IQE plc

("IQE" or the "Group")

2019 HALF YEAR RESULTS

Performance in line with half-year guidance and full year guidance reiterated

Strategic and operational progress to ensure business is well-positioned for future growth

Cardiff, UK 3 September 2019: IQE plc (AIM: IQE) the leading supplier of advanced wafer products and material solutions to the semiconductor industry, announces its results for the six months ended 30th June 2019.

FINANCIAL HIGHLIGHTS

	H1 2019 £'m*	H1 2018 £'m*
REVENUE	**66.7**	**73.4**
ADJUSTED EBITDA* **	**7.4**	**13.5**
OPERATING (LOSS) / PROFIT	**(3.1)**	**6.6**
ADJUSTED OPERATING (LOSS) / PROFIT	**(1.9)**	**7.6**
REPORTED (LOSS) / PROFIT BEFORE TAX	**(3.7)**	**6.6**
REPORTED (LOSS) / PROFIT AFTER TAX	**(10.7)**	**4.2**
DILUTED EPS	**(1.38p)**	**0.50p**
ADJUSTED DILUTED EPS	**(1.29p)**	**0.76p**
CASH GENERATED FROM OPERATIONS	**4.0**	**7.6**
CAPITAL INVESTMENT (PP&E)	**19.1**	**19.4**
NET (DEBT) / FUNDS **	**(0.8)**	**40.6**

** All figures £'m excluding adjusted diluted EPS*
*** Net (debt) / funds excludes IFRS16 lease liabilities (see note 4.5)*
Adjusted Measures: The Directors believe that the adjusted measures provide a more useful comparison of business trends and performance. Adjusted measures exclude exceptional items, share based payments and non-cash acquisition accounting charges as detailed in note 7. The following highlights of the first half results is based on these adjusted profit measures, unless otherwise stated.

- Revenue of £66.7m (H1 2018: £73.4m) is 9% down year on year, impacted by a weak smartphone handset market and reductions in demand in the context of a technology market slowdown, international trade tensions and fall in demand from a major InP laser customer.
- Adjusted operating loss of £1.9m (H1 2018: profit £7.6m) reflects negative operating leverage from a cost base scaled for volume which includes an increase in depreciation and amortisation of £2.4m resulting from the investment in capacity.
- Negative EPS of 1.29p due to the operating loss plus a one-off non-cash deferred US tax charge resulting from a shift in the balance of future projected manufacturing between the US and UK / Asia.
- Cash generated from operations of £4.0m (H1 2018: £7.6m) reduced due to lower trading volumes. Additional asset financing facility agreed post half year-end.

Dr Drew Nelson, Chief Executive Officer of IQE, said:
"I am pleased that IQE has delivered results which are in line with the trading update from June this year and to reiterate our full-year guidance, despite a number of challenging market conditions facing our industry in the first half of 2019.

"We remain confident in IQE's ability to adapt to global supply chain shifts and have made significant strategic and operational progress with our global expansion projects. This includes completing the infrastructure phase at our Mega Foundry in Newport, South Wales as well as the capacity expansion in Taiwan and Massachusetts, US.

These investments in the Group's global manufacturing footprint, coupled with IQE's unique breadth of compound semiconductor materials experience and IP portfolio, position the Group well for future growth and margin expansion as volumes increase, driven by the growth opportunities in 5G and connected devices."

OPERATIONAL HIGHLIGHTS

- **Major Investment Programme substantially completed:**
  - Infrastructure phase at Mega Foundry in Newport, South Wales now finished with ten tools installed and optionality to add up to 90 more
  - Capacity in Taiwan has been increased by 40%, enabling growth in revenues with Asian supply chains
  - Investment in GaN capacity in Massachusetts to capitalise on forthcoming 5G infrastructure deployments

- **Newport Mega-Foundry Commencement of Production:**
  - First mass production order from IQE's leading VCSEL customer
  - Extensive product qualifications ongoing with twelve other chip customers across broad supply chains
  - Commencement of production, post half year-end, with a second customer, serving Android supply chains.
  - Signature of a contract extension, post half year end, with one of its largest VCSEL customers, running through to the end of 2021. In addition, two other existing contracts have also been extended with several other new contracts anticipated.

- **5G Product Development:**
  - Continued strong results in the development of Filters and Switches for 5G, based on IQE's patented cREO technology, with customer engagement for commercialisation proceeding well
  - Introduction of a Full Service Distributed Feedback (DFB) Laser for high-speed datacoms using Nano-Imprint Lithography

- **New management structure implemented to support growth ambitions and scalability of operations:**
  - Dr Drew Nelson, Chief Executive Officer (CEO)
  - Tim Pullen, Chief Financial Officer (CFO)
  - Dr Rodney Pelzel as Executive VP, Global Innovation (CTO)
  - Keith Anderson as Executive VP, Global Operations (COO)
  - Dr Wayne Johnson as Executive VP, Global Business Development, Wireless and Emerging Products
  - Dr Mark Furlong as Executive VP, Global Business Development, Photonics and InfraRed

- **Development of the IQE Board**
  - Appointment of Phil Smith CBE, as Chairman
  - Appointment of Carol Chesney, FCA, as Non-Executive Director and Chair of the Audit Committee

- **Post half year end increase to available credit facilities**
  - £30m asset financing facility in place, increasing total available facilities to ~£57m (£12m drawn down at 30th June 2019)

CURRENT TRADING AND FULL YEAR OUTLOOK

Outlook and guidance remain in line with the trading update from June 21st, 2019.

Three key factors affect IQE's revenue outlook for 2019

(i) Continued uncertainty related to the geo-political landscape, the effects on global technology markets and, in particular,the confidence for supply chains to rebuild inventory;

(ii) The market for smartphone handsets in the second half of 2019;

(iii) The speed of formation of new Asian supply chains, the associated product qualifications and volumes of initial orders.

