IQE plc

Cardiff, UK
10 April 2024

Full Year 2023 Results

Strategic progress in a challenging market with a return to growth in H2

IQE plc (AIM: IQE, "IQE" or the "Group"), the leading global supplier of compound semiconductor wafer products and advanced material solutions, today announces its results for the full year ended 31 December 2023.

Americo Lemos, Chief Executive Officer of IQE, commented:

"I am pleased with the resilience of the business and dedication of our people despite 2023 being a particularly challenging year for the semiconductor industry. As forecast, IQE returned to double digit growth in H2 over H1, and additionally took strategic actions to reshape our cost base as part of our ongoing commitment to improving margins and profitability. We made good progress against our diversification strategy following our investment into GaN capacity, with new customer design wins in the Power Electronics and Automotive sectors. Buoyed by the ongoing industry recovery, IQE is well positioned within the global value chain to deliver sustainable growth and capture opportunities in 2024 and beyond."

FY 2023 Financial Summary

	FY 2023 £m	**FY 2022 £m**	**Change (%)**
Revenue	115.3	167.5	(31.1)
Adjusted EBITDA[1]	4.3	23.4	(81.6)
Adjusted loss before tax	(23.2)	(6.0)	
Reported loss before tax	(28.8)	(75.4) [2]	
Adjusted net cashflow from operations	15.7	15.7	
Reported net cashflow from operations	10.1	8.9	13.5
Cash capital expenditure[3]	12.2	9.4	29.8
Adjusted net debt[4]	(2.2)	(15.2)	
Cash and cash equivalents	5.6	11.6	
Reported Diluted EPS	(3.28p)	(9.27p)	
Adjusted Diluted EPS	(2.68p)	(0.74p)	

1. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and certain non-cash charges, non-operational items and significant infrequent items set out in Note 4 in the financial statements section.
2. Figure includes a £62.7m non-cash goodwill impairment.
3. Cash capital expenditure stated is Property, Plant and Equipment cash capex.
4. Adjusted net debt is calculated as cash less borrowings but excluding lease liabilities and fair value gains/losses on derivative instruments.

H1 vs H2 2023 Financial Summary

The table below illustrates the significant recovery that IQE experienced in H2 2023.

	H1 2023 £m	H2 2023 £m	Change (%)
Revenue	52.0	63.3	21.7
Adjusted EBITDA	(5.7)	10.0	275.4
Reported operating loss	(19.6)	(6.2)	68.4

Strategic Highlights

IQE is making strategic progress to maintain and grow its position in the Connect and Sense markets alongside diversifying into higher growth Power and Display markets.

<u>Business update:</u>

- **Connect**
    - Protected existing Wireless business whilst expanding the Connect customer base, engaging Tier 1 OEMs in Asia serving the Android ecosystem.
    - Successful qualification of products for WiFi and 4G & 5G handset applications for emerging markets.
    - Launched new VCSEL capability for high-speed optical interconnects used in Artifical Intelligence (AI) datacentre applications.
- **Sense**
    - High volume production ramp of new VCSEL for advanced 3D Sensing applications with Tier 1 handset manufacturer
    - Successfully qualified second-generation VCSEL products with consumer smartphone leaders, developing new high-performance 3D sensors.
    - Expanded 3D sensing portfolio to include new longer-wavelength products for higher-performance imaging applications in handset and AR/VR platforms.
- **Power**
    - Deployed GaN Power capacity in the US and UK to serve the global Power Electronics market utilising proceeds from the Placing in May 2023
    - Expansion of diverse customer pipeline, consisting of market leaders across fabless, foundries and OEMs serving Automotive and emerging datacentre server power markets, with qualifications ongoing.
- **Display**
    - Continued development of RGB microLED portfolio through engagement with multiple Tier 1 Display manufacturers.
    - Developed new disruptive 8-inch Ge based platform for use as a red emitter in microLED displays.

- Delivery of the first display grade 8-inch GaAs and Si-based wafer products will commence in H1 2024, complementing engagements with customers developing AR/VR format displays.

Board Update

Jutta Meier joined the Board as Chief Financial Officer in January 2024. The Board also continued to refresh its industry expertise with Bami Bastani and Maria Marced joining as Non-executive Directors during the year, following the retirement of Sir Derek Jones. All three bring a wealth of experience from international semiconductor industry heavyweights including Intel, GlobalFoundries and TSMC. Harmesh Suniara was another addition to the Board during the year representing Lombard Odier, a major IQE shareholder, and adding significant capital markets experience. Female representation on the Board now stands at an above-average 44%.

Senior Management Update

IQE's Executive Leadership Team was strengthened with the appointment of key individuals with significant industry experience in 2023. Peter Rabbeni was appointed as Senior Vice President, Communications Infrastructure & Security. He was joined in January 2024 by Rina Pal-Goetzen as Vice President of Government Affairs, focusing on engagement with the US Government, specifically in regards to CHIPS Act funding.

Environmental, Social and Governance (ESG) update

2023 was a year of progress for IQE's ESG strategy. The Company is developing frameworks and processes to adopt and align with the Task Force on Climate-Related Financial Disclosures (TCFD) and will publish its first TCFD Statement in its 2023 Annual Report. IQE is also focused on developing emissions targets in accordance with the Science Base Targets initiative (SBTi), and is on track to submit targets within the 24 month commitment window.

Current trading and outlook

There are increasingly positive signs that the global semiconductor industry is recovering from what has been an unprecedented cyclical downturn in terms of both its extent and duration. IQE saw recovery in H2 2023 which has continued into Q1 2024, with inventory levels beginning to normalise and customer demand recovering.

Trading during Q1 has been in line with the Board's expectations and the order book for the remainder of H1 is strengthening. We expect to see this improvement continue through 2024, despite persisting uncertainties in the global economy.

The Group has taken steps to optimise its cost base and will continue to drive efficiencies in order to improve margins and profitability. Efforts to enhance the Company's global footprint are ongoing with a focus on refining operations whilst maintaining a global footprint that offers customers a secure and resilient supply chain.

Revenue and adjusted EBITDA are expected to be within the range of analyst forecasts for FY 2024[1].

The Group remains committed to executing its growth and diversification strategy as it builds on the good progress made in 2023 by expanding the customer pipeline and focusing on GaN power product qualification with Tier 1 suppliers into automotive OEMs.

