Differentiate.
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INSIDE

HeiQ plc
Registered number 09040064
UNAUDITED CONDENSED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

Contents

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

The directors confirm that the condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and that the Interim Report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

A list of current directors is maintained on the Company's web site:
https://heiq.com/investors/

By order of the Board,

Carlo Centonze
CEO, Executive Director
27 September 2021

Strong progress with our strategic initiatives

Esther Dale-Kolb
Chairwoman

After listing on the London Stock Exchange in December 2020, I am pleased to report on our first six months as a listed company to 30 June 2021 ("1HY 2021").

During the first half of 2021, HeiQ has made positive progress in what has been a challenging trading environment for the sector in which we operate. We see megatrends confirming our long term strategy to provide hygiene, comfort, protection and product & process sustainability by innovating in every day materials and products. For instance, consumers are seeking more comfort benefits in their clothes; increased germ awareness lead to higher demand for hygiene on all products; lockdown accelerated e-commerce adaptation and the request for branded functionality and superior technologies. While short term headwinds in our daily supply operations impacted 1HY 2021, our long term strategy is delivering and demand for our +200 innovation portfolio remains strong.

Following our listing and fundraising at the end of last year, we swiftly started to execute our growth strategy, expanding our product portfolio, customer base and manufacturing capacity to solidify our position in key markets with significant middle and long term growth potential, both through M&A and organically. Our customer base was increased, especially in Greater China where 140 new mills were added and leading Chinese brands such as Annil, BLBM, Fila, Xtep and Yougor have been on-boarded with HeiQ technologies. Having established ourselves as an innovation leader in the US$24 billion textile chemicals market, HeiQ is moving beyond textiles to become a leader in material innovations. We believe that our current portfolio and future pipeline is ideally positioned to benefit from major consumer trends.

The three capability-building acquisitions of Chrisal B.V. (Belgium) (51%), RAS AG (Germany) (100%) and Life Material Technologies Limited (Thailand and Brazil) (100%) were identified, evaluated and completed within this reporting period.

These acquisitions provide HeiQ with a well-rounded hygiene offering, including new sustainable natural products, positioning our business as one of the top three technology providers in the functional ingredients space and enabling HeiQ to take a larger share of the hygiene ingredients market. We are delighted to report that, to date, all three acquisitions are operating in line with our expectations with first cross-selling synergies expected to be realized in 2HY 2021.

Alongside these three acquisitions, HeiQ has also progressed with internal strategic initiatives such as further digitization of the Group to reinforce our sales channels, establishing a full legal entity in Mainland China and onboarding additional sales personnel in different regions. At the same time, we strengthened our regulatory and innovation teams to support the growing innovation pipeline. In 1HY 2021, ten new projects have started and seven products have been launched, three in protection, three in comfort and one in hygiene.

These operational achievements were delivered during a period of challenging global market conditions, which also impacted many businesses and our competitors around the world. Macro-economic issues such as supply chain instability, together with freight and raw material costs, increasing by up to 500% and 300% respectively over 1HY 2020, have had a significant impact on our supply; lockdowns in some key regions for our industry, particularly South Asia, resulted in delay and loss of sales due to forced shutdown of manufacturing facilities. The market for facemasks and personal protection equipment (PPE) is under extreme price pressures caused by low-cost suppliers flooding the market in Q1 2021 and there being large amounts of excess stock from the previous year.

For HeiQ, the battle to secure raw materials and maintain global supply chains in 1HY 2021 caused projects to be put on hold or cancelled by customers. For example, one major new sales project with a potential annual turnover of US$3m was delayed by several months and had a direct impact on our reported income for the period.

In summary, the first half of 2021 has seen us develop a healthy and promising innovation pipeline for functionalities that are clearly demanded by our business customers and the end consumers. We have been able to progress on various projects and build our capability for future growth, but due to the difficult market conditions outlined above, we have not executed on all sales opportunities in our pipeline at the start of the year.

Financial Review

As well as the macro-economic factors referred to above, there was the expected reduction in demand for facemasks and personal protection equipment (PPE) which impacted our hygiene product offerings that had experienced an exceptional six-month period to 30 June 2020 ("1HY 2020") as a result of pandemic related inventory-building by customers. While the hygiene sales were maintained thanks to an active market diversification, standard PPE sales and sales of functional ingredients to PPE makers were lower than the comparable period. As a result, sales decreased by 14% to US$25.8m in 1HY 2021 compared to 1HY 2020, although it was pleasing to note that recurring revenue during the period increased year-on-year.

Notably, revenue for the Group was 27% above the prior six-month period to 31 December 2020 ("2HY 2020") (2HY 2020: US$20.3m) with sustainable growth being achieved in our two largest functionalities, hygiene and comfort, whilst our sales in product & process sustainability, affected strongly by current market headwinds, remained stable but poised to grow when supply normalizes. As expected, our sales in protection were reduced by less PPE demand but we expect to generate growth in the outdoor apparel market in 2022 and beyond, thanks to three promising innovations launched in Q1 2021. This overall positive trend for our functional offerings reflects the underlying increase in consumer demand for functionalities on textiles and other surfaces.

Overall gross margin during the period stood at 50.2% for 1HY 2021 and decreased both compared to the prior half year period (2HY 2020: 52.8%) and the prior year comparable period (1HY 2020: 57.4%). The decrease in gross margin is driven mainly by cost increases for freight (-1.5%) and raw materials (-3%) and, as mentioned, price pressure on specific products as well as our product mix (-2.5%). Due to the competitive environment in the textile chemicals sales to mills and HeiQ's fixed brand pricing terms, it was not possible to pass on input price increases to all our customers on short notice.

Despite these short term external challenges, HeiQ benefits from a strong balance sheet liquidity and we have a track record of profitability.

