

Annual Report and Financial Statements

For the year ended 2 January 2022

Qioptiq UK Holdings Limited

Registered number: 05612156



Qioptiq UK Holdings Limited

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Qioptiq UK Holdings Limited

Strategic report for the year ended 2 January 2022

The directors present their Strategic report for the company (registered number: 05612156) for the year ended 2 January 2022.

Principal activities

The company is a holding company. Its subsidiaries are engaged in the business of the design and manufacture of high precision optics, serving the defence and commercial markets.

Business review and future developments

Net liabilities at 2 January 2022 was \$9.0 million (2020: net liabilities of \$3.5 million). During the fiscal year ended 2 January 2022, the Company received \$0.0 million (2020: \$2.4 million) dividend income from its subsidiaries, and incurred interest payable on loans to group undertakings of \$6.2 million (2020: \$7.9 million). The significant reduction of interest expense is due to funds received during the fiscal year ended 2 January 2022, from an affiliate which allowed the Company to pay down \$12.6 million (2020: \$27.7 million) of debt principal during the year.

The Directors expect the Company to continue as a holding company for the foreseeable future.

Key performance indicators (“KPIs”)

The Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of Qioptiq UK Holdings Limited.

Financial Risk Management

The company's principal financial instruments comprise of cash, cash equivalents and loan facilities. Other financial assets and liabilities such as trade debtors and trade creditors arise directly from the company's operating activities. The main purpose of these financial assets and liabilities is to provide finance for the company's on-going operations. The company may utilise derivative financial instruments to manage foreign currency exchange risk from financing activities. The principal risks associated with the company's financial assets and liabilities are cash flow and liquidity risk and currency risk as summarised below.

1) Cash flow and liquidity risk

The company's finances are monitored by the directors and by the company's parent entity as part of the wider group. A central treasury team operates at a group level controlling all borrowings, facilities, investment of surplus funds and the management of financial risks for the company and its fellow subsidiaries.

2) Currency risk

The company operates under a group policy to manage borrowings in foreign currencies by using financial derivatives to offset currency exposure.

Forward contracts may be used to protect cash flows from adverse movements in exchange rates and are accounted for by translating balance sheet monetary assets and liabilities at the contract rate.

The company views derivative financial instruments as a risk management tool and does not use them speculatively or for trading purposes.

Qioptiq UK Holdings Limited

Strategic report for the year ended 2 January 2022 (continued)

Principal risks and uncertainties

The impacts to the Company are limited as a holding company. The business activities of Qioptiq Limited have been defined as “Vital in supporting the critical output for Defence and Aerospace programs” by a significant number of its customers, including, but not limited to the UK Ministry of Defence. The business activities of Qioptiq Photonics Limited has been designated as an “Essential Supplier” in a number of key customers’ supply chains. The operating subsidiaries of the Company have remained open throughout the COVID-19 pandemic with minimal disruption.

Directors’ duties

The Directors of the Company must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK companies act 2006 which is summarised as follows:

A director of a Company must act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the Company's employees,
- the need to foster the Company's business relationships with suppliers, customers and others,
- the impact of the Company's operations on the community and the environment,
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

The following paragraphs detail how the directors fulfil their duties:

Risk management

It is vital for the Company to effectively identify, evaluate, manage and mitigate the business risks faced and to continue to evolve its approach to risk management. For details of principal risks and uncertainties please see page 2 of the strategic report

Employees

The Company, as an investment holding entity, does not have any employees.

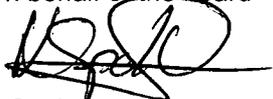
Business relationships

The Company, as an investment holding entity, does not have any customer or supplier relationships.

Community & environment

The Company, as an investment holding entity, does not directly impact the community or the environment.

On behalf of the board



K Spolton
Director

28 September 2022

Qioptiq UK Holdings Limited

Directors' report for the year ended 2 January 2022

The directors present their annual report and the audited financial statements of the Company for the year ended 2 January 2022.

The company's parent undertaking prepares financial statements to the Sunday falling closest to the end of the calendar year. As the period end date may vary in any year between 28 December and 3 January, the company has aligned its reporting year to that of its parent undertaking, but has not changed its accounting reference date.

