



HeIQ PLC

Registered number 09040064

UNAUDITED CONDENSED INTERIM REPORT
FOR THE SIX MONTHS ENDING DECEMBER 31, 2023

Differentiate. Innovate.

**SWISS
TECH
INSIDE**

Who we are

HeiQ creates innovative technologies that add comfort, hygiene, protection and sustainability to apparel, home textiles, coatings, healthcare products, as well as functional consumer products.

Our purpose

To improve lives by innovating the materials people use every day.

Our vision

HeiQed materials that improve the lives of billions.

Our mission

To pioneer differentiating materials through co-creation.

**SWISS
TECH
INSIDE**

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About this Unaudited Condensed Interim Report and Condensed Financial Statements

On February 15, 2024 the Company announced that the Board considered it prudent to extend the Company' accounting reference date for the financial year 2023 by six months to June 30, 2024. The Company has therefore prepared these unaudited interim financial statements for the six-month period ending December 31, 2023 in accordance with LR 9.6.22 and DTR 4.2. The Company's next audited financial report and accounts will be for the period January 1, 2023 to June 30, 2024 and will be published by October 31, 2024.

Cautionary statement

This report contains forward-looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Statement of Directors' Responsibilities in respect of the Condensed Interim Report and Condensed Financial Statements

We confirm that to the best of our knowledge:

- The financial statements of HeiQ plc for the 18-month period ending 30 June 2024 of HeiQ plc will be prepared in accordance with United Kingdom adopted international financial reporting standards. The condensed set of financial statements included in this six-months financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
 - I. an indication of important events that have occurred during the second six months of the financial period, and their impact on the condensed set of financial statements; and
 - II. a description of the principal risks and uncertainties for the remaining six months of the period.
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
 - I. related party transactions that have taken place in the second six months of the current financial period and that have materially affected the financial position or performance of the Group in that period; and
 - II. any changes in the related parties' transactions described in the 2022 Annual Report that could have a material effect on the financial position or performance of the Group in the current period.

By order of the Board

Carlo Centonze

CEO & Executive Director

March 28, 2024

Chairwoman’s Statement

The market downturn which commenced in late 2022 continued to cause challenges for HeiQ throughout 2023. Contrary to predictions by many in the industry, market conditions failed to rebound during the period. Our revenues decreased by 11.6% to US\$42 million for the twelve months ending December 31, 2023, primarily driven by historically high inventories, and weak industry demand. In response, we implemented measures to adjust our cost base and organizational structure, while maintaining HeiQ’s innovation and differentiation capabilities. Despite the extremely challenging market conditions during the period for HeiQ’s growth-oriented business units, we made significant progress with our exciting and potentially game-changing venture initiatives HeiQ AeonIQ, HeiQ GrapheneX and HeiQ ECOS.

In light of the challenges faced during the year, we are greatly appreciative of the support shown by our shareholders in our recent fundraise to support the Company’s next phase of growth.

Strategy & Structure

Since listing on the London Stock Exchange on December 7, 2020, HeiQ has evolved significantly. Initially known as an innovation company with a focus on specialty chemicals for textile and flooring, HeiQ has since developed into a company with leading technology platforms that drive sustainability in strategic industries and applications.

This evolution means HeiQ, while still being recognized as a leader in textile performance chemicals and antimicrobials, today focuses are on sustainable technologies in textile fibres (HeiQ AeonIQ), probiotic healthcare cleaners (HeiQ Synbio), anode free solid state lithium metal batteries (HeiQ GrapheneX) and transparent conductive coatings (HeiQ ECOS). This evolution has been achieved both through acquisitions and HeiQ’s own innovation and business development efforts.

HeiQ’s organizational structure, consists of three distinct technology ventures alongside three growth-orientated business segments.

Segment	Ventures			Growth		
	HeiQ GrapheneX	HeiQ ECOS	HeiQ AeonIQ	HeiQ LifeScience	HeiQ Textiles & Flooring	HeiQ Antimicrobials
Technology	Highly porous graphene membrane	transparent, conductive coating	climate-positive cellulose filament yarn	precision fermentation pro- & postbiotics	Functional textile finishings, auxiliaries and (bio-based) process chemicals	Inorganic, organic and botanical antimicrobial technologies
Application fields (examples)	membranes for solid state batteries and electronic vents	thin film insulation for buildings and greenhouses, organic photovoltaics	apparel, home textiles, technical textiles, carbon-fibers	Synbiotic cleaners, water treatment cleaning agents, animal husbandry, cosmetics ingredients	Apparel and home textiles, carpet and flooring	Coatings and polymers, bathroom and kitchen products, home appliances, consumer paints
Business Unit Leader	Carlo Centonze (Group CEO) Dr. Murray Height	Tom Ellefsen Dr. Oliver Zech	Julien Born	Dr. Robin Temmerman	Mike Abbott	Tom Ellefsen

This Venture & Growth structure enables the organization to stay focused on growth and commercialization of existing as well as the incubation of new technologies. With dedicated teams for each unit, we can deploy and adjust resources and skills appropriate to the different maturity levels of the units.

Governance

The evolution of HeiQ over the last four years has led to a significant increase in administrative complexity, in turn, requiring our reporting processes and governance to evolve and improve. The Company acknowledges and is fully committed to implementing these improvements, and as such began making significant investments in 2023 to address them.

In Q1 2023, we established a central accounting function within our global shared service hub in Portugal to strengthen our financial reporting processes. This has since expanded to include 5 full-time equivalents (FTEs). We have also advanced the implementation of harmonizing our enterprise resource planning (ERP) systems across our group. These initiatives aim to improve the quality, efficiency, and governance of our financial reporting processes. This investment in our organization has had a limited impact on the 2022 financial reporting process, but we expect significant improvements for the 2023/24 financial reporting cycle.

To address the deficiencies identified by Deloitte LLP in auditing the 2022 accounts we have undertaken a comprehensive set of actions:

- We engaged Ernst & Young (EY) to support the improvement of governance, reporting and financial accounting processes.
- We are adding two additional employees to manage the EY governance project implementation and to strengthen the internal controls system on an ongoing basis.
- We defined a roadmap to address the most severe deficiencies and those which will have the greatest positive impact on the 2023/24 financial reporting process.
- We have already implemented improvements for this interim report as of December 31, 2023, as far as practicable.

As previously announced, the Company continues to seek a replacement auditor following the resignation of Deloitte LLP. The Company will update the market in due course.

The Company has extended its accounting reference date to June 30, to enable an incoming auditor to properly onboard and complete the audit in a reasonable timeframe. Therefore, this financial report represents unaudited interim financial statements for the six-month period ending December 31, 2023. The Company’s next set of audited financial reports and accounts will be for the period January 1, 2023 to June 30, 2024 and will be published by October 31, 2024.

Changes to the Board of Directors

On January 1, 2024, Robert van de Kerkhof joined the Board of HeiQ plc as a non-executive director and chair of the Environmental, Occupation, Health & Safety and Sustainability Committee. With over 30 years' experience in management and sustainability leadership, including serving as Chief Commercial Officer, Chief Sustainability Officer and board member of the listed company Lenzing AG (Austria), Robert is a great addition to the Board.

As previously announced, I will retire as Chair and non-executive director of HeiQ plc on March 31, 2024. Joining the Company just before its listing in 2020, it has been an intense and very fulfilling time. Together with fellow directors and a dedicated management team, we have navigated through a myriad of challenges and opportunities, culminating in the development of a compelling portfolio of high-potential platform technologies poised to sustainably revolutionize growing industries.

As HeiQ enters the next stage of its growth with the commercial launch and scaling of its venture technologies, I have concluded it is an appropriate moment to hand-over the Chair position. This will allow me to spend more time with my family while ensuring HeiQ has a new leader with exceptional experience and industry knowledge.

Following the proposal by the Nomination Committee after a thorough selection process, the Board of Directors has unanimously appointed Robert van de Kerkhof as the new Chair of HeiQ plc, effective April 1, 2024.

I am convinced that HeiQ is in very capable hands with Robert as Chair, as he is not only a technical expert, but also an exceptional leader with executive management experience on listed company boards.

I thank the entire HeiQ team for the last four years and extend my best wishes to all HeiQans, our investors as well as all our other stakeholders.

Esther Dale

Chair

March 28, 2024

Business Report & Outlook

I am pleased to provide an update on our company's performance for the twelve months ending December 31, 2023 and an outlook for 2024.

2023 continued to present challenges for our industry and commercialized businesses. Despite the strategic initiatives of relocation of capabilities, cost containment and strategic focus undertaken to mitigate the impact of market disruptions, our financial performance remained under pressure, especially as we kept investing in our venture innovation platforms. Sales for the year amounted to US\$41.7 million, reflecting a -11.6% decrease compared to the previous year. We continued to face margin pressure in a buyers-market driven by current overcapacity and historically high inventories at brands.

Operating losses persisted in 2023, albeit with some improvement, amounting to US\$11.6 million for the twelve months ending December 31, 2023. The ongoing macroeconomic uncertainties, coupled with the challenges in securing committed credit facilities, contributed to the financial constraints faced by the company.

