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Kromek Group plc
("Kromek" or "the Company")

Preliminary Results for the Year ended 30 April 2014

Kromek (AIM: KMK.L), a supplier of patented radiation detection technologies to the medical, security and nuclear markets, announces its Preliminary Results for the year ended 30 April 2014.

Financial Highlights:

	Year ended 30 April 2014 £'000	**Year ended 30 April 2013 £'000**
Revenue	5,972	2,691
EBITDA	(2,483)	(773)
Adjusted EBITDA*	(2,483)	(3,191)
Cash	6,563	309

*The adjusted EBITDA accounts for the negative goodwill on the acquisition of eV Products of £2.4m

- Year on year revenue growth of 122%
- Product-based revenue from £1.8m to £4.7m
- No debt on the balance sheet

Operational Highlights:

- Successful IPO providing access to wider shareholder base and platform for future growth
- Completed successful operational integration of eV Products Inc., our second US acquisition
- Further improvements in CZT material and detector manufacturing processes
- 28 new patents were filed or awarded
- Investment in expanded sales and marketing capability
- Multiple new and significant contract wins in the medical imaging market, for CT, including a development contract with a top four OEM; in BMD; and also an agreement for the supply of imaging modules in China
- A number of important contracts from both commercial and government customers won in the nuclear detection market
- The start of phase 1 of the implementation of the EU regulatory framework on 31 January 2014 which is the key to sales of the Bottle Scanner product in Europe

Commenting on the results, Kromek CEO, Arnab Basu, said: "The appetite for Kromek's components, systems and solutions in each of our target markets is increasing. The Group is well placed, not only to continue to win new contracts, but also to service the growing demand for our technologies and achieve our ambition of becoming the radiation detection specialists of choice in our chosen markets. We have reported a number of new contracts post this period end and we are continuing to convert a strong pipeline with the current order book at an all-time high."

For further information, please contact:

Kromek Group plc Tel: 01740 626060
Arnab Basu, CEO
Derek Bulmer, CFO

Panmure Gordon Tel: 020 7886 2500
As Nominated Adviser and Broker
Corporate Finance
Freddy Crossley, Duncan Monteith

Corporate Broking
Charles Leigh-Pemberton

Tavistock Communications Tel: 020 7920 3150
Matt Ridsdale
Andrew Dunn

About Kromek Group plc

Kromek Group plc is a UK technology company (global HQ in County Durham) and a leading developer of high performance radiation detection products based on cadmium zinc telluride ("CZT"). Using its core CZT technology Kromek designs, develops and produces x-ray and gamma ray imaging and radiation detection products for the medical, security screening and nuclear markets.

The Group's products provide high resolution information on material composition and structure and are used in multiple applications, ranging from the identification of cancerous tissues to hazardous materials, such as explosives, and the analysis of radioactive materials.

Kromek uses multiple technologies in its manufacturing processes, including the established methods of 'liquid phase' detector production, and also 'vapour phase' production methods, which allow the production of high quality, high performance detectors on an industrial scale. Kromek has an intellectual property portfolio of more than 250 pieces of IP.

The Group's business model provides a vertically integrated technology offering to customers, from the growth of CZT crystals to finished products or detectors, including software, electronics and application specific integrated circuits ("ASICs").

The Group has operations in the UK, Germany and US (California and Pennsylvania), and is selling internationally through a combination of distributors and direct OEM sales.

Currently, the Group has over one hundred full time employees across its global operations.

CHAIRMAN'S STATEMENT

Introduction

2013-14 was a very challenging year for Kromek but one in which important transformational changes were achieved. In addition to the successful rationalisation and integration of eV Products, which approximately doubled the number of employees in the company, important achievements were made in the marketplace. The progress in the contractual partnership with one of the leading CT system manufacturers was an important step forward for the company in the medical diagnostic imaging market, which is dominated by just four major companies. The foundations of this and other advances were laid while the company was preparing for and successfully completing its Initial Public Offering and admission to AIM.