As an innovator, HeiQ is investing significantly in its future growth and continued to do so in 1HY 2021 despite the challenging market conditions to ensure that we are positioned ahead of our peers and well placed for long term growth. As such our operating costs ("SG&A") have increased both compared to the prior period (2HY 2020: +18%) and the prior year comparison period (1HY 2020: +48%). Investments have been made in particular in sales channels, digitization, branding, regulatory and innovation in line with the communicated intended use of

Comprehensive income	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Revenue	**25,795**	**30,129**	**50,401**
Cost of sales	(12,840)	(12,842)	(22,402)
Gross profit	**12,955**	**17,287**	**27,999**
Other operating income	3,166	898	4,744
Selling and general administrative expenses	(10,576)	(7,151)	(16,117)
Other operating expenses	(2,238)	(182)	(5,127)
Operating profit	**3,307**	**10,852**	**11,499**
Depreciation of property, plant and equipment	591	351	776
Amortization of intangible assets	205	59	110
Depreciation of right-of-use assets	279	196	368
Share options and rights granted to Directors and employees	387	580	1,217
Adjusted EBITDA	**4,769**	**12,038**	**13,970**
EBITDA Margin (adjusted)	**18.5%**	**40.0%**	**27.7%**

proceeds for our long term growth from the fundraising in December 2020. Despite these investments, our cost base has been growing significantly slower than our revenues (Revenues: +92”% since 1HY 2019; SG&A: +67% since 1HY 2019).

Our adjusted EBITDA for 1HY 2021 significantly improved to US$4.8m, which represents a +147% increase on the prior half year period (2HY 2020: US$1.9m), although it was lower than 1HY 2020 (US$ 12.0m).

Outlook

HeiQ is a diversified business that offers four functions (hygiene, comfort, protection and product & process sustainability), in four forms (ingredients, materials, finished goods and services), which is well established and rapidly expanding across multiple significant growth markets. Megatrends such as rising demand for sustainable, comfortable textiles, increased concern over global warming and pollution, increased desire to protect against germs or disease transmitting insects, and the ongoing growth of e-commerce underpin our long-term growth strategy. Additionally, our strong industry reputation and proven track record for rapid deep innovations mean that we are well positioned to capitalize on the opportunities we see. In concrete terms, we are strategically and financially engaging key customers into our innovation pipeline and at the same time leveraging the customer base and product ranges of our acquisitions to generate additional revenues. In the current market conditions, our ability to supply these newly secured customer programs throughout 2HY 2021 will be essential for our short term success.

We anticipate that the rest of 2021 will continue to be unpredictable with the previously mentioned headwinds, for us, our customers and our competitors worldwide. While we are engaging in a number of significant projects, which would have an impact on the outcome for the full year, with various factors remaining outside of our control, we cannot be certain that all of these projects will materialize in 2HY 2021.

Over the coming months, we plan to focus on the integration of our acquired businesses, expanding our sales organization and to continue driving the digitalization of our organization to optimize our value creation and value capturing processes. We see many customer innovation projects achieving significant progress, which is testament to the continued demand and market opportunity for functional textiles and materials as well as our rapid innovation capabilities. This capability also means that we can develop new technologies and make it consumer-ready in months. In Q4, we hope to finally start three large innovation programs which are expected to contribute up to US$9m sales per year.

The demand for our current and future technology offering remain sound and we are executing our long term growth strategy and strengthening our innovation and differentiation capabilities as planned. We launched seven new products in 1HY, 13 in Q3 with two further ones scheduled for Q4. Our disruptive technology platform of highly porous graphene membrane reached the milestone of completed pilot commercialization plant design and filed a strong application IP for the next generation of lighter, faster charging and longer lasting batteries. Our acquired medical device coatings recently reached the milestone of clinical human studies approval in Germany. This trial will see our partner, AAP Implants, testing our coating on their trauma implants in 16 hospitals over the next 18 months to assess its efficacy in the prevention of Surgical Site Infections. Our innovations open doors for us to further penetrate new markets and deliver strong growth to our shareholders in the years ahead.

In summary, although 1HY 2021 has given us some short term global supply chain challenges, we are pleased with the progress we have made in our internal initiatives, as well as the investment in building new sales channels and penetrating new markets, making sure that we are always well positioned to satisfy the growing demand for our offerings and to create value for all our stakeholders.

Esther Dale-Kolb
Chairwoman
28 September 2021

Consolidated Statement of Comprehensive Income

For the 6 months ended June 30, 2021

Comprehensive income	Note	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Revenue	6	**25,795**	**30,129**	**50,401**
Cost of sales	7	(12,840)	(12,842)	(22,402)
Gross profit		**12,955**	**17,287**	**27,999**
Other operating income	6	3,166	898	4,744
Selling and general administrative expenses	7	(10,576)	(7,151)	(16,117)
Other operating expenses	7	(2,238)	(182)	(5,127)
Operating profit		**3,307**	**10,852**	**11,499**
Deemed cost of listing		-	-	(1,402)
Transaction costs of relisting		-	-	(1,871)
Other income		38	-	-
Other costs		(213)	(11)	(69)
Finance income		520	-	68
Finance costs	16	(282)	(241)	(1,184)
Share of (losses) / profits of associates		-	-	(15)
Income before taxation		**3,370**	**10,600**	**7,026**
Taxation	8	(522)	(2,010)	(2,112)
Income after taxation		**2,848**	**8,590**	**4,914**
Earnings per share (cents) - basic	9	**2.46**	**8.32**	**4.41**
Earnings per share (cents) - diluted	9	**2.38**	**8.32**	**4.21**
Other comprehensive income:				
Exchange differences on translation of foreign operations		(1,723)	622	2,469
Items that may be reclassified to profit or loss in subsequent periods		**(1,723)**	**662**	**2,469**
Actuarial losses from defined benefit pension plans		**–**	–	(731)
Items that will not be reclassified to profit or loss in subsequent periods		**–**	–	(731)
Total comprehensive income for the year		**1,125**	**9,212**	**6,652**
Income attributable to:				
Equity holders of HeiQ		3,126	8,602	4,991
Non-controlling interests		(278)	(12)	(77)
		2,848	**8,590**	**4,914**
Comprehensive income/(loss) attributable to:				
Equity holders of the Company		1,403	9,224	6,729
Non-controlling interests		(278)	(12)	(77)
		1,125	**9,212**	**6,652**