Future developments

An indication of the likely future developments of the business is included in the Strategic Report on page 1.

Results and dividends

Total comprehensive expense for the financial year was \$5.5 million (2020: Total comprehensive expense \$4.2 million). There were no dividends declared or paid in the years ended 2 January 2022 and 3 January 2021.

Going concern

The company relies on support from its parent company, EXC Holdings I Corp. ("Excelitas" or the Group") to meet its day-to-day working capital requirements. In order to manage these requirements, Excelitas uses forecasts and projections which are updated regularly to reflect changes in trading performance. The directors have received confirmation that EXC Holdings I Corp. intends to support the company to enable it to continue in business for at least one year after these financial statements are signed. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in business for the foreseeable future and have received written confirmation of availability of continued financial support from the Group. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

D Nislick
J Rao
K Spolton
P A White

Financial risk management

The scope of financial risk management is described in the Strategic report on page 1.

Qualifying third party and pension scheme indemnity provisions

No qualifying third party indemnity provision and/or qualifying pension scheme indemnity provision (whether made by the company or otherwise) is in place for the benefit of any of the directors or any directors of an associated company; or at any time during the year was any such provision in force for the benefit of any persons who were the directors or directors of an associated company.

Qioptiq UK Holdings Limited

Directors' report for the year ended 2 January 2022 (continued)

Post balance sheet events

There have been no events after the end of the reporting year that require disclosure.

Statement of engagement with suppliers, customers and others in a business relationship with the Company

Customers

The Company, as an investment holding entity, does not have any customer relationships. Its income is derived from its investments held in group undertakings.

Suppliers

The Company, as an investment holding entity, does not have any critical supplier relationships.

For all purchases and suppliers for services, the Company evaluates Cost Quality Delivery – (CQD), ensures Third Party Accreditation exists where applicable, Financial Health and Regulatory Compliance.

Streamlined Energy and Carbon Reporting (SECR)

The Company is not required to make additional disclosures required per SECR as it a holding company with annual energy usage below the annual threshold.

Independent auditors

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Qioptiq UK Holdings Limited

Directors' report for the year ended 2 January 2022 (continued)

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



A Chapman
Secretary

28 September 2022

Qioptiq UK Holdings Limited

Independent auditors' report to the members of Qioptiq UK Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Qioptiq UK Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 2 January 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance sheet as at 2 January 2022; Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Qioptiq UK Holdings Limited

Independent auditors' report to the members of Qioptiq UK Holdings Limited (continued)

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 2 January 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and UK tax regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of the financial statements through fictitious journal postings, management bias within judgements and accounting estimates and significant one-off or unusual transactions. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Challenging assumptions and judgements made by management in their significant accounting estimates.
- Unpredictable procedures, whereby the engagement team reviewed journal postings for unusual users and unusual words.
- Obtained an understanding of the legal and regulatory framework applicable to the Company and how the Company is complying with that framework.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Qioptiq UK Holdings Limited

Independent auditors' report to the members of Qioptiq UK Holdings Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Clare Hyner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 September 2022

Qioptiq UK Holdings Limited

Statement of comprehensive income

For the year ended 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

	Note	Year ended 2 January 2022	Year ended 3 January 2021
Impairment of investment in subsidiary		-	(13)
Administrative expenses		(28)	(38)
Loss before interest and taxation	4	(28)	(51)
Income from shares in group undertakings	5	-	2,380
(Loss) / profit before interest and taxation		(28)	2,329
Interest receivable and similar income	6	20	758
Interest payable and similar expenses	6	(6,457)	(8,401)
Loss before taxation		(6,465)	(5,314)
Tax credit on loss	7	988	1,125
Loss for the financial year and total comprehensive expense for the year		(5,477)	(4,189)

The notes on pages 12 to 24 are an integral part of these financial statements.