Unfortunately, it became clear to the Board that some of the contracts which had been expected (most of which have subsequently been confirmed) were not going to be booked and shipped in time for the revenue to be recognised in the fiscal year to the end of April. This included a promising alliance with an emerging Chinese company to develop novel components for the medical imaging market in China. As a result, the Board realised that the revenue was going to fall short of the budget prepared last summer and this was the subject of a public announcement on 28th March. While we have met the subsequently lowered sales forecast, which shows a significant growth from the previous year, we are disappointed with the shortfall and have taken steps to ensure that our forecasting is much improved in the future. The Board continues to spend a lot of time reviewing in considerable detail both the strategic framework of the business and the operational procedures that feed into the financial planning and budgeting system. I am pleased to report that the changes that were made to the Board at the time of the IPO and subsequently have strengthened it considerably and we are united in our commitment to improve all aspects of our business going forward.

Completing the IPO and raising the amount of funding aimed for was a critical step for Kromek. The company managed to achieve a lot of progress in the years leading up to the IPO with barely adequate financial resources. This culminated in the acute financial challenges we faced in completing the acquisition of eV Products, which we regarded as a vital strategic step in many different dimensions. That belief has been more than justified by subsequent events, and the funding raised in the public offering has allowed the company for the first time to focus on a number of fundamental aspects of the business and improve our operational and strategic capability.

Good progress has been made in most of our target markets and the company has started to build on the headway achieved in all three major sectors, with the addition of key sales and marketing personnel. While the security market (Bottle Scanners for the analysis of liquids, aerosols and gels or "LAGS") has continued to prove challenging, we have confidence in the performance capabilities of the Kromek product, which has been further refined in the last two years. We have made progress in penetrating this market, which only started to become active in the second half of last year. Despite having seen some disappointments in Japan for our nuclear products, we have managed to build on the underlying product platform and have won some important new contracts from the US government and other customers. Alongside the progress we have made in medical imaging, we feel confident that the basic metrics underpinning the business are moving in the right direction.

Outlook

Kromek's area of expertise, radiation detection and imaging, represents one of the most basic and important techniques used globally for gaining better information about objects and the environment. Its importance can be seen on a daily basis in hospitals and airports throughout the world, as well as in its importance to those (both civil and military) serving to keep us safe from threats of various sorts.

Our financial position is robust with no debt and a strong cash position. With a strong order book and such a rich opportunity set given the Group's key proprietary technologies, international scope and integrated business model, the Board believes the Group is well positioned for continued growth and looks forward to the future with confidence.

Richard Morgan
Chairman

CEO STATEMENT

Review of the year

During the financial year to 30 April 2014 the Group experienced a period of significant change and took a number of steps towards becoming the leading provider of patented radiation technologies to the medical imaging, nuclear detection and security screening markets.

The Company acquired eV Products, Inc. in the US in February 2013, and the financial and operational integration of the business has been successfully completed. The Group now has greater technological and production capability and has secured a strong range of products for the medical market to supplement those which the Group had previously.

The Group's shares were also successfully admitted to trading on the AIM market during October 2013 following a successful IPO, which raised £13.4m net from new investors. This provides funding capital for the Group to drive its growth through: the expansion of its product portfolio and technology platform; an increase and investment in its sales and marketing process and capacity; and the opportunity to undertake further capital expenditure in both the UK and US to facilitate continued efficiency and capacity improvements.

Financial Review

Sales in the year were £6.0m (2012-13: £2.7m), representing growth across all of the trading entities of the Group, with the UK showing growth of 18% and the US growing nearly 228% (47% on a like for like basis) year on year despite the challenges set by contract delays and adoption rates during the period as noted in the trading update to the market in March 2014. Revenue grew £3.3m on the prior year, an increase of over 122% (with like for like growth of over 40%, assuming a full year's prior annual revenue of eV Products). The second half revenue of £3.7m represents growth on the first half revenue to 31 October 2013 of 60%.

Growth in revenue is a fundamental driver for any business but especially so for one that seeks to commercialise its technology. The level of sales, despite being below original estimates, indicates accelerating traction and growing adoption of the products and technology offerings that the Group provides across our target markets. The Group has invested in expanding its sales and marketing team and has recruited both senior and field sales personnel.

The gross margin (before direct overheads and labour costs) on sales for the year of 65% (2012-13: 47%) was favourably affected by the full year impact of the acquisition of eV Products, stronger levels of product sales plus higher levels of revenue from government contracts and commercial development agreements.