Balancing these factors, full year revenue guidance of £140m to £160m is reiterated.

Segmental revenue guidance is reiterated on a like-for-like basis, but restated to reflect a change in allocation methodology based on (i) the newly implemented business unit structure upon the formation of the Executive Management Board and (ii) certain revenues pertaining to a specific site which has shared production, being reclassified between segments due to an allocation methodology change (USD constant currency):

	Previous Segmentation FY18 Revenue £m	**Revised Segmentation FY18 Revenue £m**	**Previous Segmentation FY19 YoY**	**Revised Segmentation FY19 YoY**
Wireless	97.8	87.9	-20% to -25% decline	-25% to -30% decline
Photonics	43.8	66.8	<30% growth	<30% growth
Infrared	13.1	N/A	c15% growth	N/A

Second half revenues are expected to represent between 52% and 58% of full year revenues. As such, given the additional contribution against a largely fixed cost base, a return to adjusted operating profitability is expected in H2. This will be strengthened by cost management actions that support the strategic direction of the Group.

EBITDA margins will remain low in FY19 as the utilisation of facilities remains low versus capacity and a high number of product qualifications continue. Full year adjusted operating profit margin guidance, whereby IQE expects to remain profitable in 2019 but with adjusted operating profit margin significantly below the original FY19 guidance of over 10%, is reiterated.

With the infrastructure phase of the capital investment programme substantially complete in H1, full year capex guidance of £30m to £40m is reiterated. The range relates to the timing of the decision to invest in further tools at either Newport or Taiwan, which is discretionary depending on prevailing market conditions. The Group has sufficient installed capacity to underpin significant revenue growth.

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ABOUT IQE

http://iqep.com

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

- handset devices
- global telecoms infrastructure
- connected devices
- 3D sensing

The macro trends of 5G and connected devices are expected to drive significant growth for compound semiconductors over the coming years.

As a scaled global epitaxy wafer manufacturer, IQE is uniquely positioned in this market which has high barriers to entry. IQE supplies the whole market and is agnostic to the winners and losers 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 c. 650 employees, and is listed on the AIM stock Exchange in London.

Consolidated Income Statement **(All figures £'000s)**	**Note**	**6 months to 30 Jun 2019 Unaudited**	**6 months to 30 Jun 2018 Unaudited**	**12 months to 31 Dec 2018 Audited**
Revenue		**66,720**	**73,396**	**156,291**
Cost of sales		(56,128)	(57,279)	(118,840)
Gross profit		**10,592**	**16,117**	**37,451**
Other income and expenses		-	1,648	1,097
Selling, general and administrative expenses		(13,667)	(11,163)	(29,888)
Operating (loss) / profit		**(3,075)**	**6,602**	**8,660**
Net finance (costs) / income		(394)	46	87
Share of losses of joint ventures accounted for using the equity method		(254)	-	(2,000)
Adjusted (loss) / profit before income tax		**(2,623)**	**7,615**	**13,974**
Adjustments	7	(1,100)	(967)	(7,227)
(Loss) / Profit before income tax		**(3,723)**	**6,648**	**6,747**
Taxation		(6,926)	(2,485)	(5,558)
(Loss) / Profit for the period		**(10,649)**	**4,163**	**1,189**
(Loss) / Profit attributable to:				
Equity shareholders		(10,805)	4,023	966
Non-controlling interests		156	140	223
		(10,649)	**4,163**	**1,189**
(Loss) / earnings per share attributable to owners of the parent during the period				
Basic (loss) / earnings per share	9	(1.38)	0.53p	0.13p
Diluted (loss) / earnings per share	9	(1.38)	0.50p	0.12p

Adjusted basic and diluted earnings per share are presented in Note 9.

All items included in the (loss) / profit for the period relate to continuing operations.

Consolidated statement of comprehensive income **(All figures £'000s)**	**6 months to 30 Jun 2019 Unaudited**	**6 months to 30 Jun 2018 Unaudited**	**12 months to 31 Dec 2018 Audited**
(Loss) / Profit for the period	(10,649)	4,163	1,189
Currency translation differences on foreign currency net investments*	(741)	3,028	11,140
Total comprehensive (expense) / income for the period	**(11,390)**	**7,191**	**12,329**
Total comprehensive (expense) / income attributable to:			
Equity shareholders	(11,507)	7,063	12,010
Non-controlling interest	117	128	319
	(11,390)	**7,191**	**12,329**

* Balance might subsequently be reclassified to the income statement when it becomes realised.

Consolidated Balance Sheet **(All figures £'000s)**	**Note**	**As At 30 Jun 2019 Unaudited**	**As At 30 Jun 2018 Unaudited**	**As At 31 Dec 2018 Audited**
Non-current assets				
Intangible assets		123,328	116,607	121,775
Fixed asset investments		75	75	75
Property, plant and equipment		136,628	107,494	124,445
Right of use assets		40,990	-	-
Lease receivable		1,408	-	-
Deferred tax assets		7,095	15,372	13,244
Financial assets		8,085	7,776	7,937
Total non-current assets		**317,609**	**247,324**	**267,476**
Current assets				
Inventories		37,277	35,433	35,709
Trade and other receivables		37,313	40,590	38,015
Lease receivable		588	-	-
Cash and cash equivalents	11	11,173	40,634	20,807
Total current assets		**86,351**	**116,657**	**94,531**
Total assets		**403,960**	**363,981**	**362,007**
Current liabilities				
Trade and other payables		(43,039)	(61,056)	(45,908)
Lease liabilities	11	(2,897)	-	-
Current tax liabilities		(1,242)	(405)	(431)
Provisions for other liabilities and charges	12	-	(1,477)	(2,554)
Total current liabilities		**(47,178)**	**(62,938)**	**(48,893)**
Non-current liabilities				
Borrowings	11	(12,008)	-	-
Lease liabilities	11	(46,375)	-	-
Provisions for other liabilities and charges	12	-	-	(3,836)
Total non-current liabilities		**(58,383)**	**-**	**(3,836)**
Total liabilities		**(105,561)**	**(62,938)**	**(52,729)**
Net assets		**298,399**	**301,043**	**309,278**
Equity attributable to shareholders of the parent				
Share capital	13	7,913	7,608	7,767
Share premium		151,592	147,318	151,147
Retained earnings		88,494	102,356	99,299
Other reserves		46,735	40,404	47,517
		294,734	**297,686**	**305,730**
Non-controlling Interest		3,665	3,357	3,548
Total equity		**298,399**	**301,043**	**309,278**