Qioptiq UK Holdings Limited

Balance sheet

As at 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

	Note	As at 2 January 2022	As at 3 January 2021
Fixed assets			
Investments	8	82,684	82,684
Current assets			
Debtors	9	5,212	6,660
Cash at bank and in hand		-	1
		5,212	6,661
Creditors: amounts falling due within one year	10	(16,856)	(246)
Net current (liabilities) / assets		(11,644)	6,415
Total assets less current liabilities		71,040	89,099
Creditors: amounts falling due after more than one year	11	(80,010)	(92,592)
Net liabilities		(8,970)	(3,493)
Capital and reserves			
Called up share capital	14	-	-
Share premium account		-	-
Accumulated losses		(8,970)	(3,493)
Total equity		(8,970)	(3,493)

The notes on pages 12 to 24 are an integral part of these financial statements.

The financial statements on pages 12 to 24 were authorised for issue by the board of directors on 28 September 2022 and were signed on its behalf.



K Spolton

Director

Registered number 05612156

Qioptiq UK Holdings Limited

Statement of changes in equity

For the year ended 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

	Note	Called up share capital	Share premium	Retained earnings / (accumulated losses)	Total
Balance at 30 December 2019		-	-	696	696
Loss for the year		-	-	(4,189)	(4,189)
Comprehensive expense for the year		-	-	-	-
Total comprehensive expense for the year		-	-	(4,189)	(4,189)
Balance as at 3 January 2021		-	-	(3,493)	(3,493)
Balance at 4 January 2021		-	-	(3,493)	(3,493)
Loss for the year		-	-	(5,477)	(5,477)
Comprehensive expense for the year		-	-	-	-
Total comprehensive expense for the year		-	-	(5,477)	(5,477)
Balance as at 2 January 2022		-	-	(8,970)	(8,970)

The notes on pages 12 to 24 are an integral part of these financial statements.

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

1 General information

Qioptiq UK Holdings Limited is a holding company. It also provides working capital finance on a loan basis to its subsidiaries and fellow subsidiaries.

The company is a private company limited by shares and is incorporated, domiciled and registered in Wales, United Kingdom. The address of the registered office is Glascoed Road, St Asaph, Denbighshire, LL17 0LL.

2 Statement of compliance

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

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS102 in these financial statements.

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. Preparing financial statements to conform with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

b) Going concern

The company relies on support from its parent company, EXC Holdings I Corp. ("Excelitas" or the Group") to meet its day-to-day working capital requirements. In order to manage these requirements, Excelitas uses forecasts and projections which are updated regularly to reflect changes in trading performance. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have received written confirmation of availability of continued financial support from the Group. The company therefore continues to adopt the going concern basis in preparing its financial statements.

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions.

The company has taken advantage of the exemptions for qualifying entities:

- under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, as a parent company includes the company's cash flows in its own consolidated financial statements; and
- from the requirement to disclose key management personnel compensation in total (FRS 102 para 33.7).

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

3 Summary of significant accounting policies (continued)

d) Consolidated financial statements

The company is a wholly owned subsidiary of EXC Holdings I Corp. ("Excelitas" or the "Group") and of its ultimate parent, EXC Holdings LP. The financial statements of the Company and those of its subsidiaries are included in the consolidated financial statements of Excelitas. The Company is exempt by virtue of section 400 and 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

e) Foreign currency

(i) *Functional and presentation currencies*

The company's functional and presentation currency is the United States Dollar.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the prevailing exchange rates at the dates of the transactions.

At each year end foreign currency monetary assets and liabilities are translated using the closing rate. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary assets and liabilities measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income.

f) Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses. The Company assess at each reporting date whether there is any indication that an investment may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

g) Income recognition

Dividend income is recognised when the right to receive payment is established.

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

3 Summary of significant accounting policies (continued)

h) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In these cases, tax is also recognised respectively in other comprehensive income or directly in equity.

Current or deferred taxation asset and liabilities are not discounted.

(i) *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

3 Summary of significant accounting policies (continued)

i) Impairment of non-financial assets

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

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

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income.

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

j) Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) *Financial assets*

Basic financial assets, including trade and other debtors, cash and bank balances are initially recognised at transaction price and subsequently carried at amortised cost using the effective interest method.

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

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

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

3 Summary of significant accounting policies (continued)

j) Financial instruments (continued)

Other financial assets are initially measured at fair value, which is normally the transaction price. Subsequently changes to the fair value of these assets are recognised in profit or loss.