Innovation remains the cornerstone of our company's strategy, driving sustainable growth and differentiation in the market. We made significant strides in advancing our key commercial and venture innovation platforms in 2023:

- **HeiQ AeonIQ**, the world's first climate positive cellulosic filament fibre, launched to the market with Hugo Boss in 2023. Tennis star Matteo Berrettini featured the first t-shirt during the Australian Open 2023, and Hugo Boss prominently displayed a state-of-the-art fashion collection called "The Change" at the Milano Fashion Show. The uniqueness of HeiQ AeonIQ was awarded an ISPO award for product of the year. In Q1 2024 HeiQ purchased a large industrial plot of 25,000m² in Portugal to build its first 3,000-ton HeiQ AeonIQ plant by 2026. Joining Hugo Boss, MAS Holdings, one of world's leading garment makers, co-invested into HeiQ AeonIQ. HeiQ AeonIQ secured an initial grant of EUR10 million from the Portuguese government and was given the status as a project of national strategic importance. We were delighted to appoint Julien Born, former CEO of The Lycra Company to lead HeiQ AeonIQ as CEO and Robert van de Kerkhof, former CCO/CSO of Lenzing, to act as its Chair.
- **HeiQ ECOS**, our transparent conductive coating technology platform, progressed well in application development with market leaders in thin film insulation for rapid retrofitting and energy efficiency improvement of buildings, climate control in advanced greenhouse foils, transparent car window heating, signature management for defence applications, as well as conductive layering for novel organic photovoltaics. We expect several of these potential applications to become first market prototypes in 2024.
- **HeiQ GrapheneX**, our highly porous graphene membrane, has secured its first external innovation funding from an electronics technology partner and progressed to demonstrate the performance benefits of its novel graphene membrane in building an anode-free solid-state lithium metal battery with double energy density. Considerable new IP was gained and is being filed in patent applications. In 2024 the first pilot commercialization plant will be commissioned in Switzerland, bringing the technology from the lab to the work floor.
- **HeiQ Synbio**, our biotech & life sciences platform, progressed rapidly in 2023 with the completion of the study conducted by the Charité University Hospital Berlin, sponsored by the German Government and the Bill and Melinda Gates Foundation. It established that probiotic HeiQ Synbio hospital cleaners perform equally well as Ecolab disinfectants but additionally prevent the formation of pathogens' multi-resistance buildup. Based on these stark results, the Robert Koch Institute recommended probiotic cleaners to German hospitals. The European Commission added probiotic cleaners to its new detergent regulation draft having previously awarded probiotic cleaners the EU Ecolabel. We therefore expect strong growth for our HeiQ Synbio platform in the years to come.

As we look ahead to 2024, we anticipate a continuation of the challenging market conditions experienced in 2023 during the first half of the year. The global economy remains uncertain, with ongoing geopolitical tensions and supply chain disruptions affecting various industries. However, as of today, we expect market conditions to start improving in H2 2024.

Considering the persisting challenges, focus for 2024 remains on:

- **Lean Adaptation:** Remaining agile and adaptive to changing market dynamics and consumer behaviours.
- **Operational Efficiency:** Continued emphasis on cost optimization measures to improve operational efficiency and preserve financial stability as well as liquidity.
- **Innovation and Differentiation:** Prioritizing rapid innovation initiatives that offer differentiation in the market and address evolving customer needs.
- **Market Expansion:** Exploring opportunities for market expansion in resilient sectors and geographies, while also strengthening existing partnerships.
- **Sustainability:** Upholding our commitment to sustainability by advancing our innovation initiatives that reduce environmental impact and promote responsible business practices.

As we navigate through present-day challenges and uncertainties of the current market landscape, we remain steadfast in our commitment to delivering long-term value for our shareholders, customers, and stakeholders. With resilience, innovation, and collaboration, we are confident in our ability to raise again and overcome obstacles and emerge stronger from these testing times.

I extend my gratitude to our investors, team members, advisors, and customers for their unwavering support and dedication. Together, we will chart a path forward towards sustainable growth and success in 2024 and beyond.

Carlo Centonze

CEO & Executive Director

March 28, 2024

Principal risks and uncertainties

The Group has an established, structured approach to identifying and assessing the impact of financial and operational risks on its business. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 38 to 42 of the Annual Report and Accounts 2022. The risks identified relate to the following areas: Delivery on growth strategy; Increase in competition; Geographical risks; IP protection and first mover advantage; Regulatory risks; Reputational risks and failure to build brand equity; Innovation pipeline; Supply chain disruptions; Personnel/Workforce; Interruption of IT system operations; Liquidity risk; currency risks; Product liability. Further information in relation to the Group's financial position and going concern is included in note 2.

Carlo Centonze

CEO & Executive Director

March 28, 2024

Financial Review

As outlined in the Chairwoman's statement and the Business Report, 2023 was a very challenging year for the Company. The continuously weak market conditions for our main commercial businesses led to a decrease in revenues for the 12-month period by -11.6% to US\$41.7 million (2022: US\$47.2 million).

Gross profit of US\$15.5 million (2022: US\$13.5 million) represents a gross margin on sales of 37.0% (2022: 28.5%). While this represents an overall recovery of 8.5%, it was impacted by increased allowances on inventory to reflect the continuing weak market demand. Excluding this impact, the gross margin would be 41.2% for the period.

Total selling, general and administrative expenses (SG&A) were US\$29.6 million for the 12 months ending December 31, 2023, representing an overall decrease of 4.5% versus the prior year period (2022: US\$31.0 million). Personnel expenses accounted for 44.9% of total SG&A costs in 2023 and amount to US\$13.3 million – down -11.3% (US\$-1.7 million) compared to the same period in 2022 (US\$15.0 million). A significant portion of SG&A is related to our venture initiatives and thus represents capability building development costs. In 2023 SG&A expenses of about US\$2.5 million relate to our venture initiatives and thus represents capability building development costs.

Accounting aspects relying on significant judgment and estimations and individual transactions that materially affected our interim financial statements as of December 31, 2023, are as follows:

Allowance on inventory

In line with existing accounting policies of the Company, an inventory allowance of US\$1.8 million was recorded within cost of sales. The allowance relates mainly to excess inventory positions. Based on the continuing weak market conditions, for a limited number of inventory items the Board has concluded that it is not certain that all inventory on hand can be sold within the foreseeable future and therefore has determined this allowance to be appropriate.

Impairment of intangible assets

The Company acquired in previous years certain intangible assets to secure its intellectual property position in relation to certain long-term customer contracts, including the exclusivity agreement with ICP Industrial Inc. As the exclusive agreement with ICP has been terminated, the Directors have deemed it appropriate to write-off the corresponding intangible assets, amounting in a write-off of US\$1.1 million in 2023.

Settlement of litigation

As announced in November 2023, the Group settled the litigation and the termination of an exclusive agreement between its subsidiary HeiQ Materials AG and ICP Industrial Inc. ("ICP"). The settlement of the litigation included dismissal of claims and counterclaims by both parties with prejudice and ICP agreed to pay HeiQ Plc a total of US\$2.75 million, which was received in December 2023. The settlement payment is accounted for as "Other income" within the operating loss.

All the above contributed to a loss from operations for the 12 months ending December 31, 2023 of US\$11.6 million (2022: US\$29.2 million).

Results	For the six months ended		For the year ended	
	December 31,		December 31	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	21,247	19,644	41,747	47,202
Cost of sales	(14,177)	(17,618)	(26,287)	(33,745)
Gross profit	7,070	2,026	15,460	13,457
Other income	3,284	2,084	4,230	4,832
Selling and general administrative expenses	(15,319)	(16,953)	(29,582)	(30,969)
Impairment reversal/(loss) on intangible assets	90	(11,651)	90	(11,651)
Impairment loss on property, plant & equipment	(84)	(730)	(84)	(730)
Other expenses	(623)	(2,449)	(1,698)	(4,184)
Operating loss	(5,582)	(27,673)	(11,584)	(29,245)
Depreciation of property, plant and equipment	742	638	1,453	1,282
Amortization of intangible assets	1,134	769	2,203	1,435
Depreciation of right-of-use assets	527	441	1,005	938
Impairment losses and write-offs	1,396	13,278	1,396	13,278
Share options and rights granted to Directors and employees	202	(348)	334	138
Adjusted EBITDA	(1,581)	(12,895)	(5,193)	(12,174)
EBITDA Margin (adjusted)	(7.4%)	(65.6%)	(12.4%)	(25.8%)

Cashflow from operating activities

Liquidity and cashflow is a key focus for the Company in these challenging circumstances. We have undertaken decisive steps to reduce the cash-use of operating activities during the period. As a result, the Company managed to return to a positive cashflow from operating activities in H2 2023:

US\$'000	Jul – Dec 2023	Jan – Jun 2023	Jul – Dec 2022	Jan – Jun 2022
Net cash from (used in) operating activities	1,505	(4,799)	(486)	(1,973)

Inventory & Trade receivables

Both inventory and trade receivables were significantly reduced during the reporting period. As of December 31, 2023, inventory was valued at US\$11.3 million which represents a reduction of -14.6% (2022: US\$13.2 million). Trade receivables of US\$5.7 million represent a reduction of 12.5% (2022: US\$6.5 million).

Post balance sheet date events

In February 2024 the Group completed the acquisition of two industrial properties in Portugal for a total consideration of EUR5.0 million (including taxes) which we believe represented a significant discount to market prices for similar properties. To secure the price and to finance the acquisition, the Company received bridge financing from Cortegrande AG, a company owned by the Group CEO Carlo Centonze. In late March 2024, the Group secured a mortgage of EURO.75 million for the smaller lot acquired at a price (before taxes) of EUR1.0 million while negotiations for the large lot (acquisition price before tax EUR3.6 million) with the mortgage provider are ongoing. Further, in March 2024 the Company completed a capital raise issuing 28 million new shares for a total consideration of £2.4 million (£0.087 per share).

Liquidity as of December 31, 2023 & Going Concern Assessment

As of December 31, 2023, the Company's cash balance was US\$9.7 million (December 31, 2022: US\$8.5 million) and net debt position including lease liabilities was US\$-10.0 million as of December 31, 2023 (2022: US\$-3.7 million). To manage its cash balance, the Group has access to credit facilities totalling CHF8.8 million (approximately US\$9.9 million as of March 28, 2023). The credit facilities are in place with two different banks and both contracts have materially the same conditions. The facilities are not limited in time, can be terminated by either party at any time and allow overdrafts and fixed cash advances with a duration of up to twelve months.

As of March 28, 2023, the Group has drawn fixed cash advances amounting to CHF7.8 million and EURO.4 million (December 31, 2022: CHF2.4 million) – see Note 2 for details including maturity dates. The facilities are not committed, but the Board has not received any indication from financing partners that facilities are at risk of being terminated. However, the credit facilities will be reduced by CHF0.3 million to CHF8.5 million in total as of June 17, 2024.