1. The analyst range of expectations for FY 2024 revenue are from £133.7m to £153.7m and for adjusted EBITDA from £11.1m to £16.6m .

FY 2023 Financial Highlights

- **Revenue** for FY 2023 decreased 31% to £115.3m (FY 2022: £167.5m).
  - **Wireless revenue** of £53.9m (FY 2022: £76.0m) was down 29% year-on-year on a reported basis. This was a result of high inventory levels in the market and delays to 5G infrastructure deployment.
  - **Photonics revenue** of £59.1m (FY 2022: £88.7m) was down 33% year-on-year on a reported basis. This decrease reflects the slowdown in Asian telecom infrastructure programmes, as well as high inventory levels due to weak demand impacting 3D sensing, partially offset by a resilient infrared and Aerospace and Security performance.
  - **CMOS++ revenue** of £2.3m (FY 2022: £2.8m) was down 18% on a reported basis. This reflected elevated inventory levels caused by weak demand for consumer goods.
- **Adjusted EBITDA** of £4.3m (FY 2022: £23.4m), a decline of 81% on a reported basis, due to underutilisation of manufacturing capacity.
- **Adjusted EBITDA margin** of 4% (FY 2022: 14%). Positive EBITDA margin maintained following decisive action to reduce costs.
- **Reported operating loss** of £25.8m (FY 2022: £73.0m loss including £62.7m non-cash goodwill impairment) impacted by a reduction in sales volumes and underutilisation of manufacturing capacity.
- **Reported net cashflow from operations** of £10.1m (FY 2022: £8.9m), resulting from controlled working capital management.
- **Cash capital expenditure** (PP&E) of £12.2m (FY 2022: £9.4m) to support the Group's strategic diversification and growth strategy. The Group has a continued focus on research and development with investment in capitalised technology development of £2.8m (FY 2022: £3.8m).
- **Adjusted net debt** of £(2.2)m as at 31 December 2023 (FY 2022: net debt of £15.2m). Successful refinancing in May 2023 including a new Revolving Credit Facility of $35m (£27.3m), with an undrawn balance of $30.0m (£23.4m) available to the Group as at the year end.
- **Equity raise** of £29.8m (net proceeds) completed in May 2023 in order to strengthen the balance sheet and underpin strategic investment.

- **Cost control and cash generation**
  - Headcount restructuring in 2023 resulting in over 10% reduction
  - Asset optimisation
  - Non-labour cost reduction
  - Working capital optimisation
  - Sale of excess tools resulting from site consolidation.
- **Global site optimisation programme**
  - Completed the consolidation of Pennsylvania MBE operations into North Carolina site with customer qualifications complete and production ramped.
  - Continue to work with our key customers to optimise global footprint.

Results Presentation

IQE will present its FY 2023 Results via webcast at 9:00am today, Wednesday 10 April 2024. If you would like to view this webcast, please register by using the below link and following the instructions:

https://brrmedia.news/IQE_FY23

Contacts:

IQE plc
+44 (0) 29 2083 9400
Americo Lemos
Jutta Meier
Amy Barlow

Peel Hunt (Nomad and Joint Broker)
+44 (0) 20 7418 8900
Paul Gillam
Kate Bannatyne
Adam Telling

Deutsche Numis (Joint Broker)
+44 (0) 20 7260 1000
Simon Willis
Hugo Rubinstein
Iqra Amin

Headland Consultancy (Financial PR)
+ 44 (0) 20 38054822
Andy Rivett-Carnac: +44 (0) 7968 997 365

Chloe Francklin: +44 (0)78 3497 4624

ABOUT IQE

http://iqep.com

IQE is the leading global supplier of advanced compound semiconductor wafers and materials solutions that enable a diverse range of applications across:

- Smart Connected Devices
- Communications Infrastructure
- Automotive and Industrial
- Aerospace and Security

As a scaled global epitaxy wafer manufacturer, IQE is uniquely positioned in this market which has high barriers to entry. IQE supplies the global market and is enabling customers to innovate at chip and OEM level. By leveraging the Group's intellectual property portfolio including know-how and patents, it produces epitaxy wafers of superior quality, yield and unit economics.

IQE is headquartered in Cardiff UK, with employees across eight manufacturing locations in the UK, US and Taiwan, and is listed on the AIM Stock Exchange in London.

Financial Review

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

Review of the year

The Group's trading in 2023 has been significantly impacted by the global semiconductor industry downturn. The industry downturn presented a temporary but significant challenge to sales volumes in Q1-Q3 2023 prior to a gradual improvement in market dynamics and customer demand in Q4 2023. Market dynamics and customer demand is expected to continue to improve throughout 2024. Group revenue of £115,252,000 (2022: £167,494,000) has decreased by 31.1% and the Group has reported an operating loss of £25,779,000 (2022: £72,976,000).

During the year the Directors have taken steps to strengthen the Group's balance sheet, including the renewal of the Group's £27,300,000 ($35,000,000) multi-currency revolving credit facility provided by HSBC Bank plc and the successful £31,098,000 equity fundraise. These steps, combined with a number of cost rationalisation and cash preservation actions implemented by the Directors have provided the Group with the necessary liquidity to navigate the semiconductor market downturn and allow the Group to continue investing in its growth and diversification strategy.

Group revenue of £115,252,000 (2022: £167,494,000) has decreased 31.2% on a reported basis. The Group's Photonics business segment represents the largest proportion of the Group's revenue accounting for 51.3% (2022: 52.9%) of total wafer sales with Wireless representing 46.7% (2022: 45.4%) and CMOS++ representing 2.0% (2022: 1.7%).

Photonics wafer revenues decreased 33.3% to £59,098,000 (2022: £88,637,000). The decrease in photonics wafer revenues primarily reflects the softness in the handset market and a slowdown in Asian telecoms infrastructure programmes partially offset by strong performance in aerospace and security markets for infrared- related products.

Wireless wafer revenues decreased 29.1% to £53,877,000 (2022: £76,016,000). The decrease in wireless wafer revenues reflects a decline in wireless GaAs epi- wafer sales and weakness in GaN epi-wafer sales for 5G infrastructure. The reduction in wireless GaAs epi-wafer sales in particular, has been impacted by softness in the broader smartphone handset market and build-up of inventory in supply chains.

