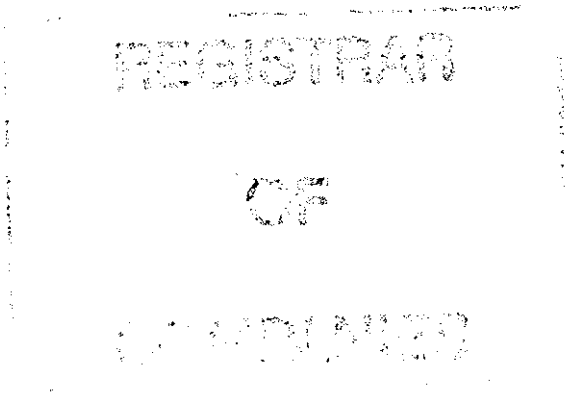
Company Registration No. 03170421

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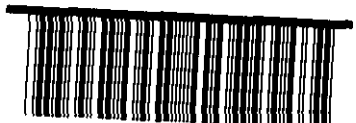


EPI HOLDINGS LIMITED

Report and Financial Statements

31 December 2000

Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS



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EPI HOLDINGS LIMITED

Deloitte & Touche

REPORT AND FINANCIAL STATEMENTS 2000

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& Touche

REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr A W Nelson
Dr M D Scott

SECRETARY

J L Coventry

REGISTERED OFFICE

Cypress Drive
St Mellons
Cardiff
CF3 0EG

BANKERS

Barclays Bank plc

SOLICITORS

Eversheds

AUDITORS

Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS

Deloitte & Touche

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

ACTIVITIES

The principal activity of the Company during the year was that of holding investments in subsidiary undertakings.

RESULTS AND DIVIDENDS

The directors paid a dividend of £Nil in the year (1999 – £Nil).

DIRECTORS AND THEIR INTERESTS

The following served as directors of the Company throughout the year and their interests in the ordinary share capital of the Company at the beginning and end of the year are given below:

	Ordinary shares of £1 each	
	2000 No.	1999 No.
Dr A W Nelson	-	-
Dr M D Scott	-	-

The directors shareholdings in other group companies are stated in the directors' report of those companies.

AUDITORS

A resolution to reappoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

J L Coventry

Secretary

Date ..... 29 June 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

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Deloitte & Touche

AUDITORS' REPORT TO THE MEMBERS OF EPI HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 8 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

Date 5 July 2001

Deloitte
Touche
Tohmatsu

Aberdeen, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available: Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Deloitte & Touche

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	Note	2000 £	1999 £
Retained profit for the financial year		-	-
Profit and loss account brought forward		3,924,750	3,924,750
Profit and loss account carried forward		3,924,750	3,924,750

The results for the current and prior financial year include all recognised gains and losses in the year and are derived entirely from continuing activities.

Deloitte & Touche

BALANCE SHEET
At 31 December 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Investments	4	5,995,002	5,995,002
CREDITORS – Amounts falling due within one year	5	(2,040,250)	(2,040,250)
NETASSETS		3,954,752	3,954,752
CAPITAL AND RESERVES			
Called up share capital	8	30,001	30,001
Profit and loss account		3,924,750	3,924,750
Capital redemption reserve		1	1
TOTAL EQUITY SHAREHOLDERS' FUNDS	9	3,954,752	3,954,752

These financial statements were approved by the Board of Directors on 29 June 2001

Signed on behalf of the Board of Directors

Dr A W Nelson)
) Director
Dr M D Scott)

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

The directors have taken advantage of the exemption from the requirement to prepare group accounts under Section 248(3) of the Companies Act 1985.

These financial statements present information about the company as an individual undertaking and not about its group.

Fixed asset investments

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

Related party transactions

In accordance with the exemption conferred by paragraph 17 of FRS 8 'Related Parties' the company has not disclosed transactions with other group companies.

2. RESULTS ON ORDINARY ACTIVITIES BEFORE TAXATION

No audit fees were borne by the company.

3. EMPLOYEES AND DIRECTORS

The average number of employees, during the year including directors, was 2 (1999 – 2).

The directors received no remuneration for their services to the company.

4. FIXED ASSET INVESTMENTS

	2000 £	1999 £
Cost at 31 December	5,995,002	5,995,002

The investment in subsidiary represents a 100% interest in the ordinary share capital of IQE (Europe) Limited (formerly Epitaxial Products International Limited), a company incorporated in the United Kingdom, its principal activity being the marketing and selling of epitaxial wafers. In the opinion of the directors, the value of the investment is not less than the amount shown above. IQE Europe (formerly Epitaxial Products International Limited) made a loss after tax of £442,641 for the year ended 31 December 2000 (1999 – loss of £143,897) and had total net assets of £1,689,645 at 31 December 2000 (1999 - £2,132,286).

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Amounts owed to group undertakings	2,040,250	2,040,250
Taxation and social security	-	-
	2,040,250	2,040,250

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

6. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised:		
99,998 ordinary shares of £1 each	99,998	99,998
1,000 "A" shares of £1 each	1,000	1,000
1 Non-voting subscriber share of £1	1	1
1 redeemable deferred "golden" share of £1	1	1
	101,000	101,000
Issued, allotted and fully paid:		
30,000 ordinary shares of £1 each	30,000	30,000
1 Non-voting subscriber share of £1	1	1
	30,001	30,001

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

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

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

7. ULTIMATE PARENT COMPANY

The ultimate parent company is IQE plc, whose financial statements are available from the Company Secretary, Mr L Coventry, Pascal Close, Cypress Drive, St Mellons, Cardiff, Wales, UK. IQE plc is incorporated in England and Wales.