Consolidated Statements of Financial Position

As at June 30, 2021

	Note	As at June 30, 2021 US$'000	As at December 31, 2020 US$'000
ASSETS			
Intangible assets	10	28,553	5,264
Property, plant and equipment	11	6,995	5,467
Right-of-use assets	12	4,393	2,564
Deferred tax assets	8	980	826
Other non-current assets		811	206
Non-current assets		**41,732**	**14,327**
Inventories		12,523	13,328
Trade receivables	13	16,653	13,437
Other receivables and prepayments		2,641	2,609
Cash and cash equivalents		19,910	25,695
Current assets		**51,727**	**55,069**
Total assets		**93,459**	**69,396**
EQUITY AND LIABILITIES			
Share capital	14	50,725	49,559
Capital reserve	14	141,009	134,537
Other reserve		(2,043)	(2,043)
Share-based payment reserve	14	437	50
Merger reserve		(126,912)	(126,912)
Currency translation reserve		1,214	2,937
Retained deficit		(5,585)	(8,711)
Equity attributable to owners of the parent		**58,845**	**49,417**
Non-controlling interests		1,264	(20)
Total equity		**60,109**	**49,397**
Lease liabilities		3,820	2,304
Long-term borrowings	16	1,301	1,400
Deferred tax liability	8	829	857
Other non-current liabilities	15	3,358	3,425
Total non-current liabilities		**9,308**	**7,986**
Trade and other payables		11,942	5,815
Accrued liabilities		2,955	3,214
Income tax liability	8	1,259	1,495
Deferred revenue		776	–
Short-term borrowings	16	1,145	173
Lease liabilities		676	349
Other current liabilities	17	5,289	967
Total current liabilities		**24,042**	**12,013**
Total liabilities		**33,350**	**19,999**
Total liabilities and equity		**93,459**	**69,396**

The Notes on pages 10 to 25 form an integral part of these Condensed Consolidated Financial Statements. The Financial Statements on pages 6 to 9 were approved and authorized for issue by the Board of Directors on September 27, 2021 and signed on its behalf by:

Xaver Hangartner
Chief Financial Officer
September 27, 2021

Consolidated Statement of Changes in Shareholders' Equity

For the 6 months ended June 30, 2021

	Note	Share capital US$'000	Capital reserve US$'000	Other reserve US$'000	Share-based payment reserve US$'000	Merger reserve US$'000	Currency translation reserve US$'000	Retained deficit US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2020		**2,696**	**25,168**	**(1,312)**	**–**	**–**	**467**	**(13,702)**	**23**	**13,340**
Income after taxation		–	–		–	–	–	4,991	(77)	4,914
Other comprehensive (loss)/income		–	–	(731)	–	–	2,469	–	–	1,738
Total comprehensive (loss)/income for the year		–	–	(731)	–	–	2,469	4,991	(77)	6,652
Reverse acquisition adjustment		39,587	89,866	–	–	(126,912)	–	–	–	2,542
Issuance of shares		7,276	20,763	–	–	–	–	–	–	28,039
Cost of share issues		–	(1,260)	–	–	–	–	–	–	(1,260)
Share-based payment charges		–	–	–	50	–	–	–	–	50
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	34	34
Transactions with owners		7,276	19,503	–	50	–	–	–	34	26,863
Balance at December 31, 2020		**49,559**	**134,537**	**(2,043)**	**50**	**(126,912)**	**2,937**	**(8,711)**	**(20)**	**49,397**
Income after taxation		–	–	–	–	–	–	3,126	(278)	2,848
Other comprehensive (loss)/income		–	–	–	–	–	(1,723)	–	–	(1,723)
Total comprehensive (loss)/income for the year		–	–	–	–	–	*(1,723)*	*3,126*	*(278)*	*1,125*
Issuance of shares	14	1,166	6,472	–		–	–	–	–	7,638
Share-based payment charges	14	–	–	–	387	–	–	–	–	387
Business combinations		–	–	–		–	–	–	1,562	1,562
Transactions with owners		*1,166*	*6,472*	–	*387*	–	–	–	*1,562*	*9,587*
Balance at June 30, 2021		**50,725**	**141,009**	**(2,043)**	**437**	**(126,912)**	**1,214**	**(5,585)**	**1,264**	**60,109**

Consolidated Statement of Cash Flows

For the 6 months ended June 30, 2021

Cash flows from operating activities	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Income before taxation	3,370	10,600	7,026
Cash flow from operations reconciliation:			
Depreciation and amortization	1,075	606	1,254
Loss on disposal of property, plant and equipment	–	11	46
Loss on disposal of investments	–	–	22
Finance costs	160	214	399
Finance income	(5)	–	(68)
Expected credit loss on trade receivables	135	247	377
Pension expense	132	176	176
Non–cash equity compensation	387	550	1,217
Share of loss / (profit) of associates	–	–	15
Deemed cost of listing	–	–	1,402
Foreign exchange differences	(118)	342	(164)
Working capital adjustments:			
Decrease (Increase) in inventories	2,369	(4,507)	(8,161)
Decrease (Increase) in trade and other receivables	320	(8,923)	(5,165)
Increase (decrease) in trade and other payables	(3,489)	965	2,777
Cash generated from operations	**4,336**	**281**	**1,153**
Taxes paid	(1,442)	–	(48)
Net cash generated from operating activities	**2,894**	**281**	**1,105**
Cash flow from investing activities			
Consideration paid for acquisitions of businesses (Note 18)	(8,444)	(294)	(1,424)
Cash assumed on acquisitions of businesses (Note 18)	2,121	–	27,111
Purchase of property, plant and equipment	(284)	(307)	(932)
Proceeds from the disposal of property, plant and equipment	66	7	10
Development of intangible assets	(1,329)	(44)	(635)
Proceeds from the disposal of associated company	–	–	7
Finance income	5	–	68
Net cash from / (used in) investing activities	**(7,865)**	**(638)**	**24,205**
Cash flow from financing activities			
Finance costs	(160)	(214)	(399)
Repayment of leases	(263)	(191)	(354)
Proceeds from borrowings	472	752	752
Repayment of borrowings	(113)	–	(3,487)
Net cash (used in)/from financing activities	**(64)**	**347**	**(3,488)**
Net increase (decrease) in cash and cash equivalents	**(5,035)**	**(10)**	**21,822**
Cash and cash equivalents – beginning of the year	25,695	3,603	3,603
Effects of exchange rate changes on the balance of cash held in foreign currencies	(750)	50	270
Cash and cash equivalents – end of the period/year	**19,910**	**3,643**	**25,695**

Note: Non-cash transactions: Certain shares were issued during the year for a non-cash consideration as described in Note 16.