Statutory gross profit decreased from £26,383,000 to £2,328,000. The decrease in gross profit reflects the reduction in sales and under-utilisation of capacity experienced across the Group as a result of the semiconductor industry downturn. Selling, general and administrative ('SG&A') expenses have increased in the year from £31,211,000 to £32,486,000, excluding the separately disclosed impairment loss on intangible assets of £nil (2022: £65,821,000) and the impairment reversal of £1,808,000 (2022: £2,300,000 loss) related to a small number of customer specific receivables where the Group has successfully cash collected certain old outstanding trade receivable balances. Adjusted SG&A expenses, which exclude adjustments for share based payments, restructuring costs, Chief Executive Officer recruitment costs and Chief Financial Officer severance and recruitment costs have decreased from £26,780,000 to

£26,167,000 (2.3%), primarily reflecting a combination of labour cost and discretionary expenditure savings implemented as part of actions to mitigate cost during the year.

Cost rationalisation actions implemented during the year to mitigate the semiconductor industry downturn and reduction in customer volumes and revenues include a combination of the optimisation of manufacturing asset utilisation, including idling reactors to reduce cost and align capacity with lower customer volumes, the implementation of a Group-wide restructuring programme and associated reduction in headcount and labour cost, consolidation of the Group's US molecular beam epitaxy ('MBE') manufacturing capacity and closure of the Group's manufacturing facility in Pennsylvania and the implementation of a range of discretionary expenditure savings in areas including travel, marketing, legal and professional.

As part of the cost rationalisation and global footprint optimisation plan restructuring costs totalling £4,680,000 (2022: £4,152,000) have been incurred relating to redundancy costs associated with the group-wide restructuring programme and labour and site decommissioning costs associated with the closure of the Group's manufacturing facility in Pennsylvania, USA. Other significant infrequent costs incurred in the year relate to the new starter bonus, payable over three years, for the Chief Executive Officer and severance and recruitment fees following the departure of the former Chief Financial Officer.

A reported operating loss of £25,779,000 has been incurred (2022: £72,976,000). The 2022 operating loss was significantly impacted by the non-cash impairment of goodwill of £62,382,000. An adjusted operating loss of £20,199,000 in 2023 compares to an adjusted operating loss of £3,557,000 in 2022. The increase in the loss principally reflects the semiconductor industry downturn experienced within 2023 and the associated reduction in customer volumes and revenue. The segmental analysis in note 4 reflects the adjusted operating margins for the primary segments (before central corporate support costs). Photonics adjusted operating margins decreased from 12.6% in 2022 to a negative margin of 16.9% in 2023 reflecting the impact of the industry downturn and significant under-utilisation of capacity. Wireless adjusted operating margins, despite volume and revenue declines, increased from 6.2% in 2022 to 8.6% in 2023, primarily reflecting a combination of a reduction in manufacturing capacity and cost linked to the closure of the Group's Singapore site in 2022, cessation of manufacturing activities at the Group's Pennsylvania site in 2023 and the positive impact of certain working capital actions that resulted in the consumption of old aged inventory and the cash collection of certain previously impaired trade receivables.

Finance costs of £3,023,000 (2022: £2,427,000) reflect £1,810,000 (2022: £1,099,000) of bank and other interest costs and the interest expense on lease liabilities of £1,222,000 (2022: £1,328,000). Bank and other interest costs principally relate to the Group's HSBC Bank plc revolving credit and asset finance facilities with the increase in interest cost reflecting a combination of higher levels of facility utilisation and borrowing in H1 2023 and an increase in the interest rate as both the Bank of England Base Rate and the Sterling Overnight Index Average ('SONIA') interest rate benchmarks have increased during the year.

The tax charge of £567,000 (2022: £862,000 credit) consists of a current tax charge of £1,112,000 (2022: £89,000) primarily relating to taxable profits generated by the Group's Taiwanese operations and a deferred tax credit of £545,000 (2022: £951,000). Deferred tax asset recognition has been restricted in the UK to £nil to reflect future forecast profitability, an assessment that includes the impact of market softness in trading forecasts as a result of the industry-wide semiconductor downturn whilst US deferred tax asset recognition has been restricted to £nil to reflect lower future forecast profitability arising from a combination of market softness, the Group's consolidation of its US manufacturing operations and the continued shift in the balance of future forecast manufacturing and hence profits from the

Group’s US operations to its UK and Asian operations. The effective tax rate of 3.6% (2022: 1.1%) applicable to the tax charge of £192,000 (2022: £798,000) on adjusted items is less than the UK statutory tax rate of 25% primarily due to the non- recognition of deferred tax assets for current year UK and US trading losses which include the adjusted Chief Executive Officer recruitment costs, Chief Financial Officer severance and recruitment costs, Pennsylvania site closure costs and Group-wide restructuring programme costs.

The decrease in the loss for the year to £29,378,000 (2022: £74,541,000) principally reflects the impact of the prior year goodwill impairment charge of £62,382,000. At an adjusted level, the loss for the year has increased to £23,990,000 (2022: £5,920,000) reflecting a combination of the adverse underlying trading performance noted above, the impact of adjusted non-cash and other non-operational items and the acquisition, a subsequent consolidation of the Group’s former joint venture, Compound Semiconductor Centre Limited (‘CSC’).

On 22 September 2023, the Group acquired the 50% equity shareholdings of its joint venture partner CSC taking control of the company and increasing its equity ownership to 100%. The acquisition was for total cash consideration of £2,979,000 deferred over a period extending until 1 January 2029 and will enable the Group to exploit technology and commercial relationships developed by CSC to create high-volume manufacturing and sales opportunities, directly align CSC’s research and development activities and capabilities with the Group’s strategy and take the necessary steps to restructure CSC’s business operation and consolidated its activities within the Group.

Basic and diluted loss per share has decreased from a loss per share of 9.27p to a loss per share of 3.28p in the current year with adjusted basic and diluted loss per share of 2.68p (2022: 0.74p) reflecting the Group’s loss at a statutory and adjusted profit level.