The Group's directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and operate within its credit facilities for the period of 12 months from date of signature. Nevertheless, the Board acknowledges the uncommitted status of the facilities which could be terminated requiring the refinancing of debts, and which casts material uncertainty on the going concern assessment until appropriate longer-term funding is in place. Further disclosures on the going concern assessment are made in the notes to the financial statements.

Xaver Hangartner

CFO & Executive Director

March 28, 2024

Unaudited Condensed Consolidated Interim Financial Statements

Condensed consolidated statement of profit and loss and other comprehensive income

	Note	For the six months ended		For the year ended	
		December 31,		December 31,	
		2023	2022	2023	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		US\$'000	US\$'000	US\$'000	US\$'000
Revenue	5	21,247	19,644	41,747	47,202
Cost of sales	7	(14,177)	(17,618)	(26,287)	(33,745)
Gross profit		7,070	2,026	15,460	13,457
Other income	8	3,284	2,084	4,230	4,832
Selling and general administrative expenses	9	(15,319)	(16,953)	(29,582)	(30,969)
Impairment reversal/(loss) on intangible assets	16	90	(11,651)	90	(11,651)
Impairment loss on property, plant & equipment	17	(84)	(730)	(84)	(730)
Other expenses	11	(623)	(2,449)	(1,698)	(4,184)
Operating loss		(5,582)	(27,673)	(11,584)	(29,245)
Finance income	12	69	241	74	683
Finance costs	13	(1,055)	(749)	(1,439)	(1,273)
Loss before taxation		(6,568)	(28,181)	(12,949)	(29,835)
Income tax	14	(884)	275	(1,030)	21
Loss after taxation		(7,452)	(27,906)	(13,979)	(29,814)
Other comprehensive income:					
Exchange differences on translation of foreign operations		546	(824)	975	(1,914)
Items that may be reclassified to profit or loss in subsequent periods		546	(824)	975	(1,914)
Actuarial gains/(losses) from defined benefit pension plans		(218)	1,380	(218)	1,380
Income tax relating to items that will not be reclassified subsequently to profit or loss		249	(276)	249	(276)
Items that will not be reclassified to profit or loss in subsequent periods		31	1,104	31	1,104
Other comprehensive income (loss) for the period		577	280	1,006	(810)
Total comprehensive loss for the period		(6,875)	(27,626)	(12,973)	(30,624)
Loss attributable to:					
Equity holders of HeiQ		(7,147)	(27,546)	(13,583)	(29,251)
Non-controlling interests		(305)	(360)	(396)	(563)
		(7,452)	(27,906)	(13,979)	(29,814)
Total Comprehensive loss attributable to:					
Equity holders of the Company		(6,570)	(27,266)	(12,577)	(30,061)
Non-controlling interests		(305)	(360)	(396)	(563)
		(6,875)	(27,626)	(12,973)	(30,624)
Loss per share:					
Basic (cents) *	15	(5.09)	(20.39)	(9.67)	(21.92)

*The effect of share options is anti-dilutive and therefore not disclosed.

Condensed consolidated statement of financial position

		As at December 31, 2023 (Unaudited) US\$'000	As at December 31, 2022 (Audited) US\$'000
	Note		
ASSETS			
Intangible assets	16	20,489	20,442
Property, plant and equipment	17	9,003	9,802
Right-of-use assets	18	8,132	7,819
Deferred tax assets	30	312	538
Other non-current assets	19	82	137
Non-current assets		38,018	38,738
Inventories	20	11,250	13,168
Trade receivables	21	5,673	6,487
Other receivables and prepayments	22	4,349	4,262
Cash and cash equivalents		9,694	8,488
Current assets		30,966	32,405
Total assets		68,984	71,143
EQUITY AND LIABILITIES			
Issued share capital and share premium	24	206,246	205,874
Other reserves	26	(126,830)	(128,017)
Retained deficit		(51,661)	(39,466)
Equity attributable to HeiQ shareholders		27,755	38,391
Non-controlling interests		1,728	1,948
Total equity		29,483	40,339
Lease liabilities	27	6,674	6,558
Long-term borrowings	29	1,501	1,445
Deferred tax liability	30	1,384	1,253
Other non-current liabilities	31	5,010	4,714
Total non-current liabilities		14,569	13,970
Trade and other payables	32	6,672	5,322
Accrued liabilities	33	4,483	4,978
Income tax liability	14	606	314
Deferred revenue	34	1,423	1,285
Short-term borrowings	29	10,409	2,893
Lease liabilities	27	1,131	1,264
Other current liabilities	36	208	778
Total current liabilities		24,932	16,834
Total liabilities		39,501	30,804
Total equity and liabilities		68,984	71,143

The Notes form an integral part of these Condensed Consolidated Interim Financial Statements. The Financial Statements were approved and authorized for issue by the Board of Directors on March 27, 2024 and signed on its behalf by:

Xaver Hangartner

CFO & Executive Director

Condensed consolidated statement of changes in equity

	Note	Issued share capital and share premium US\$'000	Other reserves US\$'000	Retained deficit US\$'000	Equity attributable to HeiQ shareholders US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
Balance at January 1, 2022 (Audited)		195,714	(127,195)	(11,525)	56,994	2,541	59,535
Loss after taxation		-	-	(29,251)	(29,251)	(563)	(29,814)
Other comprehensive (loss)/income		-	(810)	-	(810)	-	(810)
<i>Total comprehensive (loss)/income for the period</i>		-	(810)	(29,251)	(30,061)	(563)	(30,624)
Issuance of shares	24	10,160	-	-	10,160	-	10,160
Share-based payment charges	25	-	(12)	-	(12)	-	(12)
Dividends paid to minority shareholders	26	-	-	-	-	(243)	(243)
Capital contributions from minority shareholders		-	-	-	-	764	764
Adjustments arising from change in non-controlling interests		-	-	(2,445)	(2,445)	(616)	(3,061)
Transfer on disposal of non- controlling interest		-	-	3,755	3,755	65	3,820
<i>Transactions with owners</i>		<i>10,160</i>	<i>(12)</i>	<i>1,310</i>	<i>11,458</i>	<i>(30)</i>	<i>11,428</i>
Balance at December 31, 2022 (Audited)		205,874	(128,017)	(39,466)	38,391	1,948	40,339
Loss after taxation		-	-	(13,583)	(13,583)	(396)	(13,979)
Other comprehensive (loss)/income		-	1,006	-	1,006	-	1,006
<i>Total comprehensive (loss)/income for the period</i>		-	1,006	(13,583)	(12,577)	(396)	(12,973)
Issuance of shares	24	372	-	-	372	-	372
Share-based payment charges	25	-	181	-	181	-	181
Elimination of non-controlling interest at disposal of subsidiary	4b	-	-	-	-	73	73
Dividends paid to minority shareholders	26	-	-	-	-	(12)	(12)
Transfer of shares to non- controlling interest	4c	-	-	1,388	1,388	115	1,503
<i>Transactions with owners</i>		<i>372</i>	<i>181</i>	<i>1,388</i>	<i>1,941</i>	<i>176</i>	<i>2,117</i>
Balance at December 31, 2023 (Unaudited)		206,246	(126,830)	(51,661)	27,755	1,728	29,483

Condensed consolidated statement of cash flows

	Note	Six months ended December 31,		Year ended December 31,	
		2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000	2023 (Unaudited) US\$'000	2022 (Audited) US\$'000
Cash flows from operating activities					
Loss before taxation		(6,568)	(28,181)	(12,949)	(29,835)
Cash flow from operations reconciliation:					
Depreciation and amortization	16-18	2,403	1,848	4,661	3,655
Impairment expense	16-17	(6)	12,380	(6)	12,380
Net loss/gain on disposal of assets		67	(8)	84	(5)
Write-off of intangible assets	11	1,388	897	1,402	897
Gain from disposal of subsidiary	4b	(138)	-	(138)	
Fair value gain on derivative liability	8	(453)	(371)	(701)	(371)
Finance costs		300	149	517	273
Finance income		(29)	(1)	(34)	(2)
Pension expense		(389)	130	(346)	247
Non-cash equity compensation	25	202	(348)	334	138
Gain from lease modification		(6)	-	(15)	(68)
Other costs paid in shares	24	-	235	-	235
Currency translation		916	623	322	(61)
Working capital adjustments:					
Decrease in inventories	39	3,164	3,016	1,926	602
Decrease in trade and other receivables	39	2,350	9,391	733	7,783
(Decrease)/Increase in trade and other payables	39	(1,798)	95	1320	2,543
Cash from (used in) operations		1,403	(145)	(2,890)	(1,589)
Taxes paid	14	102	(341)	(404)	(870)
Net cash from (used in) operating activities		1,505	(486)	(3,294)	(2,459)
Cash flows from investing activities					
Consideration for acquisition of businesses	39	(730)	-	(730)	(1,587)
Cash assumed in asset acquisition	39	10	65	12	65
Disposal of a subsidiary, net of cash disposed of	4b	(24)	-	(24)	-
Purchase of property, plant and equipment	17	(829)	(2,358)	(1,413)	(3,418)
Proceeds from the disposal of property, plant and equipment		29	16	844	53
Development and acquisition of intangible assets	16	(484)	(1,919)	(1,149)	(3,865)
Interest received		29	1	34	2
Net cash used in investing activities		(1,999)	(4,195)	(2,426)	(8,750)
Cash flows from financing activities					
Interest paid on borrowings		(190)	(68)	(312)	(110)
Repayment of leases		(682)	(540)	(1,296)	(992)
Interest paid on leases		(110)	(81)	(205)	(163)
Proceeds from disposals of minority interests		1,504	2,333	1,504	4,792
Proceeds from borrowings	27	2,964	2,642	7,962	3,465
Repayment of borrowings	27	(693)	(707)	(958)	(904)
Dividends paid to minority shareholders	26	(12)	-	(12)	(243)
Net cash from financing activities		2,781	3,579	6,683	5,845
Net decrease in cash and cash equivalents		2,287	(1,102)	963	(5,364)
Cash and cash equivalents – beginning of the period/year		7,274	9,488	8,488	14,560
Effects of exchange rate changes on the balance of cash held in foreign currencies		133	102	243	(708)
Cash and cash equivalents – end of the period		9,694	8,488	9,694	8,488

Notes to the Unaudited Condensed Consolidated Financial Statements for the six months ended December 31, 2023

1. General information

HeiQ Plc (the Company) is a company limited by shares incorporated and registered in the United Kingdom. The address of the Company's registered office is 5th Floor, 15 Whitehall, London, SW1A 2DD.