Notes to the Company Financial Statements

For the 6 months ended June 30, 2021

1. General information

HeiQ Plc (“the Company’’) and its subsidiaries (together, “the Group’’) is an established global brand in materials and textile innovation which operates in high-growth markets, creating some of the most effective, durable and high-performance textile effects available worldwide. The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company was incorporated on May 14, 2014 as Auctus Growth Limited, in England and Wales under the Companies Act 2006 with company number 09040064, with an investment strategy to undertake an acquisition of a target company or business. The Company was re-registered as a public company on July 24, 2014. On December 4, 2020, the Company’s name was changed to HeiQ Plc. The Company’s registered office is 5th Floor, 15 Whitehall, London, SW1A 2DD.

The Company was admitted to listing on the Official List by way of a Standard Listing in accordance with Chapter 14 of the Listing Rules and to trading on the London Stock Exchange’s Main Market for listed securities on August 22, 2014.

Following the reverse takeover by the Company of HeiQ Materials AG (“HeiQ”), an established global brand in materials and textile innovation, the Company’s enlarged share capital was admitted to the standard segment of the Official List and initiation of trading on the London Stock Exchange’s Main Market commenced on December 7, 2020 under the ticker ‘HEIQ’. The ISIN of the Ordinary Shares is GB00BN2CJ299 and the SEDOL Code is BN2CJ29.

2. Basis of preparation and measurement

(a) Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and 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 31 December 2020. 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 31 December 2020.

Statutory accounts for the year ended 31 December 2020 have been filed with the Registrar of Companies 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 did not contain any matters 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 27 September 2021.

Unless otherwise stated, the Condensed Consolidated Financial Statements are presented in United States Dollars ($) which is the presentational currency of the Group, and all values are rounded to the nearest thousand dollars except where otherwise indicated.

(b) Going concern

The Interim Financial Statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the normal course of business.

The Directors have reviewed the Group’s overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of signing these financial statements.

(c) Basis of consolidation

The Condensed Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries.

On 7 December 2020, HeiQ Plc became the legal parent of HeiQ Materials AG by way of reverse acquisition. The cost of the acquisition is deemed to have been incurred by HeiQ Materials AG, the legal subsidiary, in the form of equity instruments issued to the owners of the legal parent. This acquisition has been accounted for as a reverse acquisition.

Business combinations other than reverse acquisitions are accounted for under the acquisition method.

(d) New standards, interpretations and amendments effective for the current period

The following new amendment is effective for the first time in these financial statements but did not have a material effect on the Group:

– IBOR Reform and its Effects on Financial Reporting – Phase 2

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 2020 annual financial statements, except for amendments to IFRS 16: COVID-19 Related Rent Concessions beyond 30 June 2021, which were adopted on 1 January 2021. The amendment has had no impact on these interim financial statements.

Other 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 Chrisal NV

On March 9, 2021, HeiQ Iberia Unipessoal Lda acquired 51% of the share capital and voting rights of Chrisal NV, a company incorporated in Belgium. Chrisal NV is a biotechnology company and a leader in innovative ingredients and consumer products that incorporate the benefits of probiotics and synbiotics. It has technology platforms with the purpose of creating healthy and sustainable microbial ecosystems. The application of its proprietary technology includes cosmetics, personal care, textiles, wound dressings, water purification, air treatment and cleaning products. The company has its office, manufacturing site and bottling facility in Lommel, Belgium.

The purchase consideration was payable partly in cash (€5,000,000, equivalent to approximately US$6,054,000) and partly by the issue of 1,101,928 new ordinary shares for €2,500,000 (US$2,982,000), equivalent to a total consideration of US$ 9,036,000.

The acquisition is part of the Group's strategy of becoming a global leader in materials innovation and allows access to the broader market of microbial surface management and a bio-based green complementary technology platform to its successful antimicrobials.

The following table summarizes the consideration paid for the goodwill, the fair value of assets acquired, liabilities assumed and non-controlling interests at the acquisition date:

	Fair value
Consideration	**US$'000**
Cash paid to Chrisal NV shareholders	6,054
Shares issued to Chrisal NV shareholders	2,982
Total consideration	**9,036**

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,774
Property, plant and equipment	1,872
Right-of-use assets	1,696
Trade and other receivables	1,563
Inventories	1,176
Trade and other payables	(1,912)
Deferred revenue	(739)
Tax liabilities	(198)
Borrowings	(369)
Lease liabilities	(1,696)
Intangible assets identified on acquisition	2,077
Total identifiable net assets	**5,244**
Non-controlling interests	**(1,562)**
Goodwill	**5,354**
Total	**9,036**

The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the business. The goodwill arising from the acquisition has been allocated to the Synbiotic CGU. Fair value adjustments have been recognized for property, plant and equipment and acquisition-related intangible assets which are in alignment with accounting policies of the Group.

Acquisition-related intangible assets relate to the following:

Acquisition-related intangible assets	Useful life	US$'000
Valuation of technology assets	10	869
Valuation of brand assets	10	521
Valuation of customer relations	5	667
Patents	5	20
Total Intangible assets identified on acquisition		**2,077**

Acquisition costs of US$46,000 have been charged to the statement of comprehensive income in the period relating to the acquisition of Chrisal NV.

Chrisal NV contributed US$1,788,000 of revenue for the period between the date of acquisition and the balance sheet date and US$462,000 of profit before tax. If the acquisition of Chrisal NV had been completed on the first day of the financial year, Group revenues would have been US$849,000 higher and Group profit attributable to equity holders of the parent would have been US$374,000 higher.

(b) Acquisition of RAS AG

On April 29, 2021, the Company completed the acquisition of 100% of the share capital and voting rights of RAS AG, a company based in Regensburg, Germany. The acquisition was for a consideration of €5.1 million (approximately US$6.1 million), with €1.25 million (US$1.48 million) payable in cash and €3.85 million (US$4.66 million) through the issue of 1,701,821 new ordinary shares by the Company. It includes an additional earn out consideration dependent on RAS AG's growth and 2021 calendar year EBIT. The earn-out consideration is capped at an additional €5 million payable in shares for achieving a €2 million EBIT in 2021 and will be satisfied through the issuance of new ordinary shares. The earnout was estimated to be €2.55million (US$3 million) resulting in an overall consideration of €7.65million (US$91.9 million).