Consolidated Statement of Changes in Equity

Unaudited (All figures £'000s)	Share capital	Share premium	Retained earnings	Exchange rate reserve	Other reserves	Non-controlling interests	Total equity
At 1 January 2019	**7,767**	**151,147**	**99,299**	**31,113**	**16,404**	**3,548**	**309,278**
(Loss) / Profit for the period	-	-	(10,805)	-	-	156	(10,649)
Other comprehensive expense for the year	-	-	-	(702)	-	(39)	(741)
Total comprehensive (expense) / income	**-**	**-**	**(10,805)**	**(702)**	**-**	**117**	**(11,390)**
Share based payments	-	-	-	-	12	-	12
Tax relating to share options	-	-	-	-	(60)	-	(60)
Proceeds from shares issued	146	445	-	-	(32)	-	559
Total transactions with owners	**146**	**445**	**-**	**-**	**(80)**	**-**	**511**
At 30 June 2019	**7,913**	**151,592**	**88,494**	**30,411**	**16,324**	**3,665**	**298,399**

Unaudited (All figures £'000s)	Share capital	Share premium	Retained earnings	Exchange rate reserve	Other reserves	Non-controlling interests	Total equity
At 1 January 2018	**7,560**	**145,927**	**98,333**	**20,069**	**16,061**	**3,229**	**291,179**
Profit for the period	-	-	4,023	-	-	140	4,163
Other comprehensive income for the year	-	-	-	3,040	-	(12)	3,028
Total comprehensive income	**-**	**-**	**4,023**	**3,040**	**-**	**128**	**7,191**
Share based payments	-	-	-	-	2,586	-	2,586
Tax relating to share options	-	-	-	-	(455)	-	(455)
Proceeds from shares issued	48	1,391	-	-	(897)	-	542
Total transactions with owners	**48**	**1,391**	**-**	**-**	**1,234**	**-**	**2,673**
At 30 June 2018	**7,608**	**147,318**	**102,356**	**23,109**	**17,295**	**3,357**	**301,043**

Audited (All figures £'000s)	Share capital	Share premium	Retained earnings	Exchange rate reserve	Other reserves	Non-controlling interests	Total equity
At 1 January 2018	**7,560**	**145,927**	**98,333**	**20,069**	**16,061**	**3,229**	**291,179**
Profit for the year	-	-	966	-	-	223	1,189
Other comprehensive income for the year	-	-	-	11,044	-	96	11,140
Total comprehensive income	**-**	**-**	**966**	**11,044**	**-**	**319**	**12,329**
Share based payments	-	-	-	-	1,826	-	1,826
Tax relating to share options	-	-	-	-	(437)	-	(437)
Proceeds from shares issued	207	5,220	-	-	(1,046)	-	4,381
Total transactions with owners	**207**	**5,220**	**-**	**-**	**343**	**-**	**5,770**
At 31 December 2018	**7,767**	**151,147**	**99,299**	**31,113**	**16,404**	**3,548**	**309,278**

Consolidated Cash Flow Statement (All figures £'000s)	Note	6 months to 30 Jun 2019 Unaudited	6 months to 30 Jun 2018 Unaudited	12 months to 31 Dec 2018 Audited
Cash flows from operating activities				
Adjusted cash inflow from operations		**6,677**	**8,303**	**16,982**
Cash impact of adjustments	7	(2,694)	(723)	6
Cash generated from operations	10	**3,983**	**7,580**	**16,988**
Net interest (paid)/received		(195)	1	(66)
Income tax paid		(101)	(232)	(665)
Net cash generated from operating activities		**3,687**	**7,349**	**16,257**
Cash flows from investing activities				
Purchase of property, plant and equipment		(19,048)	(6,292)	(30,375)
Purchase of intangible assets		(940)	(317)	(1,550)
Capitalised development expenditure		(4,752)	(6,372)	(10,437)
Net cash used in investing activities		**(24,740)**	**(12,981)**	**(42,362)**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		559	542	813
Proceeds from borrowings		12,060	-	-
Transaction costs related to loans and borrowings		(161)	-	-
Payment of lease liabilities		(1,035)	-	-
Net cash generated from financing activities		**11,423**	**542**	**813**
Net decrease in cash and cash equivalents		**(9,630)**	**(5,090)**	**(25,292)**
Cash and cash equivalents at the beginning of the period		20,807	45,612	45,612
Exchange (losses) / gains on cash and cash equivalents		(4)	112	487
Cash and cash equivalents at the end of the period	11	**11,173**	**40,634**	**20,807**

1. REPORTING ENTITY

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).

These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2019 comprise the Company and its Subsidiaries (together referred to as 'the Group'). The principal activities of the Group are the development, manufacture and sale of advanced semiconductor materials.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 which were approved by the Board of Directors on 20 March 2019 and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The interim financial statements do not include all of the information required for a complete set of IFRS financial statements and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements where IFRS 16, 'Leases' has been applied. Changes to significant accounting policies are described in Note 4.

Comparative information in the interim financial statements as at and for the year ended 31 December 2018 has been taken from the published audited financial statements as at and for the year ended 31 December 2018. All other periods presented are unaudited.