Cash generated from operations increased in the year to £10,074,000 (2022: £8,873,000) despite the decline in trading performance and profitability of the Group. The increase in cash generated from operations principally reflects strong working capital management, particularly in the areas of inventory and trade receivable management, which combined have contributed to positive working capital cash inflows of £11,076,000. The Group has continued to invest in growing capacity to meet demand with capital expenditure of £12,157,000 (2022: £9,438,000) principally focused in Taiwan, Newport and Massachusetts to support future growth opportunities, intangible asset expenditure of £3,113,000 (2022: £4,699,000) focused on a combination of intellectual property and the Group’s multi-year strategic IT transformation programme and investment in targeted capitalised technology development of £2,852,000 (2022: £3,795,000).

The increase in cash generated from operations, combined with investing activity cash costs of £17,959,000 (2022: £10,729,000) and repayment of lease liabilities of £4,788,000 (2022: £4,926,000), net of the equity fund raise of £29,708,000 and net repayments of bank borrowings of £18,431,000 (2022: £9,558,000 proceeds), have combined to maintain a positive cash position of £5,617,000 (2022: £11,620,000) and a decrease in net debt (excluding lease liabilities and derivative financial instruments) from £15,248,000 to £2,228,000 as at 31 December 2023.

Equity shareholder funds total £169,785,000 (2022: £175,060,000) with the movement from 2022 primarily reflecting the loss for the year and funds raised within the equity fund raise.

Financial Statements

Financial Summary

	2023 £'m	2022 £'m
Revenue	**115.3**	167.5
Adjusted EBITDA (see below)	**4.3**	23.4
Operating loss		
• Adjusted*	(20.2)	(3.6)
• Reported	(25.8)	(73.0)
Loss after tax		
• Adjusted*	(24.0)	(5.9)
• Reported	(29.4)	(74.5)
Net cash flow from operations		
Adjusted*	15.7	15.7
Reported	10.1	8.9
Free cash flow**		
Before adjusted* cash flows	(3.1)	4.2
Reported	(8.8)	(2.6)
Adjusted net debt	**(2.2)**	(15.2)
Equity shareholders' funds	**169.8**	175.1
Basic EPS – adjusted******	**(2.68p)**	(0.74p)
Basic EPS – unadjusted	**(3.28p)**	(9.27p)
Diluted EPS – adjusted******	**(2.68p)**	(0.74p)
Diluted EPS – unadjusted	**(3.28p)**	(9.27p)

* The adjusted performance measures for 2023 and 2022 are reconciled in note 4. The adjusted performance measures for 2019-2021 are reconciled in those financial statements.
** Free cash flow is defined as net cash outflow of £5.4m (2022: £0.1m) before cash inflows from financing activities of £6.6m (2022: £4.7m) and net interest paid of £3.2m (2022: £2.2m).
*** Adjusted net (debt)/cash is defined as cash less borrowings but excluding lease liabilities and fair value gains/losses on derivative instruments.
**** Adjusted EPS measures exclude the impact of certain non-cash charges, non-operational items and significant infrequent items that would distort period on period comparability (see note 5).

Consolidated income statement for the year ended 31 December 2023

	2023 £'m	2022 £'m
Revenue	**115.3**	**167.5**
Cost of sales	(113.0)	(141.1)
Gross profit	**2.3**	**26.4**
Selling, general and administrative expenses	(32.5)	(31.2)
Impairment loss on intangible assets	–	(66.2)
Impairment reversal/(loss) on trade receivables and contract assets	1.8	(2.3)
Gain on acquisition of remaining interest in CSC	2.4	–
Profit on disposal of intangible assets and property, plant and equipment	0.2	0.7
Other losses	–	(0.4)
Operating loss	**(25.8)**	**(73.0)**
Finance costs	(3.0)	(2.4)
Adjusted loss before income tax	**(23.2)**	**(6.0)**
Adjustments	(5.6)	(69.4)
Loss before income tax	**(28.8)**	**(75.4)**
Taxation	(0.6)	0.9
Loss for the year	**(29.4)**	**(74.5)**
Loss attributable to:		
Equity shareholders	(29.4)	(74.5)
	(29.4)	**(74.5)**
Loss per share attributable to owners of the parent during the year		
Basic loss per share	(3.28p)	(9.27p)
Diluted loss per share	(3.28p)	(9.27p)

Adjusted basic and diluted loss per share are presented in note 5.

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

Consolidated statement of comprehensive income for the year ended 31 December 2023

	2023 £'m	2022 £'m
Loss for the year	(29.4)	(74.5)
Exchange differences on translation of foreign operations*	(8.1)	14.5
Total comprehensive expense for the year	**(37.5)**	**(60.0)**
Total comprehensive expense attributable to:		
Equity shareholders	(37.5)	(60.0)
	(37.5)	**(60.0)**

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

Items in the statement above are disclosed net of tax.

Consolidated balance sheet as at 31 December 2023

	2023 £'m	2022 £'m
Non-current assets		
Intangible assets	35.4	37.0
Property, plant and equipment	129.6	127.1
Right of use assets	37.8	41.4
Deferred tax assets	–	–
Total non-current assets	**202.8**	**205.5**
Current assets		
Inventories	24.6	34.2
Trade and other receivables	38.2	44.8
Cash and cash equivalents	5.6	11.6
Assets held for resale	2.3	–
Total current assets	**70.7**	**90.6**
Total assets	**273.5**	**296.1**
Current liabilities		
Trade and other payables	(42.6)	(37.6)
Current tax liabilities	(0.5)	(0.7)
Bank borrowings	(4.2)	(6.2)
Derivative financial instruments	–	(0.4)
Lease liabilities	(5.8)	(4.8)
Provisions for other liabilities and charges	(3.0)	(1.6)
Total current liabilities	**(56.1)**	**(51.3)**
Non-current liabilities		
Trade and other payables	(2.2)	–
Bank borrowings	(3.7)	(20.6)
Lease liabilities	(40.4)	(46.0)
Deferred tax liabilities	(0.6)	(1.1)
Provisions for other liabilities and charges	(0.7)	(2.0)
Total non-current liabilities	**(47.6)**	**(69.7)**
Total liabilities	**(103.7)**	**(121.0)**
Net assets	**169.8**	**175.1**
Equity attributable to the shareholders of the parent		
Share capital	9.6	8.0
Share premium	155.8	154.7
Retained earnings	(47.5)	(45.2)
Exchange rate reserve	32.4	40.5
Other reserves	19.5	17.1
Total equity	**169.8**	**175.1**