Despite absorbing the full results of eV Products during the year (which was previously loss making), the Group managed to return an adjusted loss before tax of £4.3m (2012-13: loss of £4.1m). Whilst the growth and change in mix in revenue year on year has enhanced margin and resulted in an improved adjusted EBITDA of a loss of £2.5m (2012-13: loss of £3.2m), the result for the year was further impacted by the level of depreciation and amortisation of intangible and tangible assets which rose to £1.3m (2012-13: £0.7m), largely due to the full impact of eV Products for the year. Further, the result was also subject to a higher interest charge of £0.5m (2012-13: £0.2m), which will not recur following the repayment of loans. The operating and overhead cost base of the business remained stable on a comparable basis, other than the impact of the recurring costs resulting from the admission on AIM which were in line with expectations.

The Group continues to invest in the development of products and its technology platform in order to advance its commercial advantage and increase margin on sales. During the year the Group undertook a total expenditure on research and development of £3.1m (2012-13: £1.4m) with £1.9m undertaken in the UK (2012-13: £1.4m) and £1.2m in the US (2012-13: £nil). The increase in the US reflects the impact of the integration of eV Products and NOVA, where several products have been developed in the financial year.

Of the £3.1m spent on research and development during the year, £1.1m relates to commercial near-term product development which has been capitalised (2012-13: £0.9m). This expenditure saw five new medical products developed and eight new nuclear products developed. This provides further short and medium-term opportunities for sales and reflects the capability of the Group to draw from its technology platform and rapidly develop bespoke, need-specific products, utilising the vertical integration model which is reflected in the skill set and profile of the employee base.

The balance of R&D expenditure of £2.0m for the year (2012-13: £0.5m) was expensed through the income statement and reflects further investment in Kromek's core technology, platform developments and improved manufacturing efficiency. This investment provides a strong and enhanced basis for efficiency and profitability in future years and strengthens the market position of the Group's technology. During the period, a total of 28 patents were filed or awarded.

The Group benefits from the UK Research and Development Tax Credit and recorded a credit of £0.7m for the year (2012-13: £0.8m). In addition, the Group saw a movement in the deferred tax provision of £0.4m, resulting in an overall tax credit to the income statement of £1.1m (2012-13: £1.0m).

Earnings per Share (EPS) are recorded in the year on a basic and diluted basis of a loss of 5p per share (2012-13: loss of 8p per share) and an adjusted basic and diluted loss of 5p per share (2012-13: loss of 40p per share). Due to the Group having losses in each of the two years, the diluted EPS for disclosure purposes is the same as the basic EPS.

Group cash stood at £6.6m following net receipts from the IPO of £13.4m and repayment of debt and accrued interest of £3.0m. The Group repaid all previously outstanding loans by 31st October 2013.

Operating Review

Medical Imaging

Kromek provides components to global Original Equipment Manufacturers (OEMs) in the medical imaging market and is involved only in certain sub-segments of the market, including Computerised Tomography (CT), Bone Mineral Densitometry (BMD) and Single Photon Emission Computed Tomography (SPECT).

A two-year development program was awarded to Kromek in the medical CT market during the year. The programme is worth up to $5.3m and is with one of the top four OEMs in the sector.

In November 2013 we announced a $990,000 contract to supply detectors to a leading OEM in the SPECT market.

We announced $845,000 of orders to supply an OEM in the BMD market in February 2014, taking the total booking from the OEM to $1.25m for the fiscal year.

In early April 2014, we announced a contract to supply medical imaging modules to a SME manufacturer of x-ray diagnostics and analysis equipment in China. The contract provides for revenues of $1.4m in the current financial year and $10.2m in the next financial year, and the overall value of the contract over the seven years is up to $159m, subject to the customer meeting its contractual revenue targets.

Nuclear Detection

In nuclear detection, Kromek provides end user products and components to the civil nuclear and nuclear safeguard markets.

During the year, contracts worth up to $2.5m were secured with Northrop Grumman in the US for two separate programmes, with much of this revenue to be recognised in the current financial year. A contract was achieved of up to $1.2m from the Domestic Nuclear Defence Office, part of the US Department of Homeland Security, and orders were secured from a number of commercial customers in Asia, Europe and the US. Also, Kromek joined a Northrop Grumman-led consortium which was awarded a contract under a $4bn indefinite delivery/indefinite quantity (IDIQ) programme by the US Defense Threat Reduction Agency (DTRA).