The Company's auditor in accordance with ISRE 2410 has reviewed the financial information contained in these interim financial statements. This review does not constitute an audit.

The Board of Directors and the Audit Committee approved the interim financial statements on 3 September 2019.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements except as follows:

- New significant judgements and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note 4; and
- Changes in estimates associated with the recognition of deferred tax assets.

Deferred Tax Assets

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. This necessitates an assessment of future trading forecasts, capital expenditure and the utilisation of tax losses for each relevant tax jurisdiction where the Group operates.

At 31 December 2018, the Group recognised deferred tax assets in relation to historical losses at its operations in the United States of America ('US'). Recognition of the deferred tax asset was based on an assessment of future cash flow forecasts and the associated profitability of the US operations.

Increased international trade tension and resultant shifts in the balance of future forecast manufacturing between the Group's global operations has resulted in current period changes to estimated forecast future cash flows and associated recognition of deferred tax assets relating to the Group's US operations (see note 8).

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in note 2 of those financial statements, except for the impact of the implementation of IFRS 16 'Leases'.

4.1 Recent accounting developments

In preparing the interim financial statements, the Group has adopted the following Standards, amendments and interpretations, which are effective for 2019 and will be adopted in the financial statements for the year ended 31 December 2019:

- IFRS 16 'Leases'.
- Amendments to IAS 19 'Employee Benefits' which clarifies the accounting for defined benefit plan amendments, curtailments and settlements.
- Amendment to IAS 28 'Investments in associates and joint ventures' which clarifies the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied.
- Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures' which clarifies the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures.
- Interpretation 23 'Uncertainty over Income Tax Treatments' which explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

The adoption of these standards and amendments has not had a material impact on the interim financial statements, except for IFRS 16, 'Leases'.

4.2 Change in accounting policy – IFRS 16 'Leases'

IFRS 16 'Leases' addresses the definition of a lease, the recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease', SIC-15 'Operating leases – Incentives' and SIC-17 'Evaluating the substance of transactions involving the legal form of a lease' and is effective for annual periods beginning on or after 1 January 2019.

4.3 Change in accounting policy - IFRS 16 'Leases' - Transition

The Group currently leases a number of assets principally relating to property, including its newly constructed Newport facility as well as leasing property, plant and equipment from its joint venture, Compound Semiconductor Centre Limited.

The group has implemented the requirements of IFRS 16 'Leases' from 1 January 2019 using the modified retrospective approach applying the following practical expedients on a lease-by-lease basis to its portfolio of leases:

- Application of a single discount rate to the portfolio of property and plant leases that are deemed to have reasonably similar characteristics;
- Adjustment on transition to the right of use asset value associated with the leased Singapore manufacturing facility by the amount of the previously recognised onerous lease provision as an alternative to performing an impairment review;
- Application of recognition and measurement exemptions for all leases where the lease term ends within 12 months or fewer of the date of initial application with those leases accounted for as short-term leases;
- Application of hindsight in applying the new standard to determine the lease term where lease contracts contain options to extend or terminate the lease; and
- Exclusion of any initial direct costs in the measurement of the right of use asset.

4.4 Change in accounting policy IFRS 16 'Leases' - Accounting policy

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Change in accounting policy IFRS 16 'Leases' - Accounting policy (continued)

The Group has applied judgement to determine the lease term for some lease contracts in which as lessee there includes a renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

4.5 Change in accounting policy – IFRS 16 'Leases' - Implementation impact

Implementation of IFRS 16 'Leases' requires the Group to recognise new right of use assets and lease liabilities for certain operating leases that principally relate to the Group's manufacturing facilities. The nature of expenses related to these leases has changed in the six months ended 30 June 2019 because the Group now recognises a depreciation charge for the right of use assets and an interest expense on lease liabilities. Previously, for non-variable lease expenses, the Group recognised operating lease costs on a straight-line basis over the lease term and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The implementation of IFRS 16 at 1 January 2019, which had no impact on total net assets or cash, is summarised in the narrative and table set out below:

Non-Current Assets

- Increase in non-current assets of £40,545k to reflect the recognition of right of use lease assets (net of the previously recognised Singapore onerous lease of £5,256k);
- Increase in non-current assets of £1,645k to reflect the recognition of non-current lease receivables associated with sub-let property;
- Decrease in property, plant and equipment and corresponding increase in right of use assets of £2,178k to reflect the reclassification of previously capitalised Newport foundry rent free period costs during the asset commissioning phase;

Non-Current Liabilities

- Increase in non-current liabilities of £48,116k to reflect the non-current recognition of lease liabilities associated with the right of use lease assets;
- Decrease in non-current provisions of £3,836k to reflect reclassification of the non-current element of the previously recognised Singapore onerous lease to right of use lease assets

Current Assets and Liabilities

- Increase in current assets of £588k to reflect the recognition of lease receivables associated with sub-let property due within one year;
- Increase in current liabilities of £2,097k to reflect the recognition of lease liabilities associated with the right of use lease assets payable within one year;
- Decrease in provisions due within one year of £1,420k to reflect reclassification of the current element of the previously recognised Singapore onerous lease to right of use lease assets; and
- Decrease in trade and other payables of £2,178k to reflect reclassification of deferred Newport foundry rent-free period costs to lease liabilities.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Change in accounting policy – IFRS 16 'Leases' – Implementation impact (continued)

