 Company £'000	2023 Group £'000	2023 Company £'000
Trade receivables	19,567	–	15,421	–
Other receivables	1,420	701	2,894	121
Contract assets	14,061	–	16,349	–
Prepayments	2,376	935	3,556	2,096
	37,424	**1,636**	**38,220**	**2,217**

Non-current	2024 Group £'000	2024 Company £'000	2023 Group £'000	2023 Company £'000
Amounts owed by Group undertakings	–	118,032	–	165,422
	–	**118,032**	**–**	**165,422**

Contract assets relate to bespoke manufactured customer products where the Group has a guaranteed contractual right of payment. Contract assets are transferred to receivables at the point that manufactured products are delivered to customers, except for supplier managed inventory arrangements where contract assets are transferred to receivables from the earlier of a specified contractual date following delivery or when the product is drawn from inventory by the customer. All contract assets from 2023, excluding a balance of £431,000, have been transferred to receivables during 2024.

Other receivables include £1,146,000 (2023: £1,074,000) of tax receivables.

Amounts owed by Group undertakings are unsecured and repayable on demand but expected to be paid in over 12 months. Interest is charged at a rate of 5% per annum (2023: 5% per annum).

The estimated fair values of trade receivables, other receivables, contract assets and amounts owed by Group undertakings are set out in note 23.

19. Assets held for resale

Current	2024 Group £'000	2024 Company £'000	2023 Group £'000	2023 Company £'000
Property, plant and equipment held for resale	120	–	2,274	–
	120	**–**	**2,274**	**–**

Assets held for resale at 31 December 2024 relate to certain specific plant and machinery where the Group has entered into a commitment to sell the plant and machinery as part of the restructuring of its US operations.

Manufacturing activity at the Group's Pennsylvania site ceased in 2023 with a committed management plan to sell the site and associated freehold property following completion of all site decommissioning activities. The freehold property was held as an asset held for resale in 2023 and was sold in 2024 for net proceeds of £4,062,000.

20. Trade and other payables

Current	2024 Group £'000	2024 Company £'000	2023 Group £'000	2023 Company £'000
Trade payables	8,659	562	15,243	1,306
Amounts owed by Group undertakings	–	28,507	–	24,068
Other taxation and social security	500	1,310	377	70
Other payables	9,249	6,667	11,137	3,195
Accruals and deferred income	15,825	2,991	15,750	8,554
Deferred consideration	172	–	65	–
	34,405	**40,037**	**42,572**	**37,193**

Accruals and deferred income include contract liabilities of £2,088,000 (2023: £618,000). Contract liabilities relate to advance payments received from customers for services/products expected to be delivered in the next 12 months. All contract liabilities from 2023 have been recognised as revenue during 2024.

Amounts owed to group undertakings are unsecured and repayable on demand. Interest is charged at a rate of 5% per annum (2023: 5% per annum).

Non-Current	2024 Group £'000	2024 Company £'000	2023 Group £'000	2023 Company £'000
Deferred consideration	2,035	–	2,208	–
	2,035	**–**	**2,208**	**–**

Deferred consideration of £2,207,000 (2023: £2,273,000) is payable to Cardiff University in relation to the acquisition of CSC in instalments over a period up to 1 January 2029.

21. Borrowings

	2024 Group £'000	2024 Company £'000	2023 Group £'000	2023 Company £'000
Non-current borrowings				
Bank borrowings	23,460	23,460	3,692	3,692
Lease liabilities	44,872	–	40,435	–
	68,332	**23,460**	**44,127**	**3,692**
Current borrowings				
Bank borrowings	–	–	4,153	857
Lease liabilities	5,658	–	5,865	–
	5,658	**–**	**10,018**	**857**
Total borrowings	**73,990**	**23,460**	**54,145**	**4,549**

Bank Borrowings	2024 Group £'000	2024 Company £'000	2023 Group £'000	2023 Company £'000
Bank borrowings fall due for repayment as follows				
Within one year	–	–	4,153	857
Between one and five years	23,460	23,460	3,692	3,692
	23,460	**23,460**	**7,845**	**4,549**

On 17 May 2023, the Company refinanced its £28,000,000 ($35,000,000) multi-currency revolving credit facility, provided by HSBC Bank plc. The refinancing has been treated as a debt modification. The facility is secured on the assets of IQE plc and its subsidiary companies with a committed term to 1 May 2026. Interest on the facility is payable at a margin of between 2.50 and 3.50% per annum over SONIA on any drawn balances and the facility was subject to quarterly leverage and Interest cover covenant tests up until 10 March 2025 when the Group negotiated a Deed of Amendment and Restatement to the facility which replaced the leverage and interest cover financial covenants with minimum adjusted EBITDA and minimum liquidity covenants.

The Group obtained a formal waiver pre-year end of its 31 December 2024 covenant tests from HSBC Bank plc. The Group has complied with all the financial covenants of its borrowing facilities during 2024 and 2023.

21. Borrowings continued

Lease liabilities	2024 £'000	2023 £'000
Lease liabilities fall due for repayment as follows		
Within one year	5,658	5,865
Between one and five years	32,054	36,007
After five years	12,818	4,428
	50,530	**46,300**

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. Lease liabilities principally relate to property.