Security Screening
Kromek provides end user products and components to the security screening market, focusing on these areas: standalone liquid screening equipment, carry-on baggage screening and checked-in baggage screening.

EU legislation (EU Regulation 246/2013) which came into effect from 31 January 2014 states that it is mandatory to screen all liquids, aerosols and gels (LAGs) obtained at an airport or on board an aircraft and then presented at airport security for onward travel, with equipment approved by the European Civil Aviation Conference (ECAC). This ability to carry such cleared materials between flights is the first part of an overall programme to relax restrictions on passenger LAGs by 2016. The market is at an early stage in its development with the majority of the global procurement still to occur.

During the year, a new certification from ECAC was received for an improved Bottle Scanner which reduced the scanning time to just over ten seconds while still retaining the highest performance category in its class. As well as receiving orders from nine UK Airports, new orders were secured to supply scanners to Portugal, Hungary, Cyprus and Belgium. These orders added to our installed base in Finland, Germany and Australia.

Current Trading
We recently announced a contract with the US Defence Threat Reduction Agency (DTRA) worth $1.45m over two years, for the design and production of high sensitivity, next-generation detectors for the homeland security nuclear detection market. Additional contracts totalling over $950,000 were signed across multiple partners in the US and across the world, to supply other innovative products in this sector.

In medical imaging, we announced in June that Kromek has been awarded contracts worth £150,000 from the UK Technology and Strategy Board (TSB) to produce enhanced detection modules for the breast imaging market, in conjunction with the UK Centre for Process Innovation.

We announced a $620,000 contract in July to provide our Bottle Scanner to a number of airports in Asia. Kromek's x-ray detection technology is suitable for integration in baggage scanning equipment as well as in the stand alone Bottle Scanner. This technology, which has already been successfully demonstrated, allows a possible pathway to cater for changing security threats, such as explosives concealed inside small electronic devices and laptops.

In August, we signed a $1.23m, 12 month contract in the nuclear detection market with the US Defense Advanced Research Projects Agency (DARPA) to develop an advanced portable detection system for radiation that can be combined into large networks, providing information covering an extended area.

Future Opportunities
Medical imaging is a large and diverse global market estimated to be worth over $23bn p.a. with demand underpinned by growing global living standards and ageing populations. End users include hospitals, clinics and diagnostic centres. Regulators and large OEMs are both influential in market development. Various techniques involving ionising radiations (x-ray, etc.) jointly represent the largest segment of this market. Kromek's products and multispectral detection technology benefits its customers by helping to provide better diagnosis with new and better quality information for detection of cancer, cardiac abnormalities and bone mineral density in the human body.

In nuclear detection, the market is driven by a requirement for more accurate radiation detection and the profiling of radioactive sources for the drive to improve safety for people and the environment. Kromek can meet user needs for single or networked portable radiation detectors that are both sensitive and versatile in usage, to both monitor and characterise any hazards. Our products enable our customers to cut operational time and carry out monitoring and investigative work in the field which is often challenging with existing products. Looking at the nuclear power and decommissioning markets globally there are around 950 power stations in operation, plus approximately 250 research reactors and around 200 nuclear reactors on ships and submarines. Over 130 nuclear reactors have been shut down around the world, but fewer than 20 have been fully decommissioned.

Driving adoption in the security screening market is the need for improved baggage scanning and lowering false alarm rates. There is now mandated demand (EU and other geographic areas) for LAG scanners, since January 2014. Kromek provides solutions which are simple to use, with high performance in terms of explosive detection and low false alarm rates, through more accurate content characterisation and the ability to scan all container types including cans. The total security screening market is estimated to be worth roughly $875m p.a. with a growth rate of about 5% with considerable variation between segments.

Outlook

The appetite for Kromek's components, systems and solutions in each of our target markets is increasing. The Group is well placed, not only to continue to win new contracts, but also to service the growing demand for our technologies and achieve our ambition of becoming the radiation detection specialists of choice in our chosen markets. We have reported a number of new contracts post this period end and we are continuing to convert a strong pipeline with the current order book at an all-time high.

With our additions to the Board during the period, our investment in expanded sales and marketing personnel and our successful admission to AIM, we believe the prospects for the Group are very exciting and we are confident that we can continue to harvest the value contained in our unique technology platforms.