Impact on the condensed consolidated balance sheet as at 1 January 2019	Reported 2018	Right of use asset	Lease Receivable	Lease liability	Working capital	Onerous lease	1 January 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	121,775	-	-	-	-	-	**121,775**
Fixed asset investments	75	-	-	-	-	-	**75**
Property, plant & equipment	124,445	-	-	-	(2,178)	-	**122,267**
Right of use lease assets	-	45,801	-	-	2,178	(5,256)	**42,723**
Lease receivable	-	-	1,645	-	-	-	**1,645**
Deferred tax assets	13,244	-	-	-	-	-	**13,244**
Financial assets	7,937	-	-	-	-	-	**7,937**
Non-current assets	267,476	45,801	1,645	-	-	(5,256)	**309,666**
Inventories	35,709	-	-	-	-	-	**35,709**
Trade and other receivables	38,015	-	-	-	-	-	**38,015**
Lease receivable	-	-	588	-	-	-	**588**
Cash and cash equivalents	20,807	-	-	-	-	-	**20,807**
Current assets	94,531	-	588	-	-	-	**95,119**
Total assets	362,007	45,801	2,233	-	-	(5,256)	**404,785**
Trade and other payables	(45,908)	-	-	-	2,178	-	**(43,730)**
Current tax liabilities	(431)	-	-	-	-	-	**(431)**
Provisions	(2,554)	-	-	-	-	1,420	**(1,134)**
Lease liabilities	-	-	-	(2,097)	-	-	**(2,097)**
Current liabilities	(48,893)	-	-	(2,097)	2,178	1,420	**(47,392)**
Provisions	(3,836)	-	-	-	-	3,836	**-**
Lease liabilities	-	-	-	(48,115)	-	-	**(48,115)**
Non-current liabilities	(3,836)	-	-	(48,115)	-	3,836	**(48,115)**
Total liabilities	(52,729)	-	-	(50,212)	2,178	5,256	**(95,507)**
Net assets	309,278	45,801	2,233	(50,212)	2,178	-	**309,278**

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Change in accounting policy – IFRS 16 'Leases' (continued)

4.6 Critical accounting judgements and key sources of estimation uncertainty - IFRS 16 'Leases'

(a) Critical accounting judgements in applying IFRS 16 'Leases'

Joint Ventures – Right to use assets
The Group established CSC with its joint venture partner as a centre of excellence for the development and commercialisation of advanced compound semiconductor wafer products.

On establishment of the joint venture, the Group contributed assets as part of its initial investment and entered into an agreement with the joint venture that conveys to the Group the right to use the assets of the joint venture for a minimum five-year period. This agreement, which contains rights attaching to the use of the joint venture's assets, meets the definition of a lease. The variable nature of the lease payments, which are directly linked to the actual usage of the assets, have been excluded from the measurement of right of use assets and lease liabilities with the variable lease costs recognised in operating expenses in the income statement as incurred.

(b) Critical accounting estimates and key sources of estimation uncertainty

Valuation of lease liabilities and right of use assets
The application of IFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets that includes determining the contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group generally comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. Exercise of extension options, principally existing in the Group's property leases are assumed to be reasonably certain, except for the Group's Newport facility where it has been assumed that it is reasonably certain that the Group will exercise its buy-out option at the end of the initial lease term. The same term applied to the length of the lease contract has been applied to the useful economic life of right-of-use assets.

The present value of the lease payments applicable to the Group's portfolio of property and plant leases has been determined using a discount rate that represents the Group's incremental rate of borrowing, assessed as 2.25% - 2.65% depending on the lease characteristics.

5. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group are set out in the Strategic Report in the 2018 Annual report and financial statements and remain unchanged at 30 June 2019.

The principal risks and uncertainties include competition, technological change, market conditions, health, safety and environment, human resourcing, natural disasters, financial liquidity, business interruption (supply chain), customer concentration, legal compliance, loss of intellectual property, information technology failure and tax compliance.

6. SEGMENTAL INFORMATION

Revenue	6 Months to 30 June 2019 Unaudited £'000	6 Months to 30 June 2018 Unaudited Restated £'000	12 Months to 31 Dec 2018 Audited Restated £'000
Wireless	30,147	42,481	87,862
Photonics	35,483	30,081	66,807
CMOS++	1,090	834	1,622
Revenue	**66,720**	**73,396**	**156,291**
Adjusted operating (loss) / profit			
Wireless	3,256	8,522	16,548
Photonics	1,540	4,370	10,239
CMOS++	(533)	(791)	(1,295)
Central corporate costs	(6,141)	(4,487)	(9,452)
Adjusted operating (loss) / profit	**(1,878)**	**7,614**	**16,040**
Adjusted items	(1,197)	(1,012)	(7,380)
Operating (loss) / profit	**(3,075)**	**6,602**	**8,660**
Share of losses of joint venture accounted for using the equity method	(254)	-	(2,000)
Finance (costs)/income	(394)	46	87
(Loss) / Profit before tax	**(3,723)**	**6,648**	**6,747**

Segmental information has been restated to reflect changes in the Group's operating and reporting structure following the establishment of an Executive Management Board that has consolidated responsibility for the Group's primary markets and operating segments under the leadership of an Executive VP, Global Business Development, Wireless and Emerging Products and an Executive VP, Global Business Development, Photonics & Infrared.

As part of this change, certain revenues and associated costs pertaining to a specific site, which has shared production, have also been reclassified between segments to reflect a change in allocation methodology.

Restatement of the operating segments has had no impact on consolidated (loss) / profit, net assets or cash.

7. ADJUSTED PROFIT MEASURES

The Group's results report certain financial measures after a number of adjusted items that are not defined or recognised under IFRS including adjusted operating profit, adjusted profit before income tax and adjusted earnings per share. The Directors believe that the adjusted profit measures provide a more 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 and one-off or non-operational items. The Group uses these adjusted profit 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 profit measures and the impact on the Group's reported financial performance.