These financial statements are presented in United States Dollars (US\$) which is the presentation currency of the Group, and all values are rounded to the nearest thousand dollars except where otherwise indicated.

2. Basis of preparation and measurement

Basis of preparation

The Group extended its accounting reference date from December 31, to June 30, to enable the incoming auditor to properly onboard and complete the audit in a reasonable timeframe. The Company's next set of audited financial reports and accounts will be for the period January 1, 2023 to June 30, 2024 and will be published by October 31, 2024.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and UK adopted International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). Other than as noted below, the accounting policies applied by the Group in the preparation of these interim financial statements are the same as those set out in the Company's audited financial statements for the year ended December 31, 2022. These financial statements have been prepared under the historical cost convention except for certain financial and equity instruments that have been measured at fair value.

These condensed financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the audited financial statements for the year ended December 31, 2022.

Statutory accounts for the year ended December 31, 2022 have been filed with the Registrar of Companies in October 2023 and the auditor's report was unqualified, did not contain any statement under Section 498(2) or 498(3) of the Companies Act 2006, and contained a matter (material uncertainty in regards to the going concern assumption) to which the auditors drew attention without qualifying their report.

The condensed interim financial statements are unaudited and have not been reviewed by the auditors and were approved by the Board of Directors on March 27, 2024.

Going concern

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realization of the assets and the settlement of liabilities in the normal course of business.

To manage its cash balance, the Group has access to credit facilities totalling CHF8.80 million (approximately US\$9.9 million as of March 28, 2023). The credit facilities are in place with two different banks but with materially the same conditions. The facilities are not limited in time, can be terminated by either party at any time and allow overdrafts and fixed cash advances with a duration of up to twelve months. In case one or the other party terminates the agreement, fixed cash advances become due upon their defined maturity date. The facilities do not contain financial covenants, but they do require the delivery of certain financial and operational information within a defined timeframe after the balance sheet date.

As of March 28, 2024, the Group has drawn fixed advances amounting to CHF7.8 million and EURO.4 million (CHF2.4 million as December 31, 2022) as follows:

Term / Maturity date	CHF
April 26, 2024	5.5 million
April 15, 2024	0.5 million
June 17, 2024	0.8 million
September 30, 2024	1.0 million

Term / Maturity date	EUR
April 02, 2024	0.4 million

The Group's forecasts and projections for the next 12 months reflect the very challenging trading environment and show that the Group should be able to operate within the level of its current facility for at least 12 months from the date of signature of these financial statements if the facility drawdowns remain available. While the facilities are not committed, the Board has not received any indication from financing partners that the facilities are at risk of being terminated. However, the credit facilities will be reduced by CHF0.3 million to CHF8.5 million in total as of June 17, 2024.

The Board acknowledges the uncommitted status of the facilities which could be terminated without notice during the forecast period requiring the refinancing of debts as per above maturity date indicates that a material uncertainty exists that may cast significant

doubt on the Group's and Parent Company's ability to continue as a going concern, and therefore the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

After considering the forecasts, sensitivities, and mitigating actions available to management and having regard to the risks and uncertainties to which the Group is exposed (including the material uncertainty referred to above), the Group's directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and operate within its credit facilities for the period 12 months from date of signature. Accordingly, the financial statements continue to be prepared on a going concern basis.

Basis of consolidation

The Condensed Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries. Business combinations are accounted for under the acquisition method.

New standards, interpretations and amendments not yet effective for the current period

The following new standards and amendments were effective for the first time in these financial statements but did not have a material effect on the Group:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

3. Significant accounting policies

The Company has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2022 financial statements.

New and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Use of estimates and judgements

There have been no material revisions to the nature and amounts of estimates of amounts reported in prior periods.

4. Significant events and transactions

a. Acquisition of Tarn Pure

On January 12, 2023, HeiQ Plc, completed the acquisition of the entire issued share capital of Tarn-Pure Holdings Ltd ("Tarn-Pure"). Tarn-Pure is a UK-based intellectual property company holding critical EU and UK regulatory registrations to sell elemental copper and elemental silver for use in disinfecting hygiene applications. The regulatory registrations of Tarn-Pure are critical to HeiQ to ensure regulatory compliance of its antimicrobial products long term. To acquire Tarn-Pure, HeiQ paid the vendors £530,000 (approximately US\$621,000) in cash with an additional £317,000 (approximately US\$372,000) satisfied through the issuance of 455,435 new ordinary shares of 30p each in the Company (the "Consideration Shares"), issued at a price of 69.6p per share. A further US\$244,000 of deferred consideration is payable in cash in monthly instalments from February 2023 to February 2025. The purchase price allocation has not been finalized yet and is subject to possible changes in valuation of the assets acquired. It will be completed in the 2023/2024 annual report.

The following table provides an overview of the preliminary purchase price allocation. It summarizes the consideration paid, the fair value of assets acquired, liabilities assumed, and goodwill arising on acquisition at the acquisition date.

	US\$'000
Preliminary purchase price allocation	
<i>Consideration:</i>	
Cash paid to shareholders	621
Shares issued to shareholders	372
Deferred consideration	244
Total Consideration	1,237
<i>Fair value of net assets acquired:</i>	
Inventory	13
Cash and cash equivalents	12
Trade and other receivables	12
Borrowings	(42)
Intangible assets identified on acquisition:	
Customer Relationship	123
Regulatory asset	682
Deferred tax liability on intangible assets	(201)
Total net assets	599
Goodwill	638
Total	1,237

b. Disposal of Life Material Latam, Ltda, Brazil

In July 2023, the Group sold 31% of its share in Life Materials Latam Ltda, Brazil for a consideration of US\$nil. The Group's stake was reduced to 20% and, as a result, the company is no longer consolidated.

c. Transfer of shares in HeiQ AeonIQ GmbH to non-controlling interests

In July 2023, HeiQ Materials AG reached an agreement with MAS to dispose of 1.5% of its shareholding in HeiQ AeonIQ GmbH.

d. Foundation of HeiQ AeonIQ Holding AG

The Group founded HeiQ AeonIQ Holding AG Switzerland, which resides at Parkstrasse 1, 5234 Villigen. As at December 31, 2023, the Group holds 97% ownership.

5. Revenue

The Group's focus on materials innovation which includes scientific research, manufacturing and consumer ingredient branding. The primary source of revenue is the production and sale of functional ingredients, materials and finished goods. Other sources of revenue include research and development, take-or-pay and exclusivity services.

The following table reconciles HeiQ Group's revenue for the periods presented:

	For the six months ended		For the year ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue by type of product				
<i>Revenue recognized at point in time</i>				
Functional ingredients	16,376	15,019	32,123	36,175
Functional materials	197	1,566	743	2,000
Functional consumer goods	2,680	1,785	5,382	6,827
Services	189	-	1,169	160
<i>Revenue recognized over time</i>				
Services	1,805	1,274	2,330	2,040
Total revenue	21,247	19,644	41,747	47,202

Unsatisfied performance obligations

The transaction prices allocated to unsatisfied and partially unsatisfied obligations at December 31, 2023 are as set out below:

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Unsatisfied performance obligations		
Exclusivity services	1,500	2,100
Research and development services	3,360	3,750
Total unsatisfied performance obligations	4,860	5,850

Management expects that 25 per cent of the transaction price allocated to the unsatisfied contracts as of 31 December 2023 will be recognized as revenue during 2024 (US\$1.2 million). The remaining 75 per cent, US\$3.7 million, will be recognized in 2025 (US\$1.1 million) and 2026 financial year (US\$2.6 million).

Disclosure related to contracts with customers

Contract assets and contract liabilities are disclosed under Note 23 and Note 35, respectively. Impairment losses recognized on any receivables or contract assets arising from the Group's contracts with customers are disclosed under Note 21 and Note 23, respectively.

6. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

For management purposes, the Group is organised into business units and the following reportable segments:

Segment	Activity
Textiles & Flooring	Provide innovative ingredients to make textiles & flooring more functional, durable and sustainable.
Life Sciences	Offer biotech solutions to replace harmful biocides in domestic, commercial, healthcare and industrial usage, for a more balanced microbiome and environment.
Antimicrobials	Functionalize by enhancing hygiene of different hard surfaces in everyday products and our surroundings.
Other activities	All other activities of the Group including Innovation Services, Venture Business Development, and other non-allocated functions.

In 2023 new overhead allocation rules were introduced and as a result more overhead costs were allocated to segments. 2022 segment revenue and profits are restated below using the new rules to allow for like for like comparison.

Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment:

Six months ended December 31, 2023	Textiles & Flooring US\$'000	Life Sciences US\$'000	Antimicrobials US\$'000	Other activities US\$'000	Total US\$'000
Revenue	15,809	2,363	1,776	1,299	21,247
Operating loss	(2,005)	(1,019)	584	(3,142)	(5,582)
Finance result					(986)
Loss before taxation					(6,568)
Taxation					(884)
Loss after taxation					(7,452)

Depreciation and amortization

Property, plant and equipment	282	190	23	247	742
Right-of use assets	76	75	20	356	527
Intangible assets	144	287	391	312	1,134

Impairment loss / (reversal)

Property, plant and equipment	-	84	-	-	84
Intangible assets	-	-	-	(90)	(90)

Six months ended December 31, 2022	Textiles & Flooring US\$'000	Life Sciences US\$'000	Antimicrobials US\$'000	Other activities US\$'000	Total US\$'000
Revenue	14,646	2,273	1,154	1,571	19,644
Operating loss	(6,913)	(5,000)	(9,648)	(6,112)	(27,673)
Finance result					(508)
Loss before taxation					(28,181)
Taxation					275
Loss after taxation					(27,906)

Depreciation and amortization

Property, plant and equipment	126	162	11	339	638
Right-of use assets	48	73	18	302	441
Intangible assets	38	276	350	105	769

Impairment loss

Property, plant and equipment	-	730	-	-	730
Intangible assets	-	2,402	8,247	1,002	11,651

Year ended December 31, 2023	Textiles & Flooring US\$'000	Life Sciences US\$'000	Antimicrobials US\$'000	Other activities US\$'000	Total US\$'000
Revenue	31,340	4,842	2,940	2,625	41,747
Operating loss	(888)	(1,712)	(1,126)	(7,858)	(11,584)
Finance result					(1,365)
Loss before taxation					(12,949)
Taxation					(1,030)
Loss after taxation					(13,979)

Depreciation and amortization

Property, plant and equipment	580	361	38	474	1,453
Right-of use assets	166	149	42	648	1,005
Intangible assets	288	564	792	559	2,203

Impairment loss / (reversal)

Property, plant and equipment	-	84	-	-	84
Intangible assets	-	-	-	(90)	(90)

Year ended December 31, 2022	Textiles & Flooring US\$'000	Life Sciences US\$'000	Antimicrobials US\$'000	Other activities US\$'000	Total US\$'000
Revenue	34,184	6,164	4,182	2,672	47,202
Operating loss	(4,231)	(5,537)	(10,116)	(9,361)	(29,245)
Finance result					(590)
Loss before taxation					(29,835)
Taxation					21
Loss after taxation					(29,814)

Depreciation and amortization

Property, plant and equipment	334	335	28	585	1,282
Right-of use assets	123	145	42	628	938
Intangible assets	74	550	699	112	1,435

Impairment loss

Property, plant and equipment	-	730	-	-	730
Intangible assets	-	2,402	8,247	1,002	11,651

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in the six months ended December 31, 2023 (2022: nil).

Geographic information

	For the six months ended December 31,		For the year ended December 31,	
	2023	2022	2023	2022
Revenue by region	US\$'000	US\$'000	US\$'000	US\$'000
North & South America	9,010	9,327	18,704	20,425
Asia	6,914	4,421	11,712	13,376
Europe	5,243	5,782	11,091	13,109
Others	80	114	240	292
Total revenue	21,247	19,644	41,747	47,202

	As at December 31,		As at December 31,	
	2023	2022	2023	2022
Non-current assets by region	US\$'000	US\$'000	US\$'000	US\$'000
Europe	27,767		22,290	
Asia	2,370		8,102	
North & South America	7,512		7,734	
Others	369		612	
Total non-current assets	38,018		38,738	

Information about major customers

During the six months ended December 31, 2023, no customers individually totalled more than 10% of total revenues (2022: none).

7. Cost of sales

	For the six months ended December 31,		For the year ended December 31,	
	2023	2022	2023	2022
Cost of sales	US\$'000	US\$'000	US\$'000	US\$'000
Material expenses	8,003	8,829	18,354	20,942
Personnel expenses	1,689	1,354	3,252	2,830
Depreciation of property, plant and equipment	291	310	643	652
Other costs of sales	4,194	7,125	4,038	9,321
Total cost of sales	14,177	17,618	26,287	33,745

Other costs of goods sold include freight and custom costs, warehousing and allowances on inventory.

8. Other income

	For the six months ended December 31,		For the year ended December 31,	
	2023	2022	2023	2022
Other income	US\$'000	US\$'000	US\$'000	US\$'000
Gain on disposal of property plant and equipment	9	12	21	21
Gain on disposal of investments	138	-	138	-
Foreign exchange gains	(517)	1,205	-	3,539
Fair value gain on derivative liabilities	453	371	701	371
Income from out-of-court settlement	2,750	-	2,750	-
Other income	451	496	620	901
Total other income	3,284	2,084	4,230	4,832

In November 2023, the Group reached a settlement of the litigation with ICP, which includes dismissal of claims and counterclaims by both parties with prejudice. ICP has agreed to pay HeiQ Plc a total of USD \$2.75 million. The settlement refers to a complaint filed by the Group in October 2022 for breaching its Exclusive Agreement terms.

Foreign exchange gains previously reported under other income have been reclassified to finance income (Note 12) during the 2023 reporting period so as to more fairly present the nature of such items.

9. Selling and general administration expenses

	For the six months ended		For the year ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Selling and general administration expenses				
Personnel expenses	6,442	7,169	13,291	14,977
Depreciation of property, plant and equipment	451	328	810	630
Amortization of intangible assets	1,134	769	2,203	1,435
Depreciation of right-of-use assets	527	441	1,005	938
Net credit losses on financial assets and contract assets	171	85	171	85
Other	6,594	8,161	12,102	12,904
Total selling and general administration expenses	15,319	16,953	29,582	30,969

Other selling and general administration expenses include costs for infrastructure, professional services and marketing as well as R&D and laboratory related costs, information technology & data expenses, sales representative & distribution expenses.

10. Personnel expenses

	For the six months ended		For the year ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Personnel expenses				
Wages & salaries	7,323	7,344	14,547	15,274
Social security & other payroll taxes	766	1,061	1,568	1,685
Pension costs	(160)	466	94	710
Share-based payments	202	(348)	334	138
Total personnel expenses	8,131	8,523	16,543	17,807
Reported as cost of sales (Note 7)	1,689	1,354	3,252	2,830
Reported as selling and general administration expense (Note 9)	6,442	7,169	13,291	14,977
Total personnel expenses	8,131	8,523	16,543	17,807

The pension costs for the six months ended December 31, 2023 were impacted by a curtailment gain (US\$141,000) and further income from a plan amendment (US\$341,000) as explained further in Note 28.

11. Other expenses

	For the six months ended		For the year ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Other expenses				
Foreign exchange losses	(928)	1,429	-	3,050
Loss on disposal of property, plant and	76	5	105	16
Transaction costs relating to mergers and	-	50	23	50
acquisitions				
Write off intangible assets	1,388	897	1,402	897
Other	87	68	168	171
Total other expenses	623	2,449	1,698	4,184

The write off mainly relates to patents acquired in view of the commercial partnership with ICP. As the partnership has been ended, the asset's economic benefits were consumed.

Foreign exchange losses previously reported under other expenses have been reclassified to finance costs (Note 13) during the 2023 reporting period so as to more fairly present the nature of such items.

12. Finance income

	For the six months ended		For the year ended	
	December 31		December 31,	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Finance income				
Interest income	11	4	14	5
Gains on foreign currency transactions	39	238	39	678
Other	19	(1)	21	-
Total finance income	69	241	74	683

13. Finance costs

	For the six months ended		For the year ended	
	December 31		December 31,	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Finance costs				
Lease finance expense	110	82	205	163
Interest on borrowings	190	68	312	110
Bank fees	104	65	271	98
Loss on foreign currency transactions	651	534	651	902
Total finance costs	1,055	749	1,439	1,273

14. Income tax

The components of the provision for taxation on income included in the "Statement of profit or loss and other comprehensive income" are summarized below:

	For the six months ended		For the year ended	
	December 31		December 31	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Current income tax expense				
Swiss corporate income taxes	(70)	28	(49)	58
United States state and federal taxes	355	10	456	393
Taiwan corporate income taxes	73	40	154	118
Belgium corporate income taxes	(53)	(199)	30	(123)
Germany corporate income taxes	(24)	68	(24)	51
Others	34	(16)	45	63
Total current income tax expense	315	(69)	612	560
Deferred income tax expense				
Switzerland	698	159	676	90
United States	(41)	(535)	(45)	(606)
China	8	245	6	117
Austria	5	24	3	20
Belgium	(63)	(65)	(131)	(136)
Others	(38)	(34)	(91)	(66)
Total deferred income tax expense (income)	569	(206)	418	(581)
Total income tax expense (income)	884	(275)	1,030	(21)

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Net tax (assets)/liabilities		
Opening balance (prepaid taxes)	(343)	51
Assumed on asset acquisition	-	(32)
Income tax expense for the year	612	560
Taxes paid	(404)	(870)
Foreign currency differences	(5)	(52)
Net tax (asset)/liability	(140)	(343)

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Net tax (assets) liabilities		
Prepaid income taxes	(746)	(657)
Income tax liabilities	606	314
Net tax (asset)/liability	(140)	(343)

15. Earnings per share

The calculation of basic earnings per share is based on the following data:

	For the six months ended December 31,		For the year ended December 31,	
	2023	2022	2023	2022
Loss attributable to the ordinary equity holders of the parent entity (US\$'000)	(7,147)	(27,546)	(13,583)	(29,251)
Weighted average number of ordinary shares for the purposes of basic earnings per share	140,537,907	135,084,870	140,522,934	133,426,953
Basic loss per share (cents)	(5.09)	(20.39)	(9.67)	(21.92)

The effect of share options is anti-dilutive and therefore not disclosed.

Basic earnings per share is calculated by dividing the profit/loss after tax attributable to the equity holders of the Company by the weighted average number of shares in issue during the year. The effect of share options is anti-dilutive and therefore not disclosed.