Dr Arnab Basu
Chief Executive Officer

Kromek Group plc

Consolidated income statement

For the year ended 30 April 2014

	Note	Year ended 2014 £'000	Year ended 2013 £'000
Continuing operations			
Revenue	3	5,972	2,691
Cost of sales		(2,101)	(1,431)
Gross profit		3,871	1,260
Other operating income		719	25
Distribution costs		(144)	(110)
Administrative expenses (including operating expenses)		(8,226)	(5,077)
Operating loss		(3,780)	(3,902)
Finance income		15	-
Finance costs		(530)	(171)
Negative goodwill released to the income statement		-	2,417
Loss before tax		(4,295)	(1,656)
Tax	5	1,106	1,013
Loss for the period from continuing operations		(3,189)	(643)
Losses per share	7		
-basic and diluted (£)		(0.05)	(0.08)
-adjusted basic and diluted (£)*		(0.05)	(0.40)

*the adjusted losses per share do not take into account the negative goodwill released to the income statement in 2013.

Kromek Group plc
Consolidated statement of comprehensive income
For the year ended 30 April 2014

	Year ended 2014 £'000	Year ended 2013 £'000
Loss for the year	(3,189)	(643)
Exchange differences on translation of foreign operations	(641)	200
Total comprehensive losses for the period	(3,830)	(443)

Kromek Group plc
Consolidated statement of financial position
For the year ended 30 April 2014

	Note	2014 £'000	2013 £'000
Goodwill		1,275	1,275
Other intangible assets		6,965	6,137
Property, plant and equipment		2,285	3,005
		10,525	10,417
Current assets			
Inventories		2,389	2,098
Trade and other receivables		1,907	1,579
Current tax assets		696	767
Cash and bank balances		6,563	309
		11,555	4,753
Total assets		22,080	15,170
Current liabilities			
Trade and other payables		(3,210)	(3,149)
Current tax liabilities		-	(1)
Borrowings		-	(2,449)
		(3,210)	(5,599)
Net current assets/(liabilities)		8,345	(846)
Non-current liabilities			
Deferred tax liabilities	8	(1,134)	(1,544)
Total liabilities		(4,344)	(7,143)
Net assets		**17,736**	**8,027**
Equity			
Share capital		1,080	1,175
Share premium account		34,612	22,278
Capital redemption reserve		1,175	-
Translation reserve		(482)	159
Accumulated losses		(18,649)	(15,585)
Total equity		**17,736**	**8,027**

Kromek Group plc
Consolidated statement of changes in equity
For the year ended 30 April 2014

	Equity attributable to equity holders of the Company					
	Share Capital £'000	**Share Premium Account £'000**	**Capital Redemption Reserve £'000**	**Translation reserve £'000**	**Accumulated losses £'000**	**Total Equity £'000**
Balance at 1 May 2012	**1,175**	**20,330**	**-**	**(41)**	**(15,064)**	**6,400**
Loss for the year	-	-	-	-	(643)	(643)
Other comprehensive income for the year	-	-	-	200	-	200
Total comprehensive losses for the period	-	-	-	200	(643)	(443)
Issue of share capital	-	1,948	-	-	-	1,948
Credit to equity for equity-settled share based payments	-	-	-	-	122	122
Balance at 30 April 2013	**1,175**	**22,278**	**-**	**159**	**(15,585)**	**8,027**
Loss for the year	-	-	-	-	(3,189)	(3,189)
Other comprehensive income for the year	-	-	-	(641)	-	(641)
Total comprehensive losses for the period	-	-	-	(641)	(3,189)	(3,830)
Issue of share capital net of expenses	301	13,113	-	-	-	13,414
Share reorganisation	779	(779)	-	-	-	-
Share buyback	(1,175)	-	1,175	-	-	-
Credit to equity for equity-settled share based payments	-	-	-	-	125	125
Balance at 30 April 2014	**1,080**	**34,612**	**1,175**	**(482)**	**(18,649)**	**17,736**

Kromek Group plc
Consolidated statement of cash flows
For the year ended 30 April 2014