22. Provisions for other liabilities and charges

Group	Restructuring £'000	Onerous Contract £'000	Warranty Provision £'000	Dilapidation £'000	2024 Total £'000	Restructuring £'000	Onerous Contract £'000	Warranty Provision £'000	Other £'000	2023 Total £'000
As at 1 January	1,650	866	1,153	–	3,669	1,252	1,332	898	150	3,632
Charged to the income statement	51	–	223	245	519	1,132	–	467	–	1,599
Utilised during the year	(1,675)	(394)	(830)	–	(2,899)	(735)	(413)	(164)	(150)	(1,462)
Foreign exchange	–	8	2	6	16	1	(53)	(48)	–	(100)
As at 31 December	**26**	**480**	**548**	**251**	**1,305**	**1,650**	**866**	**1,153**	**–**	**3,669**

Group	Restructuring £'000	Onerous Contract £'000	Warranty Provision £'000	Dilapidation £'000	2024 Total £'000	Restructuring £'000	Onerous Contract £'000	Warranty Provision £'000	Other £'000	2023 Total £'000
Current	26	200	548	–	774	1,650	195	1,153	–	2,998
Non-current	–	280	–	251	531	–	671	–	–	671
Total	**26**	**480**	**548**	**251**	**1,305**	**1,650**	**866**	**1,153**	**–**	**3,669**

The restructuring provision relates to costs relating to the announced closure of the Group's manufacturing facility in Pennsylvania, USA and the Group's manufacturing facility in Singapore.

- The restructuring provision of £26,000 (2023: £1,608,000) associated with the closure of the Group's manufacturing facility in the USA relates to site closure costs that are expected to be utilised over a period up to 31 March 2025.
- The restructuring provision of £nil (2023: £42,000) associated with the closure of the Group's manufacturing facility in Singapore relates to site closure costs.

The onerous contract provision represents the cost of minimum guaranteed future royalty payments associated with cREO™ technology acquired from Translucent Inc that is no longer being commercialised. The onerous contract provision is expected to be utilised over a period up to 28 February 2027.

The warranty provision relates to the costs of expected returns under warranty that are expected to be utilised over a period up to 30 June 2025.

The dilapidation provision relates to the estimated costs to fulfil property lease obligations upon expiry of the relevant property lease contract.

Company	Onerous Contract £'000	2024 £'000	Onerous Contract £'000	Other £'000	2023 £'000
As at 1 January	866	866	1,332	150	1,482
Charged to the income statement	–	–	–	–	–
Utilised during the year	(394)	(394)	(413)	(150)	(563)
Foreign exchange	8	8	(53)	–	(53)
As at 31 December	**480**	**480**	**866**	**–**	**866**

Company	2024 £'000	2023 £'000
Current	200	195
Non-current	280	671
As at 31 December	**480**	**866**

The onerous contract provision represents the cost of minimum guaranteed future royalty payments associated with the cREO™ technology acquired from Translucent Inc. The onerous contract provision is expected to be utilised over a period up to 28 February 2027.

23. Financial Instruments

Financial instruments by category

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as financial assets at amortised cost. Borrowings and trade and other payables are classified as financial liabilities at amortised cost. Both categories are initially measured at fair value and subsequently held at amortised cost. Financial instruments are classified as level 2 per the fair value hierarchy.

Derivatives (forward exchange contracts) are classified as derivatives used for hedging and accounted for at fair value through profit and loss in the consolidated statement of comprehensive income.

Financial risk and treasury policies

The Group's finance team maintains liquidity, manages relations with the Group's bankers, identifies and manages foreign exchange risk and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions. The Group has clearly defined policies for the management of foreign exchange rate risk. The Group finance team does not undertake speculative foreign exchange dealings for which there is no underlying exposure. Exposures resulting from sales and purchases in foreign currency are matched where possible and the net exposure may be hedged by the use of forward exchange contracts.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables and contract assets due from customers, and monies on deposit with financial institutions.

Customer credit risk is managed at the Group and site level with credit risk assessments completed for all customers. If no independent credit rating is available, the credit quality of the customer is assessed by reference to the customers' financial position, past experience and other relevant factors. Individual credit limits are set based on internal or external ratings in accordance with the Group's credit risk policies. Where the Group assesses a potential credit risk, this is dealt with either by up-front payment prior to the shipment of goods or by other credit risk mitigation measures.

Counterparty risk associated with monies on deposit with financial institutions is managed at the Group level in accordance with the Group's treasury policies. The credit quality of banks has been assessed by reference to external credit ratings, based on reputable credit agencies' long-term issuer ratings.

Trade receivables and contract assets

The credit quality of trade receivables and contract assets that are not impaired have been assessed based on historical information about the counterparty default rate.

23. Financial Instruments continued

Cash at bank

The credit quality of cash has been assessed by reference to external credit ratings based on reputable credit agencies' long-term issuer ratings. The Group has cash at bank balances totalling £4,660,000 (2023: £5,617,000) all held with banks with A1 credit ratings.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset as set out below. In terms of trade receivables, the terms of sale provide that the Group has recourse to the products sold in the event of non-payment by a customer.

Assets as per balance sheet	**2024 Group £'000**	**2024 Company £'000**	2023 Group £'000	2023 Company £'000
Carrying amount				
Cash and cash equivalents	4,660	306	5,617	–
Trade receivables	19,567	–	15,421	–
Amounts owed by Group undertakings	–	118,032	–	165,422
Other receivables excluding prepayments	15,481	701	19,243	121
	39,708	**119,039**	**40,281**	**165,543**

Included in other receivables are contract assets of £14,061,000 (2023: £16,396,000).