£'000s	Adjusted Results	Adjusted Items	**6 months to 30 Jun 2019 Reported Results**	Adjusted Results	Adjusted Items	**6 months to 30 Jun 2018 Reported Results**	Adjusted Results	Adjusted Items	**2018 Reported Results**
Revenue	66,720	-	**66,720**	73,396	-	**73,396**	156,291	-	**156,291**
Cost of sales	(56,083)	(45)	**(56,128)**	(56,279)	(1,000)	**(57,279)**	(119,536)	696	**(118,840)**
Gross profit	10,637	(45)	**10,592**	17,117	(1,000)	**16,117**	36,755	696	**37,451**
Other income	-	-	**-**	-	1,648	**1,648**	-	1,097	**1,097**
SG&A	(12,515)	(1,152)	**(13,667)**	(9,503)	(1,660)	**(11,163)**	(20,715)	(9,173)	**(29,888)**
Profit on disposal of PPE	-	-	**-**	-	-	**-**	-	-	**-**
Operating (loss) / profit	(1,878)	(1,197)	**(3,075)**	7,614	(1,012)	**6,602**	16,040	(7,380)	**8,660**
Share of JV losses	(254)	-	**(254)**	-	-	**-**	(2,000)	-	**(2,000)**
Finance costs	(491)	97	**(394)**	1	45	**46**	(66)	153	**87**
(Loss) / Profit before tax	(2,623)	(1,100)	**(3,723)**	7,615	(967)	**6,648**	13,974	(7,227)	**6,747**
Taxation	(7,291)	365	**(6,926)**	(1,369)	(1,116)	**(2,485)**	(2,745)	(2,813)	**(5,558)**
(Loss) / Profit for the period	(9,914)	(735)	**(10,649)**	6,246	(2,083)	**4,163**	11,229	(10,040)	**1,189**

£'000s	Pre tax Adjustment	Tax Impact	**6 months to 30 Jun 2019 Reported Results**	Pre tax Adjustment	Tax Impact	**6 months to 30 Jun 2018 Reported Results**	Pre tax Adjustment	Tax Impact	**2018 Reported Results**
Share based payments	(135)	182	**47**	(1,500)	(1,317)	**(2,817)**	1,044	(3,607)	**(2,563)**
Amortisation of acquired intangibles	(266)	56	**(210)**	(252)	45	**(207)**	(518)	109	**(409)**
Restructuring	(223)	47	**(176)**	-	-	**-**	(3,337)	701	**(2,636)**
Insurance income	-	-	**-**	1,648	-	**1,648**	1,097	(197)	**900**
Patent dispute legal fees	(573)	109	**(464)**	(908)	164	**(744)**	(1,262)	227	**(1,035)**
Onerous property lease	-	-	**-**	-	-	**-**	(4,404)	-	**(4,404)**
Discounting	97	(29)	**68**	45	(8)	**37**	153	(46)	**107**
Total	(1,100)	365	**(735)**	(967)	(1,116)	**(2,083)**	(7,227)	(2,813)	**(10,040)**

7. ADJUSTED PROFIT MEASURES (CONTINUED)

The nature of the adjusted items is as follows:

- Share based payments – The charge recorded in accordance with IFRS 2 'share based payment' of which £0.1m (H1 2018: £1.0m, FY18 income £0.7m) has been classified within cost of sales in gross profit and £0.05m (H1 2018: £0.5m, FY18 income £0.3m) in selling, general and administrative expenses within operating profit.

- Amortisation of acquired intangibles arising in respect of fair value exercises associated with previous corporate acquisitions – The charge of £0.3m (H1 2018: £0.3m, FY18 £0.5m) has been classified as selling, general and administrative expenses within operating profit and is non-cash.

- Restructuring – The charge of £0.2m (H1 2018: £nil, FY18: £3.3m) relates to the closure of the Group's manufacturing facility in New Jersey, USA and the transfer of the associated trade and assets to the Group's manufacturing facility in Massachusetts, USA. The charge comprises cash costs of £0.2m (H1 2018: £nil, FY18 £1.1m) relating to severance and reactor decommissioning and non-cash asset impairment costs of £nil (H1 2018: £nil, FY18: £2.2m) that have been classified as selling, general and administrative expenses within operating profit. Cash costs defrayed in the period total £1.3m (H1 2018: £nil, FY18: £nil).

- Insurance income – The income in the prior periods (H1 2018: £1.7m, FY18: £1.1m) relates to the net insurance proceeds received following the death of the Chief Financial Officer, Phillip Rasmussen, in April 2018. Obligations payable to Phillip Rasmussen's estate and fees associated with the recruitment of Phillip Rasmussen's successor (H1 2018: £0.4m, FY18: £1.0m) were netted off the gross insurance proceeds (H1 2018: £2.1m, FY18: £2.1m). The net insurance proceeds received were classified as other income within operating profit. Cash costs defrayed in the period total £nil (H1 2018: £1.7m income, FY18: £1.5m income).

- Patent dispute legal costs – The charge relates to legal fees incurred in respect of a patent dispute defence. Costs of £0.6m (H1 2018: £0.9m, FY18: £1.3m) (2017: £nil) have been classified within selling, general and administrative expenses within operating profit. Cash costs defrayed in the period total £0.7m (H1 2018: £nil, FY18: £nil).

- Onerous property lease – The charge of £nil (H1 2018: £nil, FY18: £4.4m) relates to an increase in the provision for an onerous property lease that was originally made in 2014 following the restructuring of the Group's operations in Singapore. The increase in the provision made in 2018 for unused and unlet space at the manufacturing site extended the provision to the end of the lease obligation in 2022. The extension of the onerous lease provision resulted in a charge of £4.4m that was classified within selling, general and administrative expenses within operating profit. Cash costs associated with the annual rental for the unused and unlet space total £0.7m (H1 2018: £0.7m, FY18: £1.5m).