	Note	Year ended 2014 £'000	Year ended 2013 £'000
Net cash used in operating activities	9	(2,149)	(1,245)
Investing activities			
Interest received		15	-
Purchases of property, plant and equipment		(187)	(58)
Purchases of patents and trademarks		(567)	(400)
Capitalisation of research and development costs		(1,061)	(906)
Acquisition of overseas trade and assets		-	(1,272)
Deferred consideration		-	(53)
Net cash used in investing activities		(1,800)	(2,689)
Financing activities			
Loans (paid)/received		(2,449)	1,949
Proceeds on issue of shares		13,414	1,948
Interest paid		(530)	(171)
Net cash from financing activities		10,435	3,726
Net increase/(decrease) in cash and cash equivalents		6,486	(208)
Cash and cash equivalents at beginning of year		309	477
Effect of foreign exchange rate changes		(232)	40
Cash and cash equivalents at end of year		6,563	309

1. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and IFRIC interpretations. Therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Basis of consolidation

The consolidated financial statements incorporate the results and net assets of the Group and entities controlled by the Group (its subsidiaries) made up to 30 April each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to results of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Merger accounting

In October 2013 when Kromek Group Plc was included as the new ultimate parent entity as part of a Group reconstruction arrangement, the reconstructed Group was consolidated using merger accounting principles as outlined in Financial Reporting Standard 6 ('FRS') Acquisitions and Mergers (UK) and treated the reconstructed Group as if it had always been in existence.

The Company has taken advantage of merger relief available under Companies Act 2006 in respect of the share for share exchange as the issuing company has secured more than 90% equity in the other entity. The carrying value of the investment is carried at the nominal value of the shares issued.

Going concern

The Board of Directors' has confidence that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the annual report and financial statements.

The Group has no external debt and at the statement of financial position date had £6m of cash reserves. The Group prepares forecasts which show, taking into account reasonably possible changes in trading performance, that it has sufficient resources to settle all of its liabilities as they fall due.

Business combinations

The Group financial statements consolidate those of the Company and its subsidiary undertakings. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial information of subsidiaries is included from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.

1. Significant accounting policies (continued)

Acquisitions on or after 1 May 2010

For acquisitions on or after 1 May 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, the negative goodwill is recognised immediately in profit or loss.
Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes and comprises:

i) Sale of goods

The Group's income derives from the sale of goods and from the research and development contracts which are typically with government agencies. Revenue on product sales is recognised when the risk and reward of ownership pass to the customer. The terms of sale are agreed with each customer on an individual basis, which are generally when the goods are dispatched to the carrier. Revenue from research and development contracts is recognised as revenue in the accounting period in which the milestones are achieved.

ii) Long-term contracts

The Group reflects revenue from long-term contracts by reference to the stage of completion of the contract activity at the statement of financial position date. Revenue and profits are determined by estimating the outcome of the contract and determining the costs and profit attributable to the stage of completion. Any expected contract loss is recognised immediately.

iii) Exclusivity contracts

The Group reflects exclusivity payments as revenue at the point that it contractually agrees to become exclusive. Where terms of exclusivity require performance the Group reflects the revenue as performance is delivered.

1. Significant accounting policies (continued)

iv) Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Development costs

These capitalised assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment as at the transition date and thereafter for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist, such as negative cash flows and operating losses of subsidiaries. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of acquired intangible assets

Acquisitions may result in identifiable intangible assets such as customer relationships, supplier relationships, licences and technology being recognised. These are valued by professional valuation firms, using discounted cash flow methods which require the application of certain key judgments and estimates are required to be made in respect of discount rates and future cash flows.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

i) Development costs

Development costs are capitalised in accordance with the accounting policy noted above. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone.

ii) Impairment of goodwill

The Group determines whether goodwill is impaired on at least an annual basis or more frequently when there are indications of possible impairment. The impairment review requires a value in use calculation of the cash-generating units to which the goodwill is allocated. In estimating the value in use, management is required to make an estimate of the expected future cash flows attributable to the cash-generating unit and to choose an appropriate discount rate to calculate the present value of those cash flows. The carrying amount of goodwill at 30 April 2014 was £1,275k (2013: £1,275k).

3. Revenue

An analysis of the group's revenue is as follows:

	Year ended 2014 £'000	Year ended 2013 £'000
Continuing operations		
Sales of goods and other services	5,329	2,691
Other revenue	643	-
Total revenue	**5,972**	**2,691**
Grant income	229	-
Insurance claims	-	25
Other income	490	-
Total income	6,691	2,716

4. Operating segments

Products and services from which reportable segments derive their revenues

For management purposes, the Group is organised into two business units (USA and UK) and it is on these operating segments that the Group is providing disclosure.