The Group is exposed to credit concentration risk with its two (2023: two) largest customers which represent 32% (2023: 32%) of outstanding trade receivables and contract asset balances. Customer credit risk is managed according to strict credit control policies. The majority of the Group's revenues are derived from large multinational organisations that are established customers of the Group with no prior history of default. Events of default have been limited and when incurred principally relate to smaller independent customers. The Group monitors customer credit ratings and has experienced low levels of defaults in the past.

Group	**Gross 2024 £'000**	**Provision 2024 £'000**	**Net 2024 £'000**	Gross 2023 £'000	Provision 2023 £'000	Net 2023 £'000
Not past due	16,217	–	16,217	11,319	–	11,319
Past due 0-30	3,220	–	3,220	3,202	–	3,202
Past due more than 30	225	(95)	130	2,065	(800)	1,265
	19,662	**(95)**	**19,567**	**16,586**	**(800)**	**15,786**

Allowance for bad and doubtful debt	**2024 £'000**	2023 £'000
At 1 January	800	2,713
(Credited)/charged to the income statement	3	(1,808)
Utilised during the year	(709)	–
Foreign exchange	1	(105)
As at 31 December	**95**	800

As at 31 December 2024, 82% (2023: 68%) of trade receivables were within terms. Of the other trade receivables, 93% (2023: 61%) were less than 30 days past due. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £95,000 (2023: £800,000). This allowance has been determined on an expected credit loss basis by reference to past default experience.

The carrying values of trade and other receivables also represent their estimated fair values. Trade receivables and contract assets are primarily denominated in US dollars, as are trade payables limiting the exposure of the Group to movements in foreign exchange rates. Based on the balances held at 31 December 2024, a one cent movement in the US dollar to Sterling rate would impact the net value of these instruments by £193,000 (2023: £115,000).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its funding to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses cash flow forecasts to monitor cash requirements and to optimise its borrowing position. The Group ensures that it has sufficient borrowing facilities to meet foreseeable operational expenses. At the year end the Group had available undrawn facilities of £4,400,000 (2023: £28,363,000).

The following table illustrates the contractual maturities of financial liabilities, including interest payments where applicable, and excluding the impact of netting agreements on an undiscounted basis.

Contractual cash flow maturities – Other financial liabilities at amortised cost 31 December 2024	**Group Carrying amount £'000**	**Group Contractual Cash flows £'000**	**Group Less than 12 months £'000**	**Group 1 –2 Years £'000**	**Group 2–5 Years £'000**	**Group 5+ Years £'000**
Trade and other payables	19,943	20,460	18,086	505	1,869	–
Accruals	13,737	13,737	13,737	–	–	–
Bank borrowings	23,460	23,600	–	23,600	–	–
Lease liabilities	50,530	67,452	7,550	6,538	32,147	21,217
	107,670	**125,249**	**39,373**	**30,643**	**34,016**	**21,217**

Contractual cash flow maturities – Other financial liabilities at amortised cost 31 December 2023	Group Carrying amount £'000	Group Contractual Cash flows £'000	Group Less than 12 months £'000	Group 1 –2 Years £'000	Group 2–5 Years £'000	Group 5+ Years £'000
Trade and other payables	28,653	29,294	26,570	350	1,813	561
Accruals	15,750	15,750	15,750	–	–	–
Bank borrowings	7,845	8,214	4,277	–	3,937	–
Lease liabilities	46,300	50,882	6,115	5,998	34,728	4,041
	98,548	**104,140**	**52,712**	**6,348**	**40,478**	**4,602**

Contractual cash flow maturities – Other financial liabilities at amortised cost 31 December 2024	**Company Carrying amount £'000**	**Company Contractual Cash flows £'000**	**Company Less than 12 months £'000**	**Company 1 –2 Years £'000**	**Company 2–5 Years £'000**	**Company 5+ Years £'000**
Trade and other payables	7,229	7,229	7,229	–	–	–
Amounts owed to Group undertakings	28,507	28,507	28,507	–	–	–
Bank borrowings	23,460	23,600	–	23,600	–	–
Accruals	2,991	2,991	2,991	–	–	–
	62,187	**62,327**	**38,727**	**23,600**	**–**	**–**

Contractual cash flow maturities – Other financial liabilities at amortised cost 31 December 2023	Company Carrying amount £'000	Company Contractual Cash flows £'000	Company Less than 12 months £'000	Company 1 –2 Years £'000	Company 2–5 Years £'000	Company 5+ Years £'000
Trade and other payables	4,501	4,501	4,501	–	–	–
Amounts owed to Group undertakings	24,068	24,068	24,068	–	–	–
Bank borrowings	3,692	3,937	–	3,937	–	–
Accruals	8,554	8,554	8,554	–	–	–
	40,815	**41,060**	**37,123**	**3,937**	**–**	**–**

23. Financial Instruments continued

Financial risk management

Market risk – Foreign Exchange Risk

The Group operates internationally with operations in the United Kingdom, United States of America and Taiwan, and is exposed to foreign exchange risk arising from various currency exposures, primarily relating to fluctuations in exchange rates between UK sterling, US dollars and Taiwanese dollars. The Group's presentational currency is sterling and foreign exchange risk arises from a combination of future commercial transactions, recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity and net investments in the Group's foreign operations.