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

(ii) Financial liabilities

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

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

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

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

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

k) Share capital

Ordinary shares are classified as equity.

l) Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

3 Summary of significant accounting policies (continued)

m) Related party transactions

The company discloses transactions with related parties which are not wholly owned by Excelitas. It does not disclose transactions with members of Excelitas.

n) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The significant accounting estimates made in the preparation of these financial statements relate to the carrying value of investments. There are no critical accounting judgements.

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

4 Loss before interest and taxation

	Year ended 2 January 2022	Year ended 3 January 2021
Loss before interest and taxation is stated after crediting		
Impairment of Investment	-	(13)

The company had no employees during the year (2020: none); and no director received remuneration for qualifying services to the company (2020: none).

	Year ended 2 January 2022	Year ended 3 January 2021
Fees payable to the company's auditors:		
For audit services	10	11
For other services - tax	18	27

5 Income from shares in group undertakings

	Year ended 2 January 2022	Year ended 3 January 2021
Qioptiq Europe Limited ordinary dividend	-	117
Qioptiq Photonics Limited ordinary dividend	-	2,263
Total income from shares in group undertakings	-	2,380

6 Interest

	Year ended 2 January 2022	Year ended 3 January 2021
a) Interest receivable and similar income		
Interest receivable on loans to group undertakings	19	160
Foreign exchange gains	1	598
Total interest receivable and similar income	20	758

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

6 Interest (continued)

b) Interest payable and similar expenses

Interest payable on loans to group undertakings	(6,162)	(7,877)
Foreign exchange losses	(295)	(524)
Total interest payable and similar expenses	(6,457)	(8,401)

7 Tax credit on loss

	Year ended 2 January 2022	Year ended 3 January 2021
a) Tax credit included in the profit or loss		
Current tax:		
UK Corporation tax on loss for the year	983	1,143
Adjustment in respect of prior periods	5	(18)
Total current tax	988	1,125
Deferred tax:		
Total deferred tax	-	-
Tax credit on loss	988	1,125

No tax was included in other comprehensive expense in both years.

	Year ended 2 January 2022	Year ended 3 January 2021
b) Reconciliation of tax credit		

Tax assessed for the year is lower (2020: higher) than the standard rate of Corporation tax in the UK for the year ended 2 January 2022 of 19.00% (2020: 19.00%). The differences are explained below.

Loss before taxation	(6,465)	(5,314)
Loss before taxation multiplied by the standard rate of tax in the UK of 19.00% (2020: 19.00%)	1,228	1,010
Effects of:		
Expenses not deductible for tax purposes	(245)	133
Adjustment in respect of prior periods	5	(18)
Tax credit for the year	988	1,125

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

8 Investments

	Year ended 2 January 2022	Year ended 3 January 2021
Cost at the start and end of the year	152,543	152,543
Provision for impairment		
At the start of the year	(69,859)	(69,846)
Charged in the year	-	(13)
At the end of the year	(69,859)	(69,859)
Carrying amount	82,684	82,684
	As at 2 January	As at 3 January
Analysed as equity shares in:	2022	2021
Qioptiq Limited	67,273	67,273
Qioptiq Photonics Limited	15,411	15,411
	82,684	82,684

During the year ended 3 January 2021, as a result of restructuring actions which resulted in the strike off of Qioptiq Europe Limited as of 5 January 2021, it was determined that the company's investment in Qioptiq Europe Limited was impaired. As a result, the company recognized an impairment charge of \$13.

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

8 Investments (continued)

The company has the following direct investments at the end of 2 January 2022 and 3 January 2021 and has no indirect investments.

Name of related undertaking	Proportion of the nominal value of the shares held by the Group
Direct	
Qioptiq Limited	100% of Ordinary shares
Qioptiq Photonics Limited	100% of Ordinary shares

The two related direct undertakings of the company are incorporated in the United Kingdom. Their registered office address is Glascoed Road, St. Asaph, Denbighshire, LL17 0LL.

9 Debtors

	As at 2 January 2022	As at 3 January 2021
Amounts owed by group undertakings	5,212	6,660
	<u>5,212</u>	<u>6,660</u>

Amounts owed by group undertakings includes a current receivable for income taxes due to sharing group relief of \$983 (2020: \$1,140) unsecured loans and other receivables of \$4,229 (2020: \$4,163) repayable on demand, and dividend receivable of \$0.0 (2020: \$1,357) (see Note 13).