16. Intangible assets

	Goodwill US\$'000	Internally developed assets US\$'000	Brand names and customer relations US\$'000	Acquired technologies US\$'000	Other intangible assets US\$'000	Total US\$'000
Cost						
As at January 1, 2022	21,382	3,509	4,503	3,180	2,332	34,906
Additions arising from internal development	-	2,165	-	-	-	2,165
Other acquisitions	-	-	-	-	1,700	1,700
Disposals / write-offs	-	(85)	-	-	(812)	(897)
Currency translation differences	(795)	5	(160)	(165)	14	(1,101)
As at December 31, 2022	20,587	5,594	4,343	3,015	3,234	36,773
Additions arising from internal development	-	1,006	-	-	-	1,006
Business combinations	641	-	123	-	682	1,446
Other acquisitions	-	-	-	-	143	143
Disposals / write-offs	-	(228)	-	-	(1,441)	(1,669)
Reclassifications	-	93	-	-	-	93
Currency translation differences	494	579	100	95	161	1,429
As at December 31, 2023	21,722	7,044	4,566	3,110	2,779	39,221

Amortization and accumulated impairment losses						
As at January 1, 2022	2,305	474	602	234	518	4,133
Amortization for the year	-	198	695	334	208	1,435
Impairment loss	10,576	880	73	-	122	11,651
Currency translation differences	(750)	3	(72)	(45)	(24)	(888)
As at December 31, 2022	12,131	1,555	1,298	523	824	16,331
Amortization for the year	-	715	721	334	433	2,203
Disposals / write-offs	-	(25)	-	-	(242)	(267)
Reclassifications	-	93	-	-	-	93
Impairment loss	-	(90)	-	-	-	(90)
Currency translation differences	263	190	(9)	(6)	24	462
As at December 31, 2023	12,394	2,438	2,010	851	1,039	18,732
Net book value						
As at December 31, 2022	8,456	4,039	3,045	2,492	2,410	20,442
As at December 31, 2023	9,328	4,606	2,556	2,259	1,740	20,489

17. Property, plant and equipment

	Machinery and equipment US\$'000	Motor vehicles US\$'000	Computers and software US\$'000	Furniture and fixtures US\$'000	Land and buildings US\$'000	Total US\$'000
Cost						
As at January 1, 2022	7,288	536	914	474	1,523	10,735
Additions	2,272	26	197	50	2,736	5,280
Disposals	(69)	(12)	-	-	-	(81)
Reclassifications	(407)	59	-	348	-	-
Currency translation differences	(233)	(1)	(21)	(23)	(91)	(369)
As at December 31, 2022	8,851	608	1,090	849	4,168	15,566
Additions	1,167	113	32	60	41	1,413
Disposals	(976)	(57)	(8)	(15)	-	(1,056)
Reclassifications	(37)	-	-	37	-	-
Currency translation differences	374	9	97	49	68	597
As at December 31, 2023	9,379	673	1,211	980	4,277	16,520
Depreciation and accumulated impairment losses						
As at January 1, 2022	2,723	330	619	86	112	3,870
Depreciation for the year	763	90	218	83	128	1,282
Eliminated on disposal	(27)	(5)	-	-	-	(32)
Impairment loss	730	-	-	-	-	730
Reclassifications	(222)	-	-	222	-	-
Currency translation differences	(67)	-	(9)	(3)	(7)	(86)
As at December 31, 2022	3,900	415	828	388	233	5,764
Depreciation for the year	920	84	103	108	238	1,453
Eliminated on disposal	(84)	(33)	(2)	(8)	-	(127)
Impairment loss	34	21	6	23	-	84
Reclassifications	7	-	(6)	(1)	-	-
Currency translation differences	214	5	81	30	13	343
As at December 31, 2023	4,991	492	1,010	540	484	7,517
Net book value						
As at December 31, 2022	4,951	193	262	461	3,935	9,802
As at December 31, 2023	4,388	181	201	440	3,793	9,003

18. Right-of-use assets

	Land and buildings US\$'000	Motor vehicles US\$'000	Machinery and equipment US\$'000	Total US\$'000
Cost				
As at January 1, 2022	8,913	611	341	9,865
Additions	86	174	1,921	2,181
Disposals due to expiry of lease	-	(36)	-	(36)
Disposals due to business combination*	(467)	-	-	(467)
Modification to lease terms**	(1,199)	-	-	(1,199)
Currency translation differences	(381)	(67)	(26)	(474)
As at December 31, 2022	6,952	682	2,236	9,870
Additions	99	140	858	1,096
Disposals due to expiry of lease	(330)	(28)	(32)	(390)
Modification to lease terms***	(253)	(110)	-	(362)
Currency translation differences	311	33	201	545
As at December 31, 2023	6,780	717	3,262	10,759
Depreciation				
As at January 1, 2022	1,716	109	66	1,891
Depreciation for the year	730	140	68	938
Disposals due to expiry of lease	-	(36)	-	(36)
Modification to lease terms**	(693)	-	-	(693)
Currency translation differences	(34)	(6)	(9)	(49)
As at December 31, 2022	1,719	207	125	2,051
Depreciation for the year	703	157	145	1,005
Disposals due to expiry of lease	(301)	(25)	(33)	(359)
Modification to lease terms***	(173)	(41)	-	(214)
Currency translation differences	125	11	7	144
As at December 31, 2023	2,073	309	245	2,627
Net book value				
As at December 31, 2022	5,233	475	2,111	7,819
As at December 31, 2023	4,707	408	3,017	8,132

*With the acquisition of ChemTex Laboratories' property, plant and equipment, the Group no longer has a lease liability with a third party.

**The Group agreed to shorten the agreed lease terms of two existing leases from 2032 to 2027. These modifications have resulted in a reduction in the total amounts payable under the leases and a reduction to both of the right-of-use assets and lease liabilities with effect from the date of modification.

***The Group terminated certain lease agreements prior to their expiry resulting in the disposal of the right-of-use assets and related liabilities. The disposal resulted in a US\$15,000 net gain.

19. Other non-current assets

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Other non-current assets		
Deposits	75	80
Other prepayments	7	57
Other non-current assets	82	137

20. Inventories

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Inventories		
Functional ingredients & materials	9,154	11,420
Functional consumer goods	2,096	1,748
Total inventories	11,250	13,168

21. Trade receivables

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Trade receivables		
Not past due	3,154	2,788
< 30 days	1,269	520
31-60 days	344	781
61-90 days	549	215
91-120 days	69	180
>120 days	776	2,407
Total trade receivables	6,161	6,891
Provision for expected credit losses	(488)	(404)
Total trade receivables (net)	5,673	6,487

22. Other receivables and prepayments

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Total other receivables and prepayments		
Contract assets	34	115
Receivables from tax authorities	2,092	1,864
Prepayments	1,612	1,023
Other receivables	611	1,260
Total other receivables and prepayments	4,349	4,262

23. Contract assets

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance-related milestones. The Group recognizes a contract asset for any work performed. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Contract assets		
Research and development services	34	65
Exclusivity services	-	50
Total contract assets	34	115
Current assets	34	115
Non-current assets	-	-
Total contract assets	34	115

Revenues related to research and development services were recognized at the point of delivering proof of concept and completing testing services. Performance obligations related to exclusivity services were deemed fulfilled by the Group upon completion of the contractual term. Payment for the above services is not due from the customer yet and therefore a contract asset is recognized.

The directors of the Company always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience, the nature of the customer and where relevant, the sector in which they

operate. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts.

Lifetime Expected credit losses on contract assets

The following table details the risk profile of amounts due from customers based on the Group's provision matrix. Based on the historic default experience, the following expected credit loss has been recognized:

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Expected credit loss		
Expected credit loss rate	0%	0%
Estimated total gross carrying amount at default	34	115
Lifetime ECL	-	-
Net carrying amount	34	115

24. Issued share capital and share premium

Movements in the Company's share capital and share premium account were as follows:

	Number of shares	Share capital	Share premium	Totals
	No.	US\$'000	US\$'000	US\$'000
Balance as of January 1, 2022	130,583,536	51,523	144,191	195,714
Issue of shares to vendors of Life Materials	347,552	141	471	612
Issue of shares as deferred consideration	3,461,615	1,359	2,921	4,280
Issue of shares to Advisory Board and others	164,721	60	175	235
Issue of shares to vendors of ChemTex Labs	2,176,884	795	1,177	1,972
Issue of shares to vendors of Chrisal	3,348,164	1,223	1,838	3,061
Balance as at December 31, 2022	140,082,472	55,101	150,773	205,874
Issue of shares Tarn Pure (a)	455,435	160	212	372
Balance as at December 31, 2023	140,537,907	55,261	150,985	206,246

The par value of all shares is £0.30. All shares in issue were allotted, called up and fully paid.

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

The Company issued new ordinary shares for the following:

- (a) On January 12, 2023, HeiQ plc completed the acquisition of 100% of the issued share capital and voting rights of Tarn Pure for a total consideration of US\$1,237,000. The purchase consideration was payable partly by the issue of 455,435 new ordinary shares for (US\$372,000). See Note 4 for details.

25. Share-based payments

Equity-settled Share Option Scheme

As of December 2023, 1,062,738 options vested with a strike price of £1.23. Following the vesting and employee departures, the number of options expected to vest dropped to 938,502 as per December 31, 2023 (June 30, 2023: 2,279,236; December 31, 2022: 2,497,281). The expense arising from these share-based payment transactions was US\$49,000 for the six months ended December 31, 2023 and US\$ 181,000 for the year ended December 31, 2023 which compares against an income of US\$12,000 for the year ended December 31, 2022 following a drop in market expectations during the second half of 2022. In the six months ended June 30, 2022, the Group incurred an expense of US\$415,000.

Details of the share options outstanding and exercisable during the year are as follows:

	As at December 31, 2023		As at December 31, 2022	
	Number of options	Weighted average exercise price (£)	Number of options	Weighted average exercise price (£)
Outstanding at beginning of year	11,525,911	1.05	8,707,658	1.14
Granted during the year			3,349,125	0.83
Forfeited during the year	(2,289,440)	1.06	(530,872)	1.12
Lapsed during the year	(3,842,184)	1.23	-	-
Vesting during the year	(1,062,738)	1.23	-	-
Outstanding at the end of the year	4,331,549	0.84	11,525,911	1.05

	As at December 31, 2023		As at December 31, 2022	
	Number of options	Weighted average exercise price (£)	Number of options	Weighted average exercise price (£)
Exercisable at beginning of year	-	-	-	-
Vesting during the year	1,062,738	1.23	-	-
Exercisable at the end of the year	1,062,738	1.23	-	-

Other share-based payments

Remuneration of US\$764,000 in relation to the acquisition of Life Materials Technologies Limited is linked to a service period of five years. An expense of US\$78,000 was recognized in the six months ended December 31, 2023 (year ended December 31, 2023: US\$153,000; year ended December 31, 2022: US\$150,000). The remainder of US\$382,000 is expected to be expensed over the period from January 1, 2024, to June 30, 2026.