On the basis of internal forecasts, the Company has estimated the additional earn-out consideration at €2,550,000 (equivalent to approximately US$3,052,000), amounting to a total consideration payable equivalent to US$9,190,000.

RAS AG is a materials innovation company that drives the development of resource-efficient and sustainable products. RAS AG develops and manufactures highly functionalized materials for this purpose. This includes the manufacture of antimicrobial, hygiene-enhancing additives and durable antimicrobial coating systems which are sold worldwide under the trademark agpure®, and transparent electrically conductive and infrared reflective coatings sold under the ECOS® trademark. The acquisition is in line with HeiQ's strategic goal to gain market share in hygiene solutions by providing antimicrobial surface hygiene technologies to the healthcare and other sectors. This is building on the acquisition of Chrisal N.V. Belgium concluded earlier in the year, which gives HeiQ expanded access to the healthcare sector through probiotic and synbiotic cleaners.

The following table summarizes the consideration paid for the goodwill, the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair value
Consideration	**US$'000**
Cash paid to RAS AG shareholders	1,482
Shares issued to RAS AG shareholders	4,656
Contingent consideration payable	3,052
Total consideration	**9,190**

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	273
Property, plant and equipment	179
Right-of-use assets	139
Trade and other receivables	1,041
Inventories	410
Trade and other payables	(380)
Tax liabilities	(315)
Lease liabilities	(139)
Intangible assets identified on acquisition	1,451
Total identifiable net assets	**2,659**
Goodwill	**6,531**
Total	**9,190**

The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the business. The goodwill arising from the acquisition has been allocated to the Nanowire and Antimicrobial CGUs. Fair value adjustments have been recognized for acquisition-related intangible assets which are in alignment with accounting policies of the Group.

Acquisition-related intangible assets relate to the following:

Acquisition-related intangible assets	Useful life	US$'000
Valuation of technology assets	10	1,071
Valuation of customer relations	5	380
Intangible assets identified on acquisition		**1,451**

Acquisition costs of US$51,000 have been charged to the statement of comprehensive income in the period relating to the acquisition of RAS AG.

RAS AG contributed US$725,000 of revenue for the period between the date of acquisition and the balance sheet date and US$364,000 of profit before tax. If the acquisition of RAS AG had been completed on the first day of the financial year, Group revenues would have been US$937,000 higher and Group profit attributable to equity holders of the parent would have been US$591,000 higher.

HeiQ RAS GmbH, a joint-venture company previously accounted for under the equity-method, became a wholly-owned subsidiary on acquisition of HeiQ RAS AG.

(c) Acquisition of Life Material Technologies Limited

On 15 June 2021, the Company completed the acquisition of 100% of the share capital and voting rights of Life Material Technologies Limited, Hong Kong ("LIFE").

The Acquisition was for an upfront consideration of US$6.45 million, with US$2.55 million payable in cash (the "Cash Consideration") and US$3.9 million to be satisfied through the issue of new ordinary shares by HeiQ (the "Share Consideration"). Additional earn-out consideration of up to US$2,038,000 may be payable in cash (US$1,400,000) and through the issue of new ordinary shares (US$638,000) in 2022 based on LIFE's financial performance during 2021.

The Share Consideration was settled on 9 July 2021 by the issue of 1,887,883 new ordinary shares ("Consideration Shares" to the sellers of LIFE, at a price of £1.496201 per share, which was the intraday volume-weighted average price (the "VWAP") of HeiQ shares on the London Stock Exchange in the last five trading days preceding the closing of the Acquisition.

LIFE is a materials technology company that has developed a strong portfolio of smart ingredients and formulations with applications in numerous industries. This includes the development and distribution of bio-based antimicrobial additives and treatments used by manufacturers of plastics, coatings, textiles, ceramics and paper, that inhibit or manage bacteria, fungi, algae, and other micro-organisms that come in contact with treated materials. LIFE has the broadest technology platform in the industry, using inorganic, organic and bio-based botanical active substances.

The following table summarizes the consideration paid for the goodwill, the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair value
Consideration	**US$'000**
Cash paid to LIFE shareholders	2,550
Shares issued to LIFE shareholders	3,900
Contingent consideration payable	2,038
Total consideration	**8,488**

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	56
Property, plant and equipment	29
Right-of-use assets	121
Trade and other receivables	1,910
Inventories	485
Trade and other payables	(394)
Tax liabilities	(20)
Borrowings	(210)
Lease liabilities	(121)
Intangible assets identified on acquisition	2,219
Total identifiable net assets	**4,075**
Goodwill	**4,413**
Total	**8,488**

The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the business. The goodwill arising from the acquisition has been allocated to the Antimicrobial CGU. Fair value adjustments have been recognized for acquisition-related intangible assets which are in alignment with accounting policies of the Group.

Acquisition-related intangible assets relate to the following:

Acquisition-related intangible assets	Useful life	US$'000
Valuation of technology assets	10	561
Valuation of brand assets	10	1,048
Valuation of customer relations	5	610
Intangible assets identified on acquisition		**2,219**

Acquisition costs of US$102,000 have been charged to the statement of comprehensive income in the period relating to the acquisition of LIFE.

LIFE contributed US$444,000 of revenue for the period between the date of acquisition and the balance sheet date and US$85,000 of profit before tax. If the acquisition of LIFE had been completed on the first day of the financial year, Group revenues would have been US$2,053,000 higher and Group profit attributable to equity holders of the parent would have been US$474,000 higher.

5. Segmental reporting

The Directors consider that the Group has one reportable segment, that of materials innovation which focuses on scientific research, manufacturing and consumer ingredient branding. Accordingly, all revenues, operating results, assets and liabilities are allocated to this activity.

The Group also analyses and measures its performance into geographic regions, specifically Europe, North & South America and Asia.

6. Revenue and other operating income

The Group's activities are materials innovation which focuses on scientific research, manufacturing and consumer ingredient branding. The primary source of revenue is the production and sale of functional ingredients, materials, and functional consumer goods. Other sources of revenues include research and development services as well as laboratory work.