The majority of the Group's sales are denominated in US dollars and therefore the Group's cash flows are affected by fluctuations in the rate of exchange between US dollar and UK Sterling and Taiwanese dollar exchange rates given that the Group is required to fund certain costs at its operations in the United Kingdom and Taiwan in local currencies. Foreign exchange risk of this nature is managed using a combination of the natural currency hedge within the Group's operating model given that a significant proportion of the Group's costs, including the purchase of certain key raw materials, are denominated in US dollars, and via the use of derivative foreign currency forward exchange contracts.

Derivative foreign currency forward exchange contracts are only used for economic hedging purposes and not as speculative investments. Derivative foreign currency forward exchange contracts that do not meet the hedge accounting criteria are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. These derivative instruments are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. As at 31 December 2024, the fair value of foreign currency forward exchange contracts held for trading was £nil (2023: £nil). The foreign currency forward exchange contracts are classified as Level 2 financial instruments. The fair value of Level 2 financial instruments has been determined using observable market data based on quoted market prices or market quotes for similar instruments. If all significant inputs required to fair value the instrument are observable, the instrument is included in level 2. The Group's accounting policy for its cash flow hedges is set out in note 2.18.
The Group has certain investments in foreign operations in North America and Taiwan, whose net assets are exposed to foreign currency translation risk. Translation exposures that arise on converting the results of overseas subsidiaries are not hedged fully. As a guide to the sensitivity of the Group's results to movements in foreign currency exchange rates, a one cent movement in the US dollar to Sterling rate would impact annual earnings by approximately £69,000 (2023: £161,000).

Cash flow and fair value interest rate risk

The Board is aware of the risks associated with changes in interest rates and does not speculate on future changes in interest rates. Historically, the Group has not undertaken any hedging activity in this area, although the Board keeps this under regular review.

The Group's interest rate risk arises from its cash and cash equivalents and from its bank borrowings. Cash and cash equivalents, including foreign currency cash deposits, earn interest at prevailing variable market rates of interest.

The Group's bank borrowings consist of a variable rate multi-currency revolving credit facility secured against the assets of the Group.

The variable rate US dollar $35,000,000 (£28,000,000) multi-currency revolving credit facility, which is £23,600,000 ($29,500,000) (2023: £3,937,000 ($5,047,000)) utilised at 31 December 2024, has a committed term to 1 May 2026. Interest on the facility is payable at a margin of between 2.50 and 3.50% per annum over SONIA.

The Group's policy is to regularly review its exposure to interest rate risk, and in particular the mix between fixed and floating rate financial assets and financial liabilities. The percentage of financial assets and financial liabilities bearing variable rate interest was 0% (2023: 0%) and 53% (2023: 21%) respectively.

As a guide to the sensitivity of the Group's results to movements in interest rates, a 50-basis point (0.5%) movement in interest rates on the interest-bearing financial assets held at 31 December 2024, would impact annual interest income by approximately £nil (2023: £nil). A 50-basis point (0.5%) movement in interest rates on the interest-bearing liabilities held at 31 December 2024 would impact annual interest costs by approximately £117,000 (2023: £39,000).

Capital risk management

The Group's main objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and adjusts it in the light of changes in economic conditions and the characteristic of the underlying assets. The Group monitors capital by reviewing net debt against shareholders' funds. The position of these indicators and the movement during the year is shown in the Five-Year Financial Summary.

The Group defines total capital as equity in the consolidated balance sheet plus net debt or less net funds. Total capital at 31 December 2024 was £203,440,000 (2023: £218,313,000). The Group monitors capital on the basis of a gearing ratio. The gearing ratio is calculated as net debt divided by total capital and at 31 December 2024 was 34.1% (2023: 22.2%).

The Group obtained formal waiver pre-year end from HSBC Bank plc of its 31 December 2024 covenant tests. All covenants in relation to the Group's borrowing facilities have been complied with during the year.

Fair values

Fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Group	**2024 Carrying amount £'000**	**2024 Fair value £'000**	2023 Carrying amount £'000	2023 Fair value £'000
Cash and cash equivalents	4,660	4,660	5,617	5,617
Trade receivables	19,567	19,567	15,421	15,421
Other receivables	1,420	1,420	2,894	2,894
Contract assets	14,061	14,061	16,349	16,349
Trade and other payables	(19,943)	(19,943)	(28,653)	(28,653)
Bank borrowings	(23,460)	(23,460)	(7,845)	(7,845)
	(3,695)	**(3,695)**	**3,783**	**3,783**

Company	**2024 Carrying amount £'000**	**2024 Fair value £'000**	2023 Carrying amount £'000	2023 Fair value £'000
Cash and cash equivalents	306	306	–	–
Amounts owed by Group undertakings	118,032	118,032	165,422	165,422
Other receivables	701	701	121	121
Amounts owed to Group undertakings	(28,507)	(28,507)	(24,068)	(24,068)
Trade and other payables	(7,229)	(7,229)	(4,501)	(4,501)
	83,303	**83,303**	**136,974**	**136,974**

23. Financial Instruments continued

Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the prior table:

Cash and cash equivalents

Cash and cash equivalents earn interest at prevailing variable market rates of interest such that the carrying value of cash and cash equivalents is deemed to reflect fair value.

Trade receivables, other receivables and contract assets

Trade receivables, other receivables and contract assets are short-term assets with a remaining life of less than one year such that the amortised cost carrying value of the assets is deemed to reflect fair value.

Amounts owed by Group undertakings

Amounts owed by group undertakings are long-term assets with a remaining life of greater than one year with outstanding balances accruing interest at a rate of 5% per annum such that the amortised cost carrying value of the assets is deemed to reflect fair value.