10 Creditors: amounts falling due within one year

	As at 2 January 2022	As at 3 January 2021
Amounts owed to group undertakings	16,822	198
Accruals and deferred income	34	48
	<u>16,856</u>	<u>246</u>

Amounts owed to group undertakings include unpaid loan interest of \$62 (2020: \$198) (see Note 13). The significant increase in amounts owed to group undertakings is due to funds received from an affiliate during the fiscal year ended 2 January, 2022.

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

11 Creditors: amounts falling due after more than one year

	As at 2 January 2022	As at 3 January 2021
Amounts owed to group undertakings (see Note 13)	<u>80,010</u>	<u>92,592</u>

12 Loans and other borrowings

	As at 2 January 2022	As at 3 January 2021
Amounts owed to group undertakings (included in creditors: amounts falling due within one year)	16,822	198
(included in creditors: amounts falling due after more than one year)	<u>80,010</u>	<u>92,592</u>
	<u>96,832</u>	<u>92,790</u>

13 Financial instruments

	As at 2 January 2022	As at 3 January 2021
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The company has the following financial instruments:

Financial assets that are debt instruments measured at amortised cost:

Amounts owed by group undertakings	<u>5,212</u>	<u>6,660</u>
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Financial liabilities measured at amortised cost:

Amounts owed to group undertakings	<u>96,832</u>	<u>92,790</u>
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The company has no financial instruments that are required to be measured at fair value through the profit and loss account, nor has it equity instruments to be measured at cost less impairment (2020: none).

Amounts due from group undertakings are \$5,212 (2020: \$6,660). Loans of \$3,682 carry interest rate 0.5% per annum (2020: \$3,951). Receivable of \$547 (2020: \$1,569) and income tax receivable for sharing of group relief of \$983 (2020: \$1,140) do not bear interest.

Interest on amounts owed from group undertakings is based on 3 month Sterling LIBOR plus a margin, equating to rates payable in the range 0.00% to 0.00% (2020: 3.92% to 4.67%).

Interest on the non-current U.S. denominated debt owed for \$80,072 (2020: \$92,592) accrues at a fixed rate of 7% (2020: 7%) with a maturity date of 7 March, 2024.

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

13 Financial instruments (continued)

Amounts owed to group undertakings are repayable as follows:

	As at 2 January 2022	As at 3 January 2021
Within one year	16,822	198
Between two and five years	80,010	92,592
	<hr/> 96,832	<hr/> 92,790

14 Called up share capital

	As at 2 January 2022 No.	As at 3 January 2021 No.
Ordinary shares of \$0.25 (£0.1924) each as at 2 January 2022 and 3 January 2021, allotted and fully paid	<hr/> 4	<hr/> 4

There is a single class of ordinary shares, and there are no restrictions on the distribution of dividends and the repayment of capital. There were no dividends declared or paid in the years ended 2 January 2022 and 3 January 2021.

Profit and loss reserve

Balance at 3 January 2021	(3,493)
Loss for the financial year	(5,477)
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Balance at 2 January 2022	(8,970)

Qioptiq UK Holdings Limited

Notes to the financial statements

For the year ended 2 January 2022

(All amounts are in \$ thousands unless otherwise stated)

15 Related party transactions

The company is exempt from disclosing related party transactions as they are all with other companies that are wholly owned within the Group.

16 Controlling parties

The immediate parent undertaking of the company is Excelitas Technologies Holding 1 B.V.

The smallest and largest group which includes the company and for which consolidated financial statements are prepared is EXC Holdings I Corp. A copy of the consolidated financial statements of EXC Holdings I Corp is available on request from its registered office at 1209 Orange Street, Wilmington, Delaware 19801, United States of America.

The ultimate controlling party of the Group is EXC Holdings LP, a partnership incorporated in the State of Delaware, United States of America. The capital of EXC Holdings LP is beneficially owned by certain funds managed by AEA Investors LP and NB Excelitas LP.

17 Events after the end of the reporting year

There have been no further events after the end of the reporting year that require disclosure.