The chief operating decision maker is the Board of Directors who assess performance of the segments using the following key performances indicators; revenues, gross profit and operating profit. The amounts provided to the Board with respect to assets and liabilities are measured in a way consistent with the Financial Statements.

The turnover, profit on ordinary activities and net assets of the Group are attributable to one business segment, i.e. the development of digital colour x-ray imaging enabling direct materials identification, as well as developing a number of detection products in the industrial and consumer markets.

Analysis by geographical area

A geographical analysis of the Group's revenue by destination is as follows:

	2014 £'000	2013 £'000
United Kingdom	**385**	85
North America	**3,416**	1,240
Asia	**1,089**	1,165
Europe	**1,054**	199
Australasia	**28**	2
Total revenue	**5,972**	2,691

4. Operating segments (continued)

A geographical analysis of the Group's revenue by origin is as follows:

Year ended 30 April 2014

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	1,832	3,764	5,596
-Other revenue		643	643
Total sales by segment	1,832	4,407	6,239
Removal of inter-segment sales	(10)	(257)	(267)
Total external sales	1,822	4,150	5,972
Segment result – operating loss	(3,143)	(637)	(3,780)
Interest received	15	-	15
Interest expense	(530)	-	(530)
Loss before tax	(3,658)	(637)	(4,295)
Tax credit	1,106	-	1,106
Loss for the year	(2,552)	(637)	(3,189)
ADJUSTED EBITDA	(2,526)	43	(2,483)
Other segment information			
Property, plant and equipment additions	98	89	187
Depreciation of PPE	364	373	737
Intangible asset additions	1,230	398	1,628
Amortisation of intangible assets	253	307	560
Statement of financial position			
Total assets	15,290	6,790	22,080
Total liabilities	(3,649)	(695)	(4,344)

4. Operating segments (continued)

Year ended 30 April 2013

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	1,548	1,343	2,891
Removal of inter-segment sales	-	(200)	(200)
Total external sales	1,548	1,143	2,691
Segment result – operating loss	(3,407)	(495)	(3,902)
Interest received	-	-	-
Interest expense	(148)	(23)	(171)
Gain on a bargain purchase	2,417	-	2,417
loss before tax	(1,138)	(518)	(1,656)
Tax credit	765	248	1,013
Loss for the year	(373)	(270)	(643)
ADJUSTED EBITDA	(2,909)	(282)	(3,191)
Other segment information			
Property, plant and equipment additions	58	2,222	2,280
Depreciation of PPE	346	101	447
Intangible asset additions	1,298	2,114	3,412
Amortisation of intangible assets	152	112	264
Statement of financial position			
Total assets	8,370	6,800	15,170
Total liabilities	(5,108)	(2,035)	(7,143)

Inter-segment sales are charged at prevailing market prices.
No other additions of non-current assets have been recognised during the year other than property, plant and equipment, and intangible assets.
No impairment losses were recognised in respect of property, plant and equipment and goodwill.

4. Operating segments (continued)

Revenues from major products and services

The Group's revenues from its major products and services were as follows:

	2014 £'000	2013 £'000
Product revenue	**4,746**	1,786
Research and development revenue	**1,226**	905
Consolidated revenue (excluding investment revenue)	**5,972**	2,691

Information about major customers

Included in revenues arising from US operations are revenues of approximately £1,249k (2013: £899k) which arose from sales to the Group's largest customer.

5. Tax

Recognised in the income statement

	2014 £'000	2013 £'000
Current tax credit:		
UK corporation tax on losses in the year	**696**	767
Adjustments in respect of previous years	**-**	(2)
Foreign taxes paid	**(1)**	(1)
Total current tax	**695**	764
Deferred tax:		
Origination and reversal of timing differences	**411**	201
Adjustment in respect of previous years	**-**	48
Total deferred tax	**411**	249
Total tax credit in income statement	**1,106**	1,013

Corporation tax is calculated at 22.83% (2013: 23.92%) of estimated taxable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions**.**

5. Tax (continued)

Reconciliation of tax credit

The charge for the year can be reconciled to the profit in the