Trade and other payables

Trade and other payables are short-term liabilities with a remaining life of less than one year such that the amortised cost carrying value of the liabilities is deemed to reflect fair value.

Bank borrowings

The carrying value of bank borrowings is deemed to reflect fair value as interest payable on bank borrowings is charged at a variable rate assessed as close to current market rates.

Derivative financial instruments

The fair value of derivative foreign currency forward exchange contracts was determined using observable market data based on quoted market prices or market quotes for similar instruments.

24. Share capital

Group and Company	2024 Number of shares	2024 £'000	2023 Number of shares	2023 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	967,251,117	9,672	961,518,692	9,615

The movement in the number of ordinary shares during the year was:

	2024 Number	2023 Number
At 1 January	961,518,692	804,841,965
Employee share schemes	5,732,425	1,183,997
Placing	–	150,000,000
Retail offer	–	5,492,730
At 31 December	**967,251,117**	**961,518,692**

5,732,425 ordinary shares (2023: 156,676,727 ordinary shares) were issued during the year as follows:

	2024 Number of shares	2024 Consideration	2023 Number of shares	2023 Consideration
Employee share schemes	5,732,425	1.0p-23.0p	1,183,997	1.0p-23.0p
Placing	–	–	150,000,000	20.0p
Retail offer	–	–	5,492,730	20.0p
	5,732,425		**156,676,727**	

The share premium arising from consideration received from employee share scheme exercises was £128,000 (2023: £129,000).

On 17 May 2023, IQE plc raised funds by way of a Placing and a Retail Offer to all existing shareholders. In each case these were offered at an issue price of 20 pence per share (the 'Issue Price'). The Placing utilised a cashbox structure and therefore the premium on the ordinary shares and associated costs, in accordance with Section 612 of the Companies Act 2006, were initially recognised within the merger reserve (incorporated within 'Other reserves'). The investment in the newly incorporated subsidiary utilised within the cashbox structure was dissolved in the prior period and the merger reserve was subsequently transferred into retained earnings as it was determined to be distributable in accordance with the Companies Act 2006. The Placing and Retail Offer raised net funds of £29,708,000 from the issue of 155,492,730 ordinary shares.

25. Share-based payments

The total amount charged to the income statement in 2024 in respect of share-based payments was £3,174,000 (2023: £2,565,000).

Long-term incentive plan

The IQE Plc Share Option Scheme was adopted on 26 May 2000 and amended by shareholders at the Annual General Meeting on 17 May 2002. Under the scheme, the Remuneration Committee can grant long-term incentive awards over shares in the Company to Directors and employees of the Group.

Long-term incentive share awards are granted with contractual lives of between three and ten years with a fixed exercise price of one penny, equal to the nominal value of the ordinary share.

Directors

Long-term incentive awards become exercisable between three and ten years from the date of grant subject to continued employment and achievement of performance conditions relating to growth in earnings per share and total shareholder return targets over a three-year vesting period that cannot be extended. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Details of the Directors' long-term incentive plan are set out in the Remuneration Report.

25. Share-based payments continued

Employees

Long-term incentive awards become exercisable between one and ten years from the date of grant, subject to continued employment.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Long-term incentive awards are valued using either the Black-Scholes option-pricing model or the Monte Carlo simulation model with the total fair value of the award that is to be expensed charged to the income statement over the vesting period of the long-term incentive award.

Share option scheme

The IQE Plc Share Option Scheme was adopted on 26 May 2000 and amended by shareholders at the Annual General Meeting on 17 May 2002. Under the scheme, the Remuneration Committee can grant options over shares in the Company to employees of the Group.

Options are granted with a contractual life of ten years and with a fixed exercise price equal to either the market value of the shares under option at the date of grant or 1p. Options become exercisable between one and ten years from the date of grant, subject to continued employment and for awards prior to 2022 the achievement of performance conditions, including growth in adjusted EBITDA and earnings per share against various targets. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options are valued using the Black-Scholes option-pricing model with the total fair value of the award that is to be expensed charged to the income statement over the vesting period of the share option.

The principal assumptions used in the calculation of the fair value of long-term incentive awards and share option awards are as follows:

Principal assumptions	2024	2023
Weighted average share price at grant date	27.34	31.85
Weighted average exercise price	1.76	2.33
Weighted average vesting period (years)	2	2
Option life (years)	10	10
Weighted average expected life (years)	2	2
Weighted average expected volatility factor	66	68
Weighted average risk-free rate	3.8%	3.2%
Dividend yield	0%	0%

The expected volatility factor is based on historical share price volatility over the three years immediately preceding the grant of the option. The expected life is the average expected period to exercise. The risk-free rate of return is the yield of zero-coupon UK government bonds of a term consistent with the assumed option life.

Non-market performance conditions are incorporated into the calculation of fair value by estimating the proportion of share options that will vest and be exercised based on a combination of historical trends and future expected trading performance. These are reassessed at the end of each period for each tranche of unvested options.

The fair value of long-term incentive awards and share options granted during the year ended 31 December 2024 was £3,280,000 (2023: £3,821,000).

The weighted average fair value of long-term incentive awards granted during the year ended 31 December 2024 was 23.3p (2023: 17.1p).

The weighted average contractual life of outstanding share options at the year end was 6 (2023: 6) years.