The Group classifies the functionalities of the different type of products into the functionalities of Comfort, Hygiene, Protection and Product & Process Sustainability.

Revenues were mainly generated in regions Europe, North & South America and Asia. The following table reconciles HeiQ Group's revenue for the periods presented:

Revenue split by product type	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Functional ingredients	20,090	26,331	42,023
Functional materials	200	10	764
Functional consumer goods	4,655	3,713	7,444
Services / Others	850	75	170
Total revenue	**25,795**	**30,129**	**50,401**

Revenue by functionality	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Comfort	5,419	4,115	8,937
Hygiene	13,790	14,256	23,370
Protection	997	3,042	4,093
Product & Process Sustainability	5,358	4,917	10,022
Other	231	3,799	3,979
Total	**25,795**	**30,129**	**50,401**

Revenue by territory	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
North & South America	9,551	11,125	19,813
Asia	8,880	13,396	19,887
Europe	7,093	5,368	10,429
Others	271	240	272
Total revenue	**25,795**	**30,129**	**50,401**

During the period ended June 30, 2021, one customer individually totaled more than 10% of total revenues (2020: no customers).

Other operating income	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Foreign exchange gains	2,030	249	3,986
Other	1,136	649	758
Total other operating income	**3,166**	**898**	**4,744**

7. Expenses by nature

Cost of goods sold	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Material expenses	10,033	9,685	17,586
Personnel expenses	1,070	652	1,279
Depreciation of property, plant and equipment	280	174	382
Other costs of goods	1,457	2,331	3,155
Total cost of goods sold	**12,840**	**12,842**	**22,402**

Selling and general administration expenses	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Personnel expenses	5,468	4,154	9,091
Commissions	583	679	1,133
Audit expense	14	5	108
Depreciation of property, plant and equipment	311	177	394
Amortization of intangible assets	205	59	110
Depreciation of right-of-use assets	279	196	368
Other	3,716	1,881	4,913
Total selling and general administration expenses	**10,576**	**7,151**	**16,117**

Personnel expenses	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Wages and salaries	5,363	3,707	8,290
Social security and other payroll taxes	471	205	415
Pension costs	317	314	448
Share-based payments	387	580	1,217
Total personnel expenses	**6,538**	**4,806**	**10,370**

Other operating expenses	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Foreign exchange losses	1,583	182	5,124
Other	655	–	3
Total other operating expenses	**2,238**	**182**	**5,127**

8. Taxation

The components of the provision for taxation on income included in the *"Consolidated Statement of Other Comprehensive Income"* are summarized below:

Current income tax expense	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Swiss corporate income taxes	(6)	1,329	304
United States state and federal taxes	314	712	1,112
Taiwan corporate income taxes	83	–	161
United Kingdom corporate income taxes	–	–	–
Belgium corporate income taxes	176	–	–
Germany corporate income taxes	127	–	–
Thailand corporate income taxes	4	–	–
Total current income tax expense	**698**	**2,041**	**1,577**

Deferred income tax expense	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Switzerland	(78)	(31)	588
Portugal	(46)	–	(28)
Taiwan	2	–	(25)
Spain	(38)	–	–
United Kingdom	(16)	–	–
Total deferred income tax expense (income)	**(176)**	**(31)**	**535**
Total income tax expense	**522**	**2,010**	**2,112**

Tax liability	**Period ended June 30, 2021 US$'000**	Year ended December 31, 2020 US$'000
Opening balance – (Prepaid taxes)	1,495	(42)
Tax liability acquired in business combinations	534	–
Income tax expense for the period / year	698	1,577
Taxes paid	(1,442)	(48)
Foreign currency movements	(26)	8
Closing balance	**1,259**	**1,495**

The Group had net deferred tax assets of US$151,000 as at June 30, 2021 (Net tax liabilities of US$31,000 at December 31, 2020)

The components of the net deferred income tax assets and liabilities are as follows:

Deferred taxes	**Period ended June 30, 2021 US$'000**	Year ended December 31, 2020 US$'000
Deferred tax assets		
Pension fund obligations	653	655
Tax losses recognized	327	171
Total deferred tax assets	**980**	**826**
Deferred tax liabilities		
Capital allowances and depreciation	(829)	(857)
Total deferred tax liabilities	**(829)**	**(857)**
Net deferred tax assets (liabilities)	**151**	**(31)**

As at June 30, 2021, the Group had approximately US$327,000 of tax losses available to be carried forward against future profits (December 31, 2020: US$171,000; June 30, 2020: US$2.2 million).

In applying judgement in recognizing deferred tax assets, management has critically assessed all available information, including future business profit projections and the track record of meeting forecasts. Management expects the deferred tax asset to be substantially recovered in 2021.

9. Earnings per share

The calculation of earnings per share is based on the following earnings and number of shares:

Earnings per share	**Six months to June 30, 2021 US$'000**	Six months to June 30, 2020 US$'000	Year ended December 31, 2020 US$'000
Profit after tax attributable to owners of the Company	**3,126**	8,602	4,991
Basic earnings per share (cents)	**2.46**	8.32	4.41
Diluted earnings per share (cents)	**2.38**	8.32	4.21
Basic weighted average number of shares in issue	**127,214,811**	103,398,313[1)]	113,143,731
Diluted weighted average number of shares in issue	**131,222,146**	103,398,313[1)]	118,666,601

1) The weighted average number of shares in issue for the six months to June 30, 2020 has been calculated by reference to the weighted average number of Ordinary Shares of the legal acquiree (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the merger agreement. There were no dilutive equity instruments as at June 30, 2020.