  The group has implemented the requirements of IFRS 16 'Leases' from 1 January 2019 with the Singapore property lease accounted for on balance sheet from this date. IFRS 16 'Leases' has been implemented using the modified retrospective approach applying the practical expedient that allows on transition an adjustment to the value of the right of use asset by the amount of any previously recognised onerous lease provision as an alternative to performing an impairment review. The adoption of this practical expedient results in the reclassification of the lease provision as part of the net value of the right of use asset in the Group's balance sheet from 1 January 2019 (see note 4).

- Discounting – This relates to the unwinding of the discounting on long term financial assets of £0.1m (H1 2018: £0.1m, FY18: £0.3m) and the unwinding of discounting on long term financial liabilities of £nil (H1 2018: £0.1m, FY18 £0.1m) and has been classified as finance costs within profit before tax.

7. ADJUSTED PROFIT MEASURES (CONTINUED)

Adjusted EBITDA (adjusted earnings before interest, tax, depreciation and amortisation) has been calculated as follows:

(All figures £'000s)	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	12 months to 31 Dec 2018 Audited
(Loss) / Profit attributable to equity shareholders	**(10,805)**	**4,023**	**966**
Non-controlling interest	156	140	223
Finance costs/(income)	394	(46)	(87)
Tax	6,926	2,485	5,558
Depreciation of property, plant and equipment	4,761	3,162	6,773
Depreciation of right of use assets	1,025	-	-
Amortisation of intangible fixed assets	3,981	2,944	6,109
Share based payments	135	1,500	(1,044)
Adjusted Items	796	(740)	7,906
Restructuring	223	-	3,337
Insurance income	-	(1,648)	(1,097)
Patent dispute legal costs	573	908	1,262
Onerous property lease	-	-	4,404
Adjusted EBITDA	**7,369**	**13,468**	**26,404**

8. TAXATION

The Group's consolidated effective tax rate for the six months ended 30 June 2019 was 186.0% (H1 2018: 37.4%, 2018: 82.4%). The effective tax rate differs from the theoretical amount that would arise from applying the standard corporation tax in the UK of 19.0% (H1 FY18: 19%, FY18: 19.0%) principally due to the following factors:

- The current geo-political context affecting the markets in which IQE operates has resulted in a shift in the balance of projected manufacturing production and hence profits between the US and rest of the world. As a result, lower utilisation of US deferred tax assets is projected in coming years. This in-turn has resulted in a partial reversal of the previously recognised US deferred tax assets with a combined tax impact of ~£8m.

- The Group's results report certain financial measures after a number of adjusted items with a tax impact of £0.4m as detailed in note 7.

9. (LOSS) / EARNINGS PER SHARE

(All figures £'000s)	**6 months to 30 June 2019 Unaudited**	**6 months to 30 June 2018 Unaudited**	**12 months to 31 Dec 2018 Audited**
(Loss) / Profit attributable to ordinary shareholders	(10,805)	4,023	966
Adjustments to profit after tax (note 7)	735	2,083	10,040
Adjusted (loss) / profit attributable to ordinary shareholders	**(10,070)**	**6,106**	**11,006**
Number of shares:			
Weighted average number of ordinary shares	780,640,261	756,614,361	761,750,145
Dilutive share options	24,149,201	51,197,646	37,072,892
	804,789,462	**807,812,007**	**798,823,037**
Adjusted basic (loss) / earnings per share	(1.29p)	0.81p	1.44p
Basic (loss) / earnings per share	(1.38p)	0.53p	0.13p
Adjusted diluted (loss) / earnings per share	(1.29p)	0.76p	1.38p
Diluted (loss) / earnings per share	(1.38p)	0.50p	0.12p

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to ordinary shareholders by the weighted average number of ordinary shares during the period.

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to ordinary shareholders by the weighted average number of shares and '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 period. 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.

10. CASH GENERATED FROM OPERATIONS

(All figures £'000s)	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	12 months to 31 Dec 2018 Audited
(Loss)/Profit before tax	**(3,723)**	**6,648**	**6,747**
Finance costs/(income)	394	(46)	(87)
Depreciation of property, plant and equipment	4,761	3,162	6,773
Depreciation of right of use assets	1,025	-	-
Amortisation of intangible assets	3,981	2,944	6,109
Impairment of property, plant and equipment	-	-	1,651
Non cash provision movements	-	-	5,495
Share based payments	135	1,500	(1,044)
Cash inflow from operations before changes in working capital	**6,573**	**14,208**	**25,644**
Increase in inventories	(1,605)	(2,058)	(1,387)
Decrease / (increase) in trade and other receivables	439	(4,772)	(4,032)
(Decrease) / increase in trade and other payables	(1,424)	202	(3,237)
Cash inflow from operations	**3,983**	**7,580**	**16,988**

11. ANALYSIS OF NET FUNDS / (DEBT)

(All figures £'000s)	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	12 months to 31 Dec 2018 Audited
Bank borrowings due after one year	(12,008)	-	-
Bank borrowings due within one year	-	-	-
Lease liabilities due after one year	(46,375)	-	-
Lease liabilities due within one year	(2,897)	-	-
Total borrowings	(61,280)	-	-
Cash and cash equivalents	11,173	40,634	20,807
Net (debt) / funds	**(50,107)**	**40,634**	**20,807**

Bank borrowings relate to amounts drawn down on the Group's £27.3m (US$35.0m) multi-currency revolving credit facility, provided by HSBC. The facility is secured over the assets of IQE plc and certain subsidiary companies and has a three-year term with an interest margin of between 1.45% and 1.95% per annum over LIBOR.

Cash and cash equivalents comprise balances held in instant access bank accounts and other short-term deposits with a maturity of less than 3 months.

12. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(All figures £'000s)	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	12 months to 31 Dec 2018 Audited
As at 1 January	6,390	2,200	2,200
Charged to the income statement	223	-	5,495
Utilised during the period	(1,357)	(723)	(1,539)
Transferred to right of use asset	(5,256)	-	-
Foreign exchange	-	-	234
As at 30 June / 31 December	**-**	**1,477**	**6,390**

Provisions for other liabilities and charges consists of an onerous lease provision of £nil (H1 2018: £1,477,000, 2018: £5,256,000) and a restructuring provision of £nil (H1 2018: £nil, 2018: £1,134,000).

During 2014, as part of the re-organisation and rationalisation of the Group's operations the Group restructured its activities in Singapore and established with its joint venture partners the Compound Semiconductor Development Centre. The Group sub-lets space at its Singapore manufacturing facility to its joint venture and established an onerous lease provision for vacant space at the property following the re-organisation. The provision for unused and unlet space at the manufacturing site was reassessed in 2018 and extended to the end of the lease obligation in 2022 given the low level of interest from external parties to sublet the residual unused space. The onerous lease provision has been reclassified from 1 January 2019 as an adjustment to the right of use asset relating to the Group's leased Singapore manufacturing facility on implementation of IFRS 16'Leases' (see note 4).

The restructuring provision relates to costs associated with the closure of the Group's manufacturing facility in New Jersey, USA and the transfer of the trade and assets to the Group's manufacturing facility in Massachusetts, USA. The provision principally comprised severance and reactor decommissioning costs and has been fully utilised during 2019.

13. SHARE CAPITAL

Number of shares	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	12 months to 31 Dec 2018 Audited
As at 1 January	776,699,681	756,050,549	756,050,549
Employee share schemes	14,596,208	4,749,808	16,386,876
Translucent equity consideration	-	-	4,262,256
As at 30 June / 31 December	**791,295,889**	**760,800,357**	**776,699,681**

(All figures £'000s)	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	12 months to 31 Dec 2018 Audited
As at 1 January	7,767	7,561	7,561
Employee share schemes	146	47	164
Translucent equity consideration	-	-	42
As at 30 June / 31 December	**7,913**	**7,608**	**7,767**

14. RELATED PARTY TRANSACTIONS

Transactions with Joint Ventures

Compound Semiconductor Development Centre Private Limited ('CSDC')

The Group established CSDC with its joint venture partners as a centre of excellence for the development and commercialisation of advanced compound semiconductor wafer products in Asia and on its formation, CSDC entered into an agreement to license certain intellectual property and plant and equipment from the Group.

The activities of CSDC include research and development into advanced compound semiconductor wafer products and the provision of contract manufacturing services for compound semiconductor wafers to a subsidiary of the IQE plc Group, MBE Technology Pte Limited.

CSDC operates from space within the Group's manufacturing facility in Singapore. During the period the Group sub-let space at its manufacturing facility to CSDC for £297,000 (H1 2018: £268,000, 2018: £565,000) at a rental cost per square foot equivalent to the cost paid by the Group on the head lease associated with the property.

Intellectual property and equipment is licensed to CSDC and wafer products are procured from CSDC at prices mutually agreed by the Group and its joint venture partners, WIN Semiconductors Corp, Nangyang Technological University and four representatives of the University. The Group recognised no license revenue in the period (H1 2018: £nil, 2018: £nil) and purchased advanced compound semiconductor wafer products from CSDC for £2,596,000 (H1 2018: £2,395,000, 2018: £4,429,000).

During the period payments of £254,000 (H1 2018: £nil, 2018: £2,000,000) have been made on behalf of CSDC which in accordance with the Group's accounting policy has been recognised in the income statement as the Group's share of losses in CSDC exceeds the carrying value of its investment.

Compound Semiconductor Centre Limited ('CSC')

The Group established CSC with its joint venture partner as a centre of excellence for the development and commercialisation of advanced compound semiconductor wafer products in Europe and on its formation, the Group contributed assets to the joint venture valued at £12,000,000 as part of its initial investment.

The activities of CSC include research and development into advanced compound semiconductor wafer products, the provision of contract manufacturing services for compound semiconductor wafers to certain subsidiaries within the IQE plc Group and the provision of compound semiconductor manufacturing services to other third parties.

CSC operates from its manufacturing facilities in Cardiff, United Kingdom and leases certain additional administrative building space from the Group. During the period the CSC leased this space from the Group for £57,500 (H1 2018 £57,500, 2018: £115,000) and procured certain administrative support services from the Group for £117,500 (H1 2018: £117,500, 2018: £235,000). As part of the administrative support services provided to CSC the Group procured goods and services, recharged to CSC at cost, totalling £2,235,135 (H1 2018: £1,893,060, 2018: £3,130,000).

CSC granted the Group the right to use its assets following its formation for a minimum five-year period. Costs associated with the right to use the CSC's assets are treated by the Group as operating lease costs (see note 4) and are charged by the CSC at a price which reflects the CSC's cash cost of production (including direct labour, materials and site costs) but excludes any related depreciation or amortisation of the CSC's property, plant and equipment and intangible assets respectively under the terms of the joint venture agreement between the parties. Costs associated with the right to use the CSC's assets totalled £3,464,000 (H1 2018: £3,407,000, 2018: £6,655,000) in the period.

At 30 June 2019 an amount of £233,700 (H1 2018: £188,342 2018: £586,000) was owed from the CSC.

In the Groups balance sheet 'A' Preference Shares with a nominal value of £8,800,000 (H1 2018: £8,800,000, 2018: £8,800,000) are included in financial assets at an amortised cost of £8,085,000 (H1 2018: £7,776,000, 2018: £7,937,000) and the Group has a shareholder loan of £238,500 (H1 2018: £235,500, 2018: £237,000) due from CSC.

15. POST BALANCE SHEET EVENTS

On 29 August 2019, the Company agreed a new £30,000,000 Asset Finance Loan facility, provided by HSBC, which is secured over the assets of certain IQE subsidiary companies. The facility has a five year term and an interest margin of 1.65% per annum over base rate on any drawn balances.