The movements on long-term incentive awards and share options during the year were as follows:

	2024 Number of options	2024 Average exercise price (pence)	2023 Number of options	2023 Average exercise price (pence)
At 1 January	38,669,816	2.33	28,970,530	4.41p
Granted	19,377,226	1.00	22,427,892	1.00p
Exercised	(5,697,425)	3.17	(1,183,997)	11.88p
Cancelled/lapsed	(21,762,832)	1.74	(11,544,609)	3.97p
At 31 December	**30,586,785**	**1.76**	**38,669,816**	**2.33p**

The weighted average share price at the date share options were exercised was 30.0p (2023: 31.0p).

As at 31 December 2024, the total number of long-term incentive awards and share options held by employees was 30,586,785 (2023: 38,669,816) as follows:

Option price pence/share	Option period ending	2024 Number of options	2023 Number of options
1.00p – 23.83p	31 December 2024	–	2,247,373
18.42p – 25.17p	31 December 2025	2,153,699	2,798,180
1.00p – 37.92p	31 December 2026	3,601,679	7,493,226
1.00p – 169.50p	31 December 2027	3,657,112	300,000
1.00p – 143.30p	31 December 2028	25,000	45,000
1.00p – 125.00p	31 December 2029	2,500	2,500
1.00p	31 December 2030	–	–
1.00p	31 December 2031	–	2,487,464
1.00p	31 December 2032	3,867,625	8,984,712
1.00p	31 December 2033	9,171,765	14,311,361
1.00p	31 December 2034	8,107,405	–
At 31 December		**30,586,785**	**38,669,816**

26. Parent company profit and loss

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year amounted to £50,892,000 (2023: £11,762,000 loss).

27. Cash generated from operations

Group	2024 £'000	2023 £'000
Loss before tax	(36,905)	(28,811)
Finance costs	3,947	3,032
Depreciation of property, plant and equipment	16,552	13,186
Depreciation of right-of-use assets	3,791	3,790
Amortisation of intangible assets	6,390	7,688
Impairment of intangible assets	3,772	–
Impairment of property, plant and equipment	4,615	–
Impairment of right-of-use assets	31	–
Gain on remeasurement of right-of-use assets	(202)	–
Inventory write downs (note 17)	391	522
Non-cash movement on trade receivable expected credit losses (note 23)	3	(1,808)
Non-cash provision movements	288	1,599
Gain on deemed disposal of JV	–	(2,419)
Profit on disposal of fixed assets	(797)	(152)
Share-based payments	3,174	2,565
Cash inflow/(outflow) from operations before changes in working capital	**5,050**	**(808)**
Decrease in inventories	3,677	7,503
(Increase) /decrease in trade and other receivables	(608)	6,601
Decrease in trade and other payables	(3,938)	(1,760)
Decrease in provisions	(2,899)	(1,462)
Cash inflow from operations	**1,282**	**10,074**

Company	2024 £'000	2023 £'000
Loss before tax	(50,892)	(11,764)
Finance income	(7,976)	(6,649)
Finance costs	2,026	1,222
Foreign exchange	427	(813)
Depreciation of property, plant and equipment	11	24
Amortisation of intangible assets	446	418
Impairment of intangible assets	59	–
Impairment of investments	506	17,627
Reversal of impairment in investments	(18,597)	–
Non-cash movement on trade receivable expected credit losses	64,476	(6,814)
Share-based payments	832	963
Cash outflow from operations before changes in working capital	**(8,682)**	**(5,786)**
Increase in trade and other receivables	(9,300)	(19,199)
Increase in trade and other payables	1,527	7,532
Cash outflow from operations	**(16,455)**	**(17,453)**

28. Reconciliation of net cash flow to movement in net debt

	2024 £'000	2023 £'000
Decrease in cash in the year	(910)	(5,409)
Increase in borrowings	(19,493)	(9,932)
Repayment of borrowings	4,048	28,363
Repayment of leases	3,470	4,787
Net movement resulting from cash flows	**(12,885)**	**17,809**
Net debt at 1 January	**(48,528)**	**(66,498)**
Net movement resulting from cash flows	(12,885)	17,809
Net movement on fair value of derivative instruments	–	381
Other non-cash movements	(7,917)	(220)
Net debt at 31 December	**(69,330)**	**(48,528)**

Other non-cash movements include £7,295,000 of lease modifications (2023: £860,000 lease additions) and the impact of foreign exchange of £622,000 (2023: £639,000).

29. Analysis of net debt

	At 1 January 2024 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 December 2024 £'000
Bank borrowings due after one year	(3,692)	(19,493)	(275)	(23,460)
Bank borrowings due within one year	(4,153)	4,048	105	–
Lease liabilities due after one year	(40,435)	–	(4,437)	(44,872)
Lease liabilities due within one year	(5,865)	3,470	(3,263)	(5,658)
Total borrowings	(54,145)	(11,975)	(7,870)	(73,990)
Cash and cash equivalents	5,617	(910)	(47)	4,660
Net debt	**(48,528)**	**(12,885)**	**(7,917)**	**(69,330)**

Cash and cash equivalents at 31 December 2024 and 31 December 2023 comprised balances held in instant access bank accounts and other short-term deposits with a maturity of less than 3 months.

Other non-cash movements include £7,295,000 of lease modifications (2023: £860,000 lease additions) and the impact of foreign exchange of £622,000 (2023: £639,000).