26. Other reserves

Other reserves comprise the share-based payment reserve, the merger reserve, the currency translation reserve and the other reserve.

The retained deficit comprises all other net gains and losses and transactions with owners not recognized elsewhere.

Movements in the other reserves were as follows:

	Note	Share-based payment reserve US\$'000	Merger reserve US\$'000	Currency translation reserve US\$'000	Other reserve US\$'000	Total Other reserves US\$'000
Balance at January 1, 2022		474	(126,912)	387	(1,144)	(127,195)
Other comprehensive (loss)/income		-	-	(1,914)	1,104	(810)
<i>Total comprehensive (loss)/income for the year</i>		-	-	(1,914)	1,104	(810)
Share-based payment charges	25	(12)	-	-	-	(12)
Transactions with owners		(12)	-	-	-	(12)
Balance at December 31, 2022		462	(126,912)	(1,527)	(40)	(128,017)
Other comprehensive (loss)/income		-	-	975	31	1,006
<i>Total comprehensive (loss)/income for the period</i>		-	-	975	31	1,006
Share-based payment charges	25	181	-	-	-	181
Transactions with owners		181	-	-	-	181
Balance at December 31, 2023		643	(126,912)	(552)	(9)	(126,830)

The share-based payment reserve arises from the requirement to fair value the issue of share options at grant date. Further details of share options are included at Note 25.

The currency translation reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

Dividend paid by subsidiary

In October 2023, HeiQ Chrisal N.V. declared and paid a dividend of US\$42,000 of which 29% or US\$12,000 was paid to minority shareholders.

27. Lease liabilities

Future minimum lease payments associated with leases were as follows:

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Lease payments		
Not later than one year	1,211	1,301
Later than one year and not later than five years	3,665	3,813
Later than five years	3,542	3,387
Total minimum lease payments	8,419	8,501
Less: Future finance charges	(615)	(679)
Present value of minimum lease payments	7,805	7,822
Later than one year and not later than five years	1,128	1,264
Later than five years	6,677	6,558
Total minimum lease payments	7,805	7,822

28. Pensions and other post-employment benefit plans

In February 2023, nine employees were made redundant which resulted in a curtailment gain US\$141,000. The valuation was based on the participants data as of year-end 2022 and the valuation assumptions as of end of February 2023.

In October 2023, the Board of Trustees of the AXA pension fund decided that a new enveloping conversion rate of 5.20% will apply to retirements from 1 January 2025 for men and women aged 65. For retirements up to the end of 2024, the split conversion rates of 6.80% for mandatory savings capital and 5.00% for men aged 65 and 4.88% for women aged 64 for supplementary savings capital will continue to apply. The decision was accounted for as a plan amendment at the time the decision was made. The valuation was based on the participants data as at December 31, 2023 and the valuation assumptions as at October 31, 2023. The impact was recognized as a plan amendment and a gain of US\$341,000.

Net benefit obligations

The components of the net defined benefits obligations included in non-current liabilities are as follows:

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Fair value of plan assets	8,126	9,616
Defined benefit obligations	(9,032)	(10,568)
Funded status (net liability)	(906)	(952)
Duration (years)	14.6	13.8
Expected benefits payable in following year	(352)	(389)

	Year ended December 31, 2023 US\$'000	Year ended December 31, 2022 US\$'000
Development of obligations and assets		
Present value of funded obligations, beginning of year	(10,568)	(13,003)
Employer service cost	(417)	(571)
Employee contributions	(321)	(352)
Past service gain	341	-
Curtailements/Settlements	141	-
Interest cost	(236)	(45)
Benefits paid/(refunded)	3,405	522
Actuarial (loss)/gain on benefit obligation	(448)	2,562
Currency (loss)/gain	(937)	319
Present value of funded obligations, end of year	(9,032)	(10,568)
Defined benefit obligation participants	(7,757)	(10,568)
Defined benefit obligation pensioners	(1,274)	-
Present value of funded obligations, end of year	(9,032)	(10,568)

Fair value of plan assets, beginning of year	9,616	10,858
Expected return on plan assets	215	37
Employer's contributions	320	352
Employees' contributions	321	352
Benefits (paid)/refunded	(3,405)	(522)
Admin expense	(19)	(21)
Actuarial (loss)/gain on plan assets	130	(1,182)
Currency gain/(loss)	850	(258)
Fair value of plan assets, end of year	8,126	9,616

Movements in net liability recognized in statement of financial position:

	Year ended December 31, 2023 US\$'000	Year ended December 31, 2022 US\$'000
Net liability, beginning of year	(952)	(2,146)
Employer service cost	(417)	(571)
Interest cost	(236)	(45)
Expected return on plan assets	215	37
Admin expense	(19)	(21)
Past service cost recognized in year	341	-
Curtailment, settlement, plan amendment gain (loss)	148	-
Employer's contributions (following year expected contributions)	320	352
Prepaid (accrued) pension cost:	(352)	247
- operating income (expense)	373	(240)
- finance expense	(22)	(7)
Total gains recognized within other comprehensive income	(218)	1,380
Currency loss	(87)	62
Net liability, end of year	(906)	(952)
Expected employer's cash contributions for following year	269	360

The assets of the scheme are invested on a collective basis with other employers. The allocation of the pooled assets between asset categories is as follows:

Asset allocation

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Cash	3.1%	2.8%
Bonds	29.6%	29.1%
Equities	33.6%	33.2%
Property (incl. mortgages)	28.9%	31.3%
Other	4.8%	3.6%
Total	100.0%	100.0%

Amounts recognized in profit and loss

	Year ended December 31, 2023 US\$'000	Year ended December 31, 2022 US\$'000
Employer service cost	417	(571)
Past service cost recognized in year	341	-
Interest cost	(236)	(45)
Expected return on plan assets	215	37
Admin expense	(19)	(21)
Curtailment, settlement, plan amendment gain (loss)	148	-
Components of defined benefit costs recognized in profit or loss	32	(600)

Amounts recognized in other comprehensive income

	Year ended December 31, 2023 US\$'000	Year ended December 31, 2022 US\$'000
Actuarial gains/(losses) arising from plan experience	314	193
Actuarial (losses)/gains arising from demographic assumptions	-	(23)
Actuarial gains / (losses) arising from financial assumptions	(762)	2,392
Re-measurement of defined benefit obligations	(448)	2,562
Re-measurement of assets	230	(1,182)
Deferred tax asset recognized	44	(276)
Other	-	-
Total recognized in OCI	(174)	1,104

Principal actuarial assumptions:

The principal assumptions used in determining pension and post-employment benefit obligations for the plan are shown below:

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Discount rate	1.50%	2.25%
Interest credit rate	2.00%	2.25%
Average future salary increases	2.00%	2.50%
Future pension increases	0.00%	0.00%
Mortality tables used	BVG 2020 GT	BVG 2020 GT
Average retirement age	65/65	65/65

The forecasted contributions of the Group for the 2024 calendar year amount to US\$269,000.

Sensitivities

A quantitative sensitivity analysis for significant assumptions is as follows:

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Impact on defined benefit obligation		
Discount rate + 0.25%	(320)	(346)
Discount rate – 0.25%	339	368
Salary increase + 0.25%	41	47
Salary increase – 0.25%	(40)	(46)
Pension increase + 0.25%	183	179
Pension decrease – 0.25% (not lower than 0%)	-	-

A negative value corresponds to a reduction of the defined benefit obligation, a positive value to an increase of the defined benefit obligation.

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

Other pension plans

Life Materials Technologies Limited, Thailand, also has a pension scheme which gives rise to defined benefit obligations under IAS 19. The pension expense in profit and loss was US\$10,000 (2022: US\$1,000) which results in a US\$144,000 net defined liability as at December 31, 2023 (2022: US\$134,000).

29. Borrowings

The Group's borrowings are held at amortized cost. They consist of the following:

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Borrowings		
Unsecured bank loans	10,112	3,573
Secured bank loans	304	628
Loans from related parties	1,494	-
Loans from non-controlling interest	-	137
Total borrowings	11,910	4,338

The following table provides a reconciliation of the Group's future maturities of its total borrowings for each year presented:

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Maturity of borrowings		
Not later than one year	10,409	2,893
Later than one year but less than five years	1,010	1,029
After more than five years	491	416
Total borrowings	11,910	4,338

The other principal features of the Group's borrowings are as follows:

Unsecured bank loans

Description	Currency	Repayment date	As at December 31, 2023		As at December 31, 2022	
			Principal US\$'000	Interest rate	Principal US\$'000	Interest rate
Credit facility	CHF	February 2024	6,461	4.67%	2,574	2.20%
Credit facility	CHF	June 2024	1,175	5.45%	-	-
Credit facility	CHF	September 2024	940	4.70%	-	-
Various bank loans ¹⁾	EUR	1-10 years	1,504	2.93%	999	2.21%
Bank loan	GBP	April 2026	32	2.50%	-	-
Outstanding at the end of the year			10,112		3,573	

1) Several loans repayable over ten years. The loans are repayable over a period of up to ten 10 years. These loans have fixed interest rates between 1.19% and 4.50% and the weighted average fixed interest rate on the outstanding balances is 2.93%.

Secured bank loans

The Group took out a bank loan in October 2020 which incurs interest at a fixed rate of 3.25%. The loan is secured by property owned by a company which is controlled by a minority shareholder of HeiQ Medica. As at December 31, 2023, US\$304,000 is outstanding (December 31, 2022: US\$628,000).

Related party loans

In December 2023, Cortegrande AG, a company controlled by Carlo Centonze, granted a loan to HeiQ Group in the amount of EUR 1,350,000 (approximately US\$1,494,000). The loan was increased to EUR 1,475,000 in January 2024. In March 2024, most of the outstanding loan was repaid in shares as part of the settlement of the convertible loan note issued by the Company. As of March 28, 2024, the remaining loan amounts to EUR 400,000, incurs interest at 4.5% and is repayable in June 2024.