10. Intangible assets

Cost	Goodwill US$'000	Trademarks and patents US$'000	Internally developed assets US$'000	Brands & Customer relations US$'000	Acquired technologies US$'000	Total US$'000
As at January 1, 2020	3,393	417	1,128	295	–	5,233
Additions through business combinations	123	–	–	–	–	123
Additions arising from internal development	–	33	602	–	–	635
Currency translation differences	–	41	121	–	–	162
As at December 31, 2020	**3,516**	**491**	**1,851**	**295**	–	**6,153**
Additions through business combinations	16,319	20	159	3,221	2,501	22,220
Additions arising from internal development	–	14	1,315	–	–	1,329
Currency translation differences	–	(13)	(71)	–	–	(84)
As at June 30, 2021	**19,835**	**512**	**3,254**	**3,516**	**2,501**	**29,618**
Amortization						
As at January 1, 2020	–	249	384	78	–	711
Amortization for the year	–	70	11	29	–	110
Currency translation differences	–	31	37	–	–	68
As at December 31, 2020	**–**	**350**	**432**	**107**	**–**	**889**
Amortization for the period	–	34	11	108	52	205
Currency translation differences	–	(11)	(17)	–	(1)	(29)
As at June 30, 2021	**–**	**373**	**426**	**215**	**51**	**1,065**
Net book value						
As at December 31, 2020	**3,516**	**141**	**1,419**	**188**	**–**	**5,264**
As at June 30, 2021	**19,835**	**139**	**2,828**	**3,301**	**2,450**	**28,553**

11. Property, plant and equipment

Cost	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
As at January 1, 2020	5,189	343	665	100	–	6,297
Additions through business combinations	1,224	–	1	12	–	1,237
Additions	629	191	77	35	–	932
Disposals	(628)	(46)	(2)	(18)	–	(694)
Currency translation differences	365	4	69	3	–	441
As at December 31, 2020	**6,779**	**492**	**810**	**132**	**–**	**8,213**
Additions through business combinations	191	18	24	172	1,675	2,080
Additions	180	50	35	5	14	284
Disposals	–	–	–	–	(66)	(66)
Currency translation differences	(196)	(2)	(36)	(4)	(33)	(271)
As at June 30, 2021	**6,954**	**558**	**833**	**305**	**1,590**	**10,240**
Depreciation						
As at January 1, 2020	1,917	180	285	31	–	2,413
Acquisition on business combination	42	–	–	–	–	42
Charge for the year	538	84	142	12	–	776
Eliminated on disposal	(607)	(24)	–	(7)	–	(638)
Currency translation differences	112	2	37	2	–	153
As at December 31, 2020	**2,002**	**242**	**464**	**38**	**–**	**2,746**
Charge for the period	388	56	82	15	50	591
Currency translation differences	(69)	–	(22)	–	(1)	(92)
As at June 30, 2021	**2,321**	**298**	**524**	**53**	**49**	**3,245**
Net book value						
As at December 31, 2020	**4,777**	**250**	**346**	**94**	**–**	**5,467**
As at June 30, 2021	**4,633**	**260**	**309**	**252**	**1,541**	**6,995**

12. Right-of-use assets

Cost	Land and buildings US$'000	Motor vehicles US$'000	Machinery and equipment US$'000	Total US$'000
As at January 1, 2020	3,757	111	22	3,890
Additions	76	–	32	108
Disposals due to expiry of lease	(306)	(43)	(14)	(363)
Currency translation differences	174	8	1	183
As at December 31, 2020	**3,701**	**76**	**41**	**3,818**
Additions through business combinations	1,186	300	470	1,956
Additions	69	56	101	226
Currency translation differences	(92)	(7)	(10)	(109)
As at June 30, 2021	**4,864**	**425**	**602**	**5,891**
Depreciation				
As at January 1, 2020	1,077	80	19	1,176
Charge for the year	345	16	7	368
Disposals due to expiry of lease	(306)	(43)	(14)	(363)
Currency translation differences	66	7	–	73
As at December 31, 2020	**1,182**	**60**	**12**	**1,254**
Charge for the period	211	28	40	279
Currency translation differences	(32)	(3)	–	(35)
As at June 30, 2021	**1,361**	**85**	**52**	**1,498**
Net book value				
As at December 31, 2020	**2,519**	**16**	**29**	**2,564**
As at June 30, 2021	**3,503**	**340**	**550**	**4,393**

13. Trade receivables

The majority of trade receivables are current, and the Directors believe these receivables are collectible. The Directors consistently assess the collectability of these receivables. As at June 30, 2021, the Directors considered a portion of these receivables uncollectable and recorded a provision in the amount of US$716,000 (June 30, 2020: US$319,000 ; December 31, 2020: US$551,000).

Trade receivables	**As at June 30, 2021 US$'000**	As at December 31, 2020 US$'000
Trade receivables	17,369	13,988
Provision for expected credit loss	(716)	(551)
Total trade receivables	**16,653**	**13,437**

14. Share capital and share options

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

	Note	Number of shares No.	Share capital US$'000	Share premium US$'000	Total US$'000
Balance as of January 1, 2020		2,668,999	350	1,305	1,655
Consolidation of shares		(1,779,346)	–	–	–
Placing of shares		11,789,142	4,641	12,684	17,325
Subscription for shares		6,068,000	2,389	6,529	8,918
Issue of shares to acquire HeiQ Materials AG		106,759,900	42,027	114,865	156,892
Shares issued in lieu of fees		385,209	152	414	566
Costs of share issues		–	–	(1,260)	(1,260)
Balance as at December 31, 2020		**125,891,904**	**49,559**	**134,537**	**184,096**
Issue of shares to acquire Chrisal NV		1,101,928	456	2,526	2,982
Issue of shares to acquire RAS AG		1,701,821	710	3,946	4,656
Balance as at June 30, 2021		**128,695,653**	**50,725**	**141,009**	**191,734**

The par value of all shares is £0.30. All shares in issue were allotted, called up and fully paid.
As described in Note 4 above, the Company issued a further 1,887,883 new ordinary shares on 9 July 2021 to the sellers of LIFE, at a price of £1.496201 per share, equivalent to US$4,085,000.

Share Option Scheme

The Company has adopted the HeiQ plc Option Scheme. Under the Option Scheme, awards may be made only to employees and executive directors. The Board will administer the Option Scheme with all decisions relating to awards made to executive directors taken by the Remuneration Committee.

A total of 6,260,000 awards were made under the Option Scheme pursuant to re-admission on December 7, 2020. No options were issued, exercised, forfeited or lapsed during the six months ended June 30, 2021. Accordingly, all options remained in place at June 30, 2021.

The share-based payment expense arising from these share-based payment transactions recognized in the period ended June 30, 2021 was US$387,000 (year ended December 31, 2020: US$50,000).