30. Subsidiary undertakings

Name of company	Class of capital	Proportion of shares held	Activity	Country of incorporation	Registered Office
IQE (Europe) Limited	Ordinary shares of £1	100%*	Manufacture of advanced semiconductor materials	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
IQE Inc	Common stock of $0.001	100%*	Manufacture of advanced semiconductor materials	USA	119 Technology Drive, Bethlehem, PA 18015, USA
IQE KC LLC	Limited liability company	100%*	Manufacture of advanced semiconductor materials	USA	200 John Hancock Road, Taunton, MA 02780, USA
IQE Taiwan ROC	Ordinary shares of NT$10	100%	Manufacture of advanced semiconductor materials	Taiwan	No. 2-1, Li-Hsin Road Hsinchu Science Park Hsinchu 300, Taiwan
IQE RF LLC	Limited liability company	100%*	Manufacture of advanced semiconductor materials	USA	265 Davidson Avenue Somerset, NJ 08873, USA
IQE Silicon Compounds Limited	Ordinary shares of £1	100%	Manufacture of silicon epitaxy	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
MBE Technology Pte Ltd	Preferred shares of S$1 Ordinary shares of S$1	100%	Manufacture of advanced semiconductor materials	Singapore	30 Tampines industrial Avenue 3 Singapore 528775
CSDC Private Limited	Common stock of $1 par value	100%*	Research, development and manufacture of semiconductor materials	Singapore	30 Tampines industrial Avenue 3 Singapore 528775
Wafer Technology Limited	Ordinary shares of £1	100%*	Manufacture of semiconductor compounds and ultra-high purity materials	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
NanoGaN Limited	Ordinary shares of £0.001	100%	Development of advanced semiconductor materials	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
Galaxy Compound Semiconductors Inc	Common stock of $0.00 par value	100%*	Manufacture of semiconductor compounds and ultra-high purity materials	USA	9922 E Montgomery Avenue, #7, Spokane, WA 99206, USA
EPI Holdings Limited	Ordinary shares of £1	100%	Dormant holding company	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
KTC Wireless LLC	Limited liability company	100%	Dormant holding company	USA	119 Technology Drive, Bethlehem, PA 18015, USA
IQE USA Inc	Limited liability company	100%	Dormant holding company	USA	119 Technology Drive, Bethlehem, PA 18015, USA

30. Subsidiary undertakings continued

IQE Solar LLC	Limited liability company	100%*	Dormant company	USA	119 Technology Drive, Bethlehem, PA 18015, USA
IQE Properties Inc	Limited liability company	100%*	Property holding company	USA	119 Technology Drive, Bethlehem, PA 18015, USA
Wafer Technology International Limited	Ordinary shares of £1	100%	Holding company	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
Compound Semiconductor Centre Limited	Preferred A and B shares of £1 Ordinary shares of £1	100%*	Research, development and manufacture of semiconductor materials	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK

* Indirect holdings

The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of shares held. All UK subsidiaries are exempt from the requirements to file audited financial statements by virtue of Section 479A of the Companies Act 2006. In adopting the exemption, IQE plc has provided a statutory guarantee to these subsidiaries in accordance with Section 479C of the Companies Act 2006.

31. Related party transactions

Company

Transactions with Group Companies

2024	Income £'000	Expense £'000	Trade Receivable £'000	Trade Payable £'000	Loan Receivable £'000	Loan Payable £'000
IQE (Europe) Limited	827	(158)	310	–	316	–
IQE Silicon Compounds Limited	7,862	–	480	–	2,058	–
NanoGaN Limited	–	–	–	–	–	(1,750)
Wafer Technology International Limited	–	–	–	–	–	–
Wafer Technology Limited	178	(11)	141	(3)	–	(4,163)
IQE USA Inc	–	–	–	–	9,932	–
IQE Inc	741	(78)	489	(6)	130,429	–
IQE KC LLC	4,573	(1)	597	–	–	(17,223)
IQE RF LLC	–	–	–	–	562	–
KTC Wireless LLC	–	–	–	–	–	(20,262)
Galaxy Compound Semiconductors Inc	90	–	54	–	–	(10,232)
IQE Taiwan ROC	21	–	–	–	–	–
Compound Semiconductor Centre Limited	108	–	120	–	–	(2,322)

As at 31 December 2023, IQE plc had a fully impaired loan receivable of £7,794,000 due from MBE Technology Pte Limited and £7,714,000 due from CSDC Private Limited. During 2024, the Company entered Deeds of Termination with MBE Technology Pte Ltd and CSDC Private Limited and irrevocably waived the loans.

IQE plc has recognised an expected credit loss within the year of £64,476,000 (2023: reversal £6,814,000) in respect of loan receivables from Group companies. As at the year end, IQE plc has recognised a total expected credit loss of £78,270,000 (2023: £13,794,000).

2023	Income £'000	Expense £'000	Trade Receivable £'000	Trade Payable £'000	Loan Receivable £'000	Loan Payable £'000
IQE (Europe) Limited	842	(145)	598	(194)	7,036	–
IQE Silicon Compounds Limited	1,548	–	4,429	(102)	41,206	–
NanoGaN Limited	–	–	–	–	–	(1,750)
Wafer Technology International Limited	–	–	–	–	–	–
Wafer Technology Limited	244	(20)	190	–	–	(2,874)
IQE USA Inc	–	–	–	–	9,447	–
IQE Inc	874	(12)	620	(45)	108,471	–
IQE KC LLC	4,084	(3)	4,546	(1)	–	(10,055)
IQE RF LLC	–	–	–	–	64	–
KTC Wireless LLC	–	–	–	–	–	(19,100)
Galaxy Compound Semiconductors Inc	86	–	68	–	–	(8,598)
IQE Taiwan ROC	50	–	331	–	–	–
MBE Technology Pte Limited	1	–	–	–	–	–
CSDC Private Limited	–	–	–	–	–	–
Compound Semiconductor Centre Limited	8	–	6	–	251	–

32. Commitments

The Group had capital commitments at 31 December 2024 of £162,000 (2023: £553,000).