Consolidated statement of changes in equity for the year ended 31 December 2023

	Share capital £'m	Share premium £'m	Retained earnings / (losses) £'m	Exchange Rate reserve £'m	Other reserves £'m	Total equity £'m
At 1 January 2023	**8.0**	**154.7**	**(45.2)**	**40.5**	**17.1**	**175.1**
Comprehensive expense						
Loss for the year	–	–	(29.4)	–	–	(29.4)
Other comprehensive expense for the year	–	–	–	(8.1)	–	(8.1)
Total comprehensive expense for the year	**–**	**–**	**(29.4)**	**(8.1)**	**–**	**(37.5)**
Transactions with owners						
Share based payments	–	–	–	–	2.5	2.5
Tax relating to share options	–	–	–	–	(0.1)	(0.1)
Proceeds/(charge) from shares issued	1.6	1.1	(1.3)	–	28.4	29.8
Transfer of merger reserve to retained earnings	–	–	28.4	–	(28.4)	–
Total transactions with owners	**1.6**	**1.1**	**27.1**	**–**	**2.4**	**32.2**
At 31 December 2023	**9.6**	**155.8**	**(47.5)**	**32.4**	**19.5**	**169.8**

	Share capital £'m	Share premium £'m	Retained earnings/ (losses) £'m	Exchange Rate reserve £'m	Other reserves £'m	Total equity £'m
At 1 January 2022	**8.0**	**154.6**	**29.3**	**26.0**	**16.7**	**234.6**
Comprehensive expense						
Loss for the year	–	–	(74.5)	–	–	(74.5)
Other comprehensive expense for the year	–	–	–	14.5	–	14.5
Total comprehensive expense for the year	**–**	**–**	**(74.5)**	**14.5**	**–**	**(60.0)**
Transactions with owners						
Share based payments	–	–	–	–	0.3	0.3
Tax relating to share options	–	–	–	–	0.1	0.1
Proceeds from shares issued	-	0.1	–	–	–	0.1
Total transactions with owners	**-**	**0.1**	**–**	**–**	**0.4**	**0.5**
At 31 December 2022	**8.0**	**154.7**	**(45.2)**	**40.5**	**17.1**	**175.1**

Other reserves relate to share based payments.

Consolidated cash flow statement for the year ended 31 December 2023

	2023 £'m	2022 £'m
Cash flows from operating activities		
Adjusted cash inflow from operations	**15.7**	**15.7**
Cash impact of adjustments	(5.6)	(6.8)
Cash generated from operations	**10.1**	**8.9**
Interest paid	(3.3)	(2.2)
Income tax paid	(0.9)	(0.8)
Net cash generated from operating activities	**5.9**	**5.9**
Cash flows from investing activities		
Purchase of property, plant and equipment	(12.2)	(9.4)
Purchase of intangible assets	(3.1)	(4.7)
Capitalised development expenditure	(2.8)	(3.8)
Proceeds from disposal of property, plant and equipment and intangible assets	0.6	7.2
Acquisition of subsidiary, net of cash received	(0.4)	–
Adjusted cash used in investing activities	**(17.9)**	**(16.8)**
Cash impact of adjustments – proceeds from disposal of property, plant and equipment and intangible assets	–	6.1
Net cash used in investing activities	**(17.9)**	**(10.7)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	31.2	0.1
Expenses associated with issue of ordinary shares	(1.4)	–
Proceeds from borrowings	9.9	15.8
Repayment of borrowings	(28.3)	(6.2)
Payment of lease liabilities	(4.8)	(4.9)
Net cash generated from financing activities	**6.6**	**4.8**
Net decrease in cash and cash equivalents	**(5.4)**	**-**
Cash and cash equivalents at 1 January	11.6	10.8
Exchange losses on cash and cash equivalents	(0.6)	0.8
Cash and cash equivalents at 31 December	**5.6**	**11.6**

Notes to the financial statements for the year ended 31 December 2023

1. General information

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

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

2. Material accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards ("UK adopted IFRS"). The financial statements have been prepared under the historical cost convention except where fair value measurement is required by IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.2 Going concern

The Group has experienced weaker customer demand and lower customer orders in 2023 compared to 2022 as a result of the global semiconductor industry downturn. The industry downturn presented a temporary but significant challenge to sales volumes in Q1-Q3 2023 prior to a gradual improvement in market dynamics and customer demand in Q4 2023. Market dynamics and customer demand is expected to continue to improve, aligned with external market views, in 2024, ahead of a full market recovery by 2025.

The Directors have taken steps to strengthen the balance sheet of the Group during 2023 in order to mitigate the financial impact of the semiconductor industry downturn. Actions taken include:

- The successful refinancing of the Group's £27.3m ($35.0m) multi-currency revolving credit facility provided by HSBC Bank plc on 16 May 2023. The tenor of the facility has been extended to 1 May 2026 with quarterly leverage and interest cover covenant tests applicable to the facility, commencing at December 2023
- The successful £31.1m equity fund raise completed on 18 May 2023 in order to ensure that the Company can continue to invest to execute on its strategy, meet its near-term liquidity requirements and deliver a sustainable balance sheet position going forward
- The implementation of cost cutting actions, including staff redundancies, operational efficiencies and reductions in areas of discretionary expenditure which are under the control of the Directors
- Deferral of capital and intangible asset expenditure under the control of the Directors

In the twelve months to 31 December 2023, reported revenue declined 31% and the group made a loss after tax for the year of £29.4m. The liquidity impact of the loss for the year has been mitigated by a combination of the Group's successful equity fund raise, careful working capital management and the deferral of certain capital and intangible asset expenditure resulting in an improvement in the Group's adjusted net debt position (net debt excluding lease liabilities and fair value gains/losses on derivative instruments) to £2.2m (2022: £15.2m) At 31 December 2023 the Group had undrawn committed funding of £23.4m ($30.0m) available under the terms of the Group's revolving credit facility.

In assessing the going concern basis of preparation the Directors have reviewed financial projections to 30 June 2025 ('the going concern assessment period'), containing both a 'base case' and a 'severe but plausible downside case'. The review period extends beyond the minimum required 12-month period from the date of approval of the financial statements to take account of a minimum liquidity position that is forecast shortly after the 12-month period.

Base Case

The base case is derived from Group's latest Board approved 2024 budget and 2025 forecasts. The base case incorporates an expected improvement in market dynamics and the impact of cost cutting actions already implemented by the Board.