Loans from non-controlling interests

A loan disclosed in the 2022 annual report in the amount of BRL 715,683 (US\$137,000) which was payable to a minority shareholder of Life Materials Latam Ltda, Brazil is no longer consolidated following the deconsolidation of the subsidiary.

30. Deferred tax

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting period.

	Pension fund obligations US\$'000	Tax losses US\$'000	Share-based payments US\$'000	Capital allowances, depreciation and other temporary differences US\$'000	Total US\$'000
Deferred tax					
Balance at January 1, 2022	429	178	85	(1,686)	(994)
Charge to profit or loss	49	(150)	1	681	581
Charge to other comprehensive income	(276)	-	-	-	(276)
Foreign currency differences	(12)	(28)	5	9	(26)
Balance as at December 31, 2022	190	-	91	(996)	(715)
Charge to profit or loss	(453)	-	(86)	121	(417)
Charge to other comprehensive income	249	-	-	-	249
Arising from business combinations	-	-	-	(201)	(201)
Foreign currency differences	14	-	(5)	4	13
Balance as at December 31, 2023	-	-	-	(1,072)	(1,072)

Deferred tax assets related to pension fund obligations and share-based payments were derecognized due to the current operational results and the uncertainty about future profits in the Swiss tax jurist. Deferred tax liabilities related to capital allowances and depreciation increased following the recognition of intangible assets acquired in the Tarn Pure acquisition.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Deferred tax		
Deferred tax assets	312	538
Deferred tax liabilities	(1,384)	(1,253)
Net deferred tax assets (liabilities)	(1,072)	(715)

31. Other non-current liabilities

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Other non-current liabilities		
Defined benefit obligation IAS 19 Switzerland	906	952
Defined benefit obligation IAS 19 Thailand	144	134
Contract liabilities	3,932	3,614
Deferred consideration Tarn Pure acquisition	19	-
Deferred grant income	9	14
Total other non-current liabilities	5,010	4,714

32. Trade and other payables

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Trade and other payables		
Trade payables	4,446	3,321
Payables to tax authorities	462	375
Other payables	1,764	1,626
Total trade and other payables	6,672	5,322

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. Other payables relate to employee-related expenses, utilities and other overhead costs. Typically, no interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

33. Accrued liabilities

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Accrued liabilities		
Costs of goods sold	967	875
Personnel expenses	1,338	1,737
Other operating expenses	2,178	2,366
Total accrued liabilities	4,483	4,978

34. Deferred revenue

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Deferred revenue		
Contract liabilities	1,380	1,176
Prepayments for unshipped goods	22	94
Deferred grant income	21	15
Total deferred revenue	1,423	1,285

35. Contract liabilities

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Contract liabilities		
Exclusivity agreements	2,812	1,832
Research and development services	2,500	2,958
Total contract liabilities	5,312	4,790

Current liabilities (Note 34)	1,380	1,176
Non-current liabilities (Note 31)	3,932	3,614
Total contract liabilities	5,312	4,790

Revenue relating to both exclusivity and research and development services is recognized over time although the customer pays up-front in full for these services. A contract liability is recognized for revenue relating to the services at the time of the initial sales transaction and is released over the service period.

36. Other current liabilities

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Other current liabilities		
Deferred consideration in relation to acquisitions	208	92
Call option liability	-	686
Other current liabilities	208	778

The deferred consideration in relation to business acquisition and related financing expense are summarized below:

	Chemtex US\$'000	RAS US\$'000	Life US\$'000	Tarn Pure US\$'000	Total US\$'000
Deferred consideration in relation to acquisitions					
As at December 31, 2021	279	3,152	2,652	-	6,083
Foreign exchange revaluation	-	(276)	-	-	(276)
Consideration settled in cash	(187)	-	(1,400)	-	(1,587)
Consideration settled in shares	-	(2,875)	(1,252)	-	(4,127)
As at December 31, 2022	92	-	-	-	92
Additions from Tarn Pure acquisition as per Note 4a	-	-	-	244	244
Consideration settled in cash	-	-	-	(110)	(110)
Amortization of fair value discount	-	-	-	1	1
As at December 31, 2022	92	-	-	135	227

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Deferred consideration		
Current liabilities	208	92
Non-current liabilities	19	-
Total deferred consideration	227	92

37. Contingent assets and liabilities

A minority shareholder of one of the Group's subsidiaries has made a claim in court regarding the interpretation of certain put-option rights on shares of the same subsidiary. The Company considers these option rights as lapsed as per the Shareholder Agreement. At present, it is not possible to determine the outcome of these matters. Hence, no provision has been made in the financial statements for their ultimate resolution.

38. Provisions

	As at December 31, 2023	As at December 31, 2022
	US\$'000	US\$'000
Provisions		
Current liabilities	-	339
Non-current liabilities	-	-
Total provisions	-	339

	Legal/Compliance provision US\$'000	Total US\$'000
Provisions		
Balance at January 1, 2022	-	-
Additional provision in the year	339	339
Utilization of provision	-	-
Exchange difference	-	-
Balance as at December 31, 2022	339	339
Additional provision in the period		
Utilization of provision	(339)	(339)
Exchange difference		
Balance as at December 31, 2023	-	-

39. Notes to the statements of cash flows

Non-cash transactions

Certain shares were issued during the year for a non-cash consideration as described in Note 24.

During the year ended December 31, 2022, additions to buildings and land amounting to US\$1,862,000 million were financed by issuing shares.

Working capital reconciliation

The Company defines working capital as trade receivables, other receivables and prepayments less trade and other payables, accrued liabilities and deferred revenue.

	Opening balances US\$'000	Assumed on acquisition of assets US\$'000	Disposal of subsidiary	Change in balance US\$'000	Closing balances US\$'000
Year ended December 31, 2023					
Inventories	13,168	13	(5)	(1,926)	11,250
Trade receivables	6,487	2	-	(816)	5,673
Other receivables and prepayments	4,262	10	(6)	83	4,349
Trade and other receivables and prepayments	10,749	12	(6)	(733)	10,022
Trade and other payables	5,322	2	(16)	1,364	6,672
Accrued liabilities	4,978	-	-	(495)	4,483
Deferred revenue incl. non-current contract liabilities	4,913	-	-	451	5,364
Trade and other payables, accrued liabilities and deferred revenue	15,213	2	(16)	1,320	16,519

	Opening balances US\$'000	Assumed on acquisition of assets US\$'000	Change in balance US\$'000	Closing balances US\$'000
Year ended December 31, 2022				
Inventories	13,770	-	(602)	13,168
Trade receivables	14,656	-	(8,169)	6,487
Other receivables and prepayments	3,876	-	386	4,262
Trade and other receivables and prepayments	18,532	-	(7,783)	10,749
Trade and other payables	8,271	-	(2,949)	5,322
Accrued liabilities	3,386	9	1,583	4,978
Deferred revenue incl. non-current contract liabilities	1,004	-	3,909	4,913
Trade and other payables, accrued liabilities and deferred revenue	12,661	9	2,543	15,213

Consideration for acquisition of businesses (Note 4a)

	US\$'000
Year ended December 31, 2023	
Consideration payment for acquisition of Tarn Pure	730
Cash assumed on acquisition of Tarn Pure	(12)
Net consideration payment for acquisitions of businesses	718

Year ended December 31, 2022	US\$'000
Consideration payment for acquisition of Life Materials Technologies Ltd	1,400
Consideration payment for acquisition of ChemTex assets	187
Net consideration payment for acquisitions of businesses and assets	1,587

40. Related party transactions

ECSA, a company controlled by a director of HeiQ Materials AG supplied materials and services totalling US\$36,000 to HeiQ Materials AG, in the year ended December 31, 2023 (2022: US\$88,000). The transactions were made on terms equivalent to those in arm's length transactions.

The directors have deferred payment of their board fees earned in the period July – December 2023 and thus the Company has recorded a corresponding liability against each of the directors.

Loans due to related parties

	As at December 31, 2023 US\$'000	As at December 31, 2022 US\$'000
Loans due to related parties		
Cortegrande AG, €1,350,000	1,494	-
Loans due to related parties	1,494	-

The associates have provided the Group with short-term loans at rates comparable to the average commercial rate of interest.

41. Material subsequent events

Purchase of industrial site

In February 2024 the Group completed the acquisition of two industrial properties in Portugal for a total consideration of EUR5.0 million (including taxes). In March 2024, the Group was able to refinance the acquisition of the smaller property with a mortgage amounting to EUR 750,000. The refinancing of the larger property is still ongoing as of March 28, 2024.

Fundraise

In March 2024, the Group issued 28,000,000 new ordinary shares raising in aggregate £2.44 million (gross). Following the issue and allotment of the New Ordinary Shares the Company has 168,537,907 Ordinary Shares in issue. The Company holds no Ordinary Shares in treasury, and therefore the total number of voting rights in the Company is 168,537,907. All new shares have been issued at £0.087 per share.

Directors have participated in the fundraise and acquired Convertible Loan Note shares as follows:

Director name	Number of ordinary shares acquired
Carlo Centonze (via Cortegrande AG)	8,808,793
Esther Dale	180,974
Xaver Hangartner	73,368

Furthermore, the Group subdivided each existing ordinary share of 30p into one new ordinary share of 5 pence and one deferred share of 25 pence.

Appointment of new chair

In March 2024, Robert van de Kerkhof, who was appointed Director in November 2023, was nominated as the new Chairman replacing Esther Dale Kolb who resigned from her role as Chair and Director as of March 31, 2024.

42. Ultimate controlling party

As at December 31, 2023, the Company did not have any single identifiable controlling party.

Company information

Directors

Carlo Centonze,
Chief Executive Officer

Xaver Hangartner,
Chief Financial Officer

Esther Dale-Kolb,
(retires March 31, 2024)
Non-Executive Chairwoman

Karen Brade,
Non-Executive Director

Benjamin Bergo,
Non-Executive Director

Robert van de Kerkhof
Non-Executive Director

Non-Executive Chair as of April 1, 2024

Company secretary

Ross Ainger

Company number

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Independent auditors

TBD

Broker

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Registrars

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