15. Other non-current liabilities

Other non-current liabilities	**As at June 30, 2021 US$'000**	As at December 31, 2020 US$'000
Defined benefit obligation IAS 19	3,264	3,276
Deferred consideration in relation to the acquisition of:		
Chem-Tex assets	94	149
Total other non-current liabilities	**3,358**	**3,425**

16. Borrowings

The principal changes in borrowings during the period ended June 30, 2021 were as follows:

- a loan of US$250,000 payable to the former owners of Life Materials who are now minority shareholders of HeiQ which was settled in July 2021.
- a bank loan taken out in November 2020 and assumed in the business acquisition of HeiQ Chrisal which incurs interest at Euribor + 0.987% and is secured by buildings. It is repayable or renewable by November 2021. As at June 30, 2021, €300,000 (US$356,000) is outstanding; and
- a bank loan taken out in April 2021 which incurs interest at 0.97% and is secured by buildings. It is repayable by March 2022. As at June 30, 2021, €191,000 (US$227,000) is outstanding.

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

Borrowings	**As at June 30, 2021 US$'000**	As at December 31, 2020 US$'000
Not later than one year	1,145	173
Later than one year but less than five years	1,060	1,043
After more than five years	241	357
Total borrowings	**2,446**	**1,573**

The following table represents the Group's finance costs for each period presented:

Finance costs	**As at June 30, 2021 US$'000**	As at June 30, 2020 US$'000	As at December 31, 2020 US$'000
Amortization of deferred finance costs – acquisition costs	71	123	245
Lease finance expense	42	26	52
Interest on borrowings	58	64	108
Bank fees	31	18	46
Loss on foreign currency transactions	80	10	733
Total finance costs	**282**	**241**	**1,184**

17. Other current liabilities

Other current liabilities	**As at June 30, 2021 US$'000**	As at December 31, 2020 US$'000
Deferred consideration in relation to the acquisition of:		
Chem-Tex assets	199	967
RAS AG	3,052	–
Life Material Technologies Limited	2,038	–
Total other non-current liabilities	**5,289**	**967**

Deferred consideration relating to the acquisition of RAS AG and Life totaling US$5.2m is payable in cash (US$1.4m) and in (US$3.8m) HeiQ shares in 2022 and relates to earnout payments described in note 4.

The deferred consideration and related financing expense are summarized below:

Deferred consideration	**As at June 30, 2021 US$'000**	As at December 31, 2020 US$'000
Balance brought forward	1,116	2,103
Payable on acquisitions during the period	5,090	–
Amortization of fair value discount	71	245
Consideration settled in cash	(908)	(1,267)
Foreign exchange differences	14	35
Deferred consideration carried forward	**5,383**	**1,116**
Current liability	5,289	967
Non-current liability	94	149
Total	**5,383**	**1,116**

18. Notes to the statements of cash flows

Net debt reconciliation:

Six months ended June 30, 2021	Opening balances US$'000	New agreements US$'000	Assumed on acquisition of subsidiaries US$'000	Cash movements US$'000	Foreign exchange differences US$'000	Closing balances US$'000
Cash and cash equivalents	25,695		2,121	(7,156)	(750)	19,910
Leases	(2,652)	(226)	(1,956)	263	75	(4,496)
Borrowings	(1,573)	(472)	(579)	113	63	(2,448)
Totals	**21,470**	**(698)**	**(414)**	**(6,780)**	**(612)**	**12,966**

Year ended December 31, 2020	Opening balances US$'000	New agreements US$'000	Assumed on acquisition of subsidiaries US$'000	Cash movements US$'000	Foreign exchange differences US$'000	Closing balances US$'000
Cash and cash equivalents	3,603	–	–	21,822	270	25,695
Leases	(2,784)	(222)	–	354	–	(2,652)
Borrowings	(2,478)	(61)	(1,512)	2,735	(257)	(1,573)
Totals	**(1,659)**	**(283)**	**(1,512)**	**24,911**	**13**	**21,470**

Reconciliation of cash movements on business combinations:

Cash assumed on acquisition of Chrisal NV	1,774
Cash assumed on acquisition of RAS AG	273
Cash assumed on acquisition of RAS GmbH	18
Cash assumed on acquisition of Life Material Technologies Ltd	56
Cash assumed on acquisitions of businesses	**2,121**

Consideration payment for acquisition of Chrisal NV	(6,054)
Consideration payment for acquisition of RAS AG	(1,482)
Consideration payment for acquisition of Chem-Tex assets	(908)
Consideration payment for acquisitions of businesses	**(8,444)**

19. Contingencies and provisions

The Directors are not aware of any contingencies or other provisions which might impact on the Group's operations or financial position.

20. Related party transactions

Two companies controlled by a director of HeiQ USA are the landlord for two buildings in the United States which are leased to HeiQ USA. These leases have been capitalized as right-of-use assets in accordance with IFRS 16 "Leases". The total amount paid in the six months ended June 30, 2021 was US$80,000 (six months ended June 30, 2020: US$80,000.

A bank loan of €800,000 (US$950,000) is secured on property owned by a company which is controlled by a minority shareholder of HeiQ Medica.

In June 2021, Chrisal NV sold a house for €250,000 to a minority shareholder of Chrisal NV and shareholder of HeiQ based on estimated open-market value. As part of the purchase price allocation, the proceeds of €250,000 were included within other receivables on acquisition.

Loans of €459,000 (US$562,000) and €130,000 (US$154,000) are payable to a company controlled by minority shareholders of HeiQ Medica. One loan is payable to a minority shareholder of HeiQ Medica.

A loan of US$250,000 is payable to the former owners of Life Materials who are now minority shareholders of HeiQ. See note 18 for further details.

A loan of €40,000 (US$47,000) is payable to a minority shareholder of HeiQ Medica. The loan is repayable on demand and does not incur any interest.

21. Material subsequent events

As described in Note 4 c, the Company settled the Share Consideration due on the acquisition of Life Material Technologies Limited on 9 July 2021 by the issue of 1,887,883 new ordinary shares at a price of £1.496201 per share.

22. Ultimate controlling party

As at 30 June 2021, 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, non-executive Chairwoman
Karen Brade, non-executive Director
Benjamin Bergo, non-executive Director

Company Secretary
Ross Ainger

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