The base case was prepared with the following key assumptions:

- Revenue for 2024 in line with current analyst consensus, with a forecast return to year-on-year growth in 2024 with a full market recovery forecast in 2025
- Commencement of the new PowerGaN business in late 2024 ramping up through 2025 with mid teen £'m revenue forecast in H1 2025. This revenue has been restricted to current committed capacity and the forecasts do not include further capital expenditure that would be required to exploit the wider market opportunity.

- Direct wafer product margins for 2024 and 2025 consistent with 2023
- Labour inflation in 2024 in line with labour market norms
- Cost inflation in 2024 operating and administrative costs in line with the current inflationary environment
- A high-teen digit £'m of capital expenditure in 2024 and in 2025 which includes investment in committed Gallium Nitride (GaN) related manufacturing capacity, enabling diversification into the high-growth power electronics and advanced display (uLED) markets
- Sale of the Group's freehold manufacturing site in Pennsylvania following cessation of manufacturing activities in 2023

In the base case the Group is forecast to maintain liquidity headroom and to comply with its leverage and interest cover banking covenants throughout the going concern assessment period. Liquidity headroom falls to ~£8.0m in October 2024 with adjusted net debt of £20.1m (net debt excluding lease liabilities and fair value gains/losses on derivatives).

Severe but plausible downside case

The severe but plausible downside case was prepared using the following key assumptions:

- Revenue is assumed at 6% down on the base case for the remainder of H1 2024, 16% down on the base case for H2 2024 and 18% down for 2025 reflecting a combination of greater uncertainty the further out into the future, a delay in market recovery and a delay in the new PowerGan business which is forecast to ramp up in 2025.
- In line with the revenue reduction in both years, there is a reflective reduction in variable operating costs for 2024 and 2025.
- The removal of the proceeds from sale of the manufacturing site in Pennsylvania.
- The application of mitigations in the form of further labour savings, reductions in certain non-manufacturing related discretionary expenditure and deferred investment in capital expenditure and technology asset development over and above those reflected in the base case. These costs savings and cash management actions have already been identified, are in the control of management and are actionable readily

In the severe but plausible downside case the Group's liquidity is reduced to less that £1.0m in May 2025 with adjusted net debt of £27.7m (net debt excluding lease liabilities and fair value gains/losses on derivatives). The Group is forecast to comply with its leverage and interest cover banking covenants throughout the going concern assessment period.

Whist acknowledging that under the severe but plausible scenario liquidity headroom is tight, the Directors believe that the Company and Group will have adequate cash resources to continue operating for the foreseeable future and to meet their liabilities as they fall due for the going concern assessment period, such that the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Company and Group consolidated financial statements.

2.3 Changes in accounting policy and disclosures

a) New standards, amendments and interpretations.

The following new standards, amendments and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2023:

- IFRS 17 'Insurance contracts' which establishes the principles for the recognition, measurement and presentation and disclosure of insurance contracts and supersedes IFRS 4 'Insurance contracts'.
- Amendments to IAS 1 'Presentation of financial statements' and the disclosure of accounting policies which requires disclosure of material rather than significant accounting policies.
- Amendment to IAS 8 'Accounting policies, changes in accounting estimates and errors' to introduce a new definition for accounting estimates which clarifies that an accounting estimate is a monetary amount in the financial statements that is subject to measurement uncertainty.
- Amendment to IAS 12 'Income taxes' to clarify the accounting treatment for deferred tax on certain transactions with a narrowing of the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

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

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

A number of new standards, amendments to standards and interpretations which are set out below are effective for annual periods beginning after 1 January 2024 and have not been applied in preparing these consolidated financial statements:

- Amendments to IAS 1 'Presentation of financial statements' on classification of liabilities which is intended to clarify that liabilities are classified as either current or non-current depending upon the rights that exist at the end of the reporting period.
- Amendment to IFRS 16 'Leases' which confirms the initial and subsequent recognition principles for variable lease payments as a liability in a sale and leaseback transaction.

- Amendment to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' related to the disclosure and transparency of supplier finance arrangements.
- IFRS S1 'General Requirements for Disclosure of Sustainability related Financial Information' and IFRS S2 'Climate related Disclosures'

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

3. Segmental analysis

3.1 Description of segments and principal activities

The Chief Operating Decision Maker is defined as the Executive Leadership Team. The Executive Leadership Team, consisting of the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Technology Officer, Chief People Officer, Executive VP Global Business Development, SVP of Communications Infrastructure and Security Business Unit, VP US Sales, Director of Corporate Marketing, VP US EPI Operations and Substrates, VP Asia and Europe EPI Operations, Chief of Staff and the Executive VP General Counsel & company secretary, consider the group's performance from a product perspective and have identified three primary reportable segments:

- Wireless – this part of the business manufactures and sells compound semiconductor material for the wireless market which includes radio frequency devices that enable wireless communications.
- Photonics – this part of the business manufactures and sells compound semiconductor material for the photonics market which includes applications that either transmit or sense light, both visible and infrared.
- CMOS++ – this part of the business manufactures and sells advanced semiconductor materials related to silicon which include the combination of the advanced properties of compound semiconductors with those of lower cost silicon technologies.

The Executive Leadership Team primarily use revenue and a measure of adjusted operating profit to assess the performance of the operating segments. Measures of total assets and liabilities for each reportable segment are not reported to the Executive Leadership Team and therefore have not been disclosed.

3.2 Adjusted Operating Loss

Adjusted operating loss excludes the effects of significant non-cash, non-operational or significant and infrequent items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs, CEO recruitment costs, CFO settlement and recruitment costs and impairments where the impairment is the result of an isolated, non-recurring event. Adjusted operating loss also excludes the effects of equity settled share based payments and the gain on deemed disposal as part of the acquisition accounting for the group's former joint venture.

Finance costs are not allocated to segments because treasury and the cash position of the group is managed centrally.