33. Post balance sheet events

On 10 March 2025, resolutions were passed by shareholders to issue secured zero-coupon convertible loan notes with a conversion price of 15 pence per ordinary share in the Company to raise aggregate subscription proceeds of £18,000,000. The initial term of the loan notes is 12 months, with an option to extend for a further six months. The loan notes are secured against the Company's assets in the UK and subordinated to the Company's existing financing facility with HSBC UK Bank PLC which has been amended and restated accordingly upon issuance of the loan notes. These events are non-adjusting and therefore had no impact on net assets, loss after tax or total cash flow for 2024.

Glossary

Artificial intelligence (AI)	A simulation of human intelligence in machines, including machines which are programmed to mimic human action or exhibit humanistic traits such as learning or problem-solving
Augmented Reality (AR)	A technology that superimposes a computer-generated image on a user's view of the real world to provide a composite view
Compound semiconductor	A semiconductor formed from more than one element, typically comprising a mixture of elements from Groups III and V of the Periodic Table
Cloud computing	A network of remote servers hosted on the internet to store, manage and process data
CMOS++	Compound materials on Silicon
CMD	Capital Markets Day
CVD	Chemical Vapour Deposition. IQE's technique for making Advanced Silicon/Group IV epiwafers, characterised by using compound sources flowed across a hot wafer where they are 'cracked' (reacted) to get the desired material
Device structure	The term used to describe the particular series of epitaxial layers on a substrate crystal. They are typically specified by their thickness, composition, electrical and opto-electronic properties
Dilute Nitride	A material where small amounts of Nitrogen are added to GaAs in order to enable GaAs to be used in applications typically reserved for InP
Epitaxy (epitaxial growth)	Deposition of high quality, crystalline layers on a substrate. By specifically choosing the composition and sequence of the layers in epitaxial growth, the optical and electrical properties of the epiwafer are able to be tuned and these individual layers are referred to as 'epilayers'
Epiwafer or epitaxial wafer	The term used to describe the substrate crystal with epitaxial layers deposited thereon (see also 'wafer')
GaAs	Gallium Arsenide
GaN	Gallium Nitride
GaSb	Gallium Antimonide
Ge	Germanium
InP	Indium Phosphide
Internet of Things (IoT)	Network of physical objects – 'things' which are able to collect and transfer data over a wireless network without human intervention
IR	Infrared
LiDAR	Light detection and ranging – a method for measuring distances by illuminating the target with a laser light
MBE	Molecular Beam Epitaxy. One of IQE's primary techniques for making compound semiconductor epiwafers, characterised by deposition using elemental sources impinging on a hot wafer where a reaction occurs to get the desired material. MBE occurs at extremely low pressure (known as ultra-high vacuum) which is comparable to that of outer space

MOCVD	Metal Organic Chemical Vapour Deposition. One of IQE's primary techniques for making compound semiconductor epiwafers, characterised by deposition using compound sources that are flowed across a hot wafer where they are 'cracked' (reacted) to get the desired material. MOCVD occurs at much higher pressures than MBE and also goes by the name MOVPE (Metal Organic Vapour Phase Epitaxy)
OEM	Original equipment manufacturer
Opto-electronic device	A device or structure in which light and electricity interact to produce, detect or manipulate light
PHEMT	Pseudomorphic High Electron Mobility Transistor. A commonly used device for high-speed switching for wireless communications
QDL	Quantum dot laser. A type of semiconductor laser technology that extends the wavelength to longer values for GaAs. Three dimensional islands (dots) are engineered to be formed during the growth of the structure active region.
Reactor	The equipment used to produce epitaxial layers on a substrate
RF	Radio frequency
RGB display	Three-colour display where emissions from red, blue and green pixels create the image.
SBTi	Science-Based Target initiative. The SBTi defines and promotes best practice in emissions reductions and Net Zero targets in line with climate science
Semiconductor	A material with resistivity which lies somewhere between that of a conductor and an insulator
Si	Silicon
SiC	Silicon Carbide
Structured light scanner	A 3D scanning device which measures an object using projected light patterns and a camera system
Substrate	The term used to describe the base wafer used for the epitaxial substrate crystal growth process
Time of Flight (ToF) camera	A camera which calculates the distance between the subject by measuring the trip time of an artificial light signal emitted by a laser or LED
VCSEL	Vertical Cavity Surface Emitting Laser, an opto-electronic component used in a variety of applications
Wafer	The term used to describe the substrate crystal in the form of thinly sliced discs or the substrate disc with one or more epitaxial layers deposited upon it
WiFi 6	Sixth generation of wireless local area networking technologies characterised by improved performance characteristics
3D Sensing	Three-dimensional depth sensing technology which is enabled by IQE's VCSELs
5G	5th generation mobile network designed to provide enhanced connectivity and higher speeds

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Share price information

Exchange: London Stock Exchange FTSE AIM Index
Ticker: IQE:LN
ISIN: GB0009619924

Share price performance

as at 31 December 2024
Loss per share: (3.96p)