Revenue	**2023 £'m**	2022 £'m
Wireless	53.9	76.0
Photonics	59.1	88.7
CMOS++	2.3	2.8
Revenue	**115.3**	**167.5**
Adjusted operating loss		
Wireless	4.6	4.7
Photonics	(10.0)	11.1
CMOS++	(2.2)	(1.5)
Central corporate costs	(12.6)	(17.9)
Adjusted operating loss	**(20.2)**	**(3.6)**
Adjusted items (see note 4)		
Wireless	(1.0)	(63.8)
Photonics	(2.5)	(5.4)
CMOS++	-	-
Central corporate costs	(2.1)	(0.2)
Operating loss	**(25.8)**	**(73.0)**
Finance costs	(3.0)	(2.4)
Loss before tax	**(28.8)**	**(75.4)**

4. Adjusted performance measures ('APM')

The Group's results report certain financial measures before a number of adjusted items that are not defined or recognised under IFRS, including adjusted earnings before interest, tax, depreciation and amortisation, adjusted earnings before interest, tax, depreciation and amortisation margin, adjusted operating loss, adjusted loss before income tax and adjusted losses per share. The Directors believe that the adjusted performance measures provide a useful comparison of business trends and performance, and allow management and other stakeholders to better compare the performance of the Group between the current and prior year, excluding the effects of certain non-cash charges, non-operational items and significant infrequent items that would distort period on period comparability. The Group uses these adjusted performance measures for internal planning, budgeting, reporting and assessment of the performance of the business.

The tables below show the adjustments made to arrive at the adjusted performance measures and the impact on the Group's reported financial performance.

	Adjusted Results £'m	**Adjusted Items £'m**	**2023 Reported Results £'m**	Adjusted Results £'m	Adjusted Items £'m	2022 Reported Results £'m
Revenue	**115.3**	**–**	**115.3**	**167.5**	**–**	**167.5**
Cost of sales	(111.3)	(1.7)	(113.0)	(141.0)	(0.1)	(141.1)
Gross profit/(loss)	**4.0**	**(1.7)**	**2.3**	**26.5**	**(0.1)**	**26.4**
SG&A	(26.2)	(6.3)	(32.5)	(26.8)	(4.4)	(31.2)
Impairment of intangibles	–	–	–	–	(66.2)	(66.2)
Impairment reversal/(loss) on receivables	1.8	–	1.8	(2.3)	–	(2.3)
Other losses	–	–	–	(0.4)	–	(0.4)
Gains on acquisitions	–	2.4	2.4	–	–	–
Profit on disposal of PPE and intangibles	0.2	–	0.2	(0.6)	1.3	0.7
Operating loss	**(20.2)**	**(5.6)**	**(25.8)**	**(3.6)**	**(69.4)**	**(73.0)**
Finance costs	(3.0)	–	(3.0)	(2.4)	–	(2.4)
Loss before tax	**(23.2)**	**(5.6)**	**(28.8)**	**(6.0)**	**(69.4)**	**(75.4)**
Taxation	(0.8)	0.2	(0.6)	0.1	0.8	0.9
Loss for the period	**(24.0)**	**(5.4)**	**(29.4)**	**(5.9)**	**(68.6)**	**(74.5)**

	Pre-tax Adjustment £'m	**Tax Impact £'m**	**2023 Adjusted Results £'m**	Pre-tax Adjustment £'m	Tax Impact £'m	2022 Adjusted Results £'m
Share based payments	(2.5)	0.2	**(2.3)**	(0.2)	(0.2)	(0.4)
Share based payments – CEO recruitment	–	–	**–**	(0.1)	–	(0.1)
CEO Recruitment	(0.3)	–	**(0.3)**	(0.1)	–	(0.1)
CFO severance & recruitment	(0.5)	–	**(0.5)**			
Impairment - goodwill	–	–	**–**	(62.7)	–	(62.7)
Impairment – other intangibles	–	–	**–**	(3.4)	0.7	(2.7)
Gain on deemed disposal of JV	2.4	–	**2.4**			
Restructuring	(4.7)	–	**(4.7)**	(4.2)	–	(4.2)
Restructuring – profit on disposal of PPE	–	–	**–**	1.3	0.3	1.6
Total	**(5.6)**	**0.2**	**(5.4)**	**(69.4)**	**0.8**	**(68.6)**

Current year

- Share based payments – The charge (2022: charge) relates to share based payments recorded in accordance with IFRS 2 'Share based payment' of which £1.7m (2022: £0.1m) has been classified within cost of sales in gross profit and £0.8m (2022: £0.1m) has been classified as selling, general and administrative expenses in operating loss. No cash has been defrayed in the year (2022: £nil) in respect of employer social security contributions relating to unapproved employee share options. Share based payments which arise each financial year are classified as an APM due to the non-cash charge being partially outside of the Group's control as it is based on factors such as share price volatility and interest rates which may be unrelated to the performance of the Group during the period in which the expense occurred.
- Chief Executive Officer recruitment – The Chief Executive Officer's starting bonus of £1.0m, of which £0.2m relates to a share-based payment award and £0.8m relates to a cash award is payable over the first three years of employment. The charge of £0.3m (2022: £0.2) includes share award and cash costs associated with the new Chief Executive Officer's starting bonus of £0.3m (2022: £0.4m), settlement costs and legal fees of £nil (2022: £nil) associated with the transition of the former Chief Executive Officer to a non-executive role and a credit of £nil (2022: £0.2m credit) relating to external recruitment fees. Cash costs defrayed in the period total £0.5m (2022: £0.7m).
- Chief Finance Officer severance & recruitment - The charge of £0.5m (2022: £nil) consists of settlement costs and legal fees in relation to the former Chief Financial Officer and recruitment costs in relation to the newly appointed Chief Financial Officer. Cash costs defrayed in the period total £0.5m (2022: £nil).
- Restructuring – The charge of £4.7m (2022: £4.2m) relates to restructuring costs associated with the announced closure of the Group's manufacturing facility in Pennsylvania, USA and a Group wide restructuring programme to reduce labour costs in order to mitigate the impact of the industry wide semiconductor downturn.
    - Restructuring charges of £3.4m (2022: £1.1m) consist of employee related costs of £1.8m (2022: £1.1m) and site decommissioning costs of £1.6m (2022: £nil) relating to the announced closure of the Group's manufacturing facility in Pennsylvania, USA in 2024. The charge was classified as selling, general and administrative expenses within operating loss. As at 31 December 2023, cumulative restructuring charges of £5.3m have been incurred. Cash costs totalling £4.0m have been incurred to date with £3.1m (2022: £0.6m) defrayed in the current year with a further £1.6m expected in 2024.
    - Restructuring charges of £1.3m (2022: £nil) relate to labour costs associated with a group wide restructuring programme and associated employee redundancies (excluding costs relating to the closure of the group's manufacturing facility in Pennsylvania). The charge was classified as selling, general and administrative expenses within operating loss. Cash costs defrayed in the period total £1.3m (2022: £nil).
- Gain on acquisitions of £2.4m (2022: £nil) relates to the gain recognised on acquisition of the remaining shares in the Group's joint venture, CSC, increasing its shareholding to 100%. Cash costs defrayed in the period total £nil (2022: £nil).
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  • The cash impact of adjusted items in the consolidated cash flow statement of £5.7m (2022: £6.8m) represent costs associated with the recruitment of the group's Chief Executive Officer (£0.5m), the recruitment and severance of the group's Chief Finance Officer (£0.5m), onerous contract royalty payments related to the Group's cREO™ technology (£0.3m), payment of employee related costs associated with labour cost reductions within the Group (£1.3m), payment of employee and site related decommissioning costs associated with the announced closure of the Group's site in Pennsylvania (£3.1m) and payment of employee and site related decommissioning costs associated with the closure of the Group's manufacturing facility in Singapore (£0.1m).

Prior period

- Restructuring charges of £nil (2022: £3.0m) consist of employee related costs of £nil (2022: £0.2m), site decommissioning costs of £nil (2022: £1.5m), asset write downs of £nil (2022: £0.9m) and asset transfer costs of £nil (2022: £0.4m) relating to the closure of the Group's manufacturing facility in Singapore in June 2022. The prior period charge was classified as selling, general and administrative expenses within operating loss. Cash costs defrayed in the period total £0.1m (2022: £5.1m).
- Restructuring profits on disposal of £nil (2022: £1.3m) consist of the sale of assets in Singapore following the cessation of trade in 2022 and the sale of assets in North Carolina to facilitate the consolidation of the Group's manufacturing operations from Pennsylvania. Proceeds received in the year total £nil (2022: £6.1m) with a profit on disposal of £nil (2022: £1.3m) classified within 'Profit on disposal of intangible assets and property, plant and equipment'.
- Impairment of goodwill – The non-cash charge of £nil (2022: £62.7m) relates to impairment costs associated with the Wireless CGU of £nil (2022: £62.4m) and the Photonics CGU of £nil (2022: £0.3m).
- Impairment of other intangibles – The non-cash charge of £nil (2022: £3.4m) relates to the impairment of certain technology development costs and intellectual property patent assets.

The prior year non-cash impairment charge of £3.4m relates to the impairment of distributed feedback laser technology development costs where the Group has taken the decision to discontinue the development and commercialisation of the technology.

Adjusted EBITDA (adjusted earnings before interest, tax, depreciation, amortisation and profit/loss on disposal of PPE and intangibles) is calculated as follows:

	2023 £'m	2022 £'m
Loss attributable to equity shareholders	**(29.4)**	**(74.5)**
Finance costs	3.0	2.4
Tax	0.6	(0.9)
Depreciation of property, plant and equipment	13.2	14.5
Depreciation of right of use assets	3.8	4.0
Amortisation of intangible fixed assets	7.7	7.8
(Profit)/loss on disposal of PPE and intangibles*	(0.2)	0.7
Adjusted Items	5.6	69.4
Share based payments	2.5	0.2
Share based payments - Chief Executive Officer recruitment	-	0.1
Chief Executive Officer recruitment	0.3	0.1
Chief Finance Officer severance & recruitment	0.5	–
Gain on deemed disposal of JV	(2.4)	–
Restructuring	4.7	4.2
Restructuring – profit on disposal of PPE	–	(1.3)
Impairment of intangibles	–	66.1
Adjusted EBITDA	**4.3**	**23.4**
Adjusted EBITDA margin	**4%**	**14%**

5. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of shares and the dilutive effect of 'in the money' share options in issue. Share options are classified as 'in the money' if their exercise price is lower than the average share price for the year. As required by IAS 33, this calculation assumes that the proceeds receivable from the exercise of 'in the money' options would be used to purchase shares in the open market in order to reduce the number of new shares that would need to be issued.

The Directors also present an adjusted earnings per share measure which eliminates certain adjusted items. The Directors believe that the adjusted earnings per share measure provides a useful comparison of performance and allows management and other stakeholders to better compare the performance of the Group between the current and prior year, excluding the effects of certain non-cash charges, non-operational items and significant infrequent items that would distort period on period comparability. The adjustments are detailed in note 4.

	2023 £'m	2022 £'m
Loss attributable to ordinary shareholders	(29.4)	(74.5)
Adjustments to loss after tax (note 4)	5.4	68.6
Adjusted loss attributable to ordinary shareholders	**(24.0)**	**(5.9)**

	2023 Number	2022 Number
Weighted average number of ordinary shares	896,744,318	804,466,357
Dilutive share options	10,155,464	8,797,413
Adjusted weighted average number of ordinary shares	**906,899,782**	**813,263,770**
Adjusted basic loss per share	(2.68p)	(0.74p)
Basic loss per share	(3.28p)	(9.27p)
Adjusted diluted loss per share	(2.68p)	(0.74p)
Diluted loss per share	(3.28p)	(9.27p)

6. Cash generated from operations

Group	2023 £'m	2022 £'m
Loss before tax	(28.8)	(75.4)
Finance costs	3.0	2.4
Depreciation of property, plant and equipment	13.2	14.5
Depreciation of right of use assets	3.8	4.0
Amortisation of intangible assets	7.7	7.8
Impairment of intangible assets	–	66.2
Inventory write downs	0.5	2.8
Non-cash movement on trade receivable expected credit losses	(1.8)	2.3
Non-cash provision movements	1.6	3.1
Gain on deemed disposal of JV	(2.4)	–
Profit on disposal of fixed assets	(0.2)	(0.7)
Share based payments	2.6	0.3
Cash (outflow) inflow from operations before changes in working capital	**(0.8)**	**27.3**
Decrease/(increase) in inventories	7.5	(2.9)
Decrease/(increase) in trade and other receivables	6.6	(5.5)
Decrease in trade and other payables	(1.7)	(3.9)
Decrease in provisions	(1.5)	(6.1)
Cash inflow from operations	**10.1**	**8.9**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2023 or 2022. The financial information for 2022 is derived from the statutory accounts for 2022 which have been delivered to the registrar of companies. The auditor has reported on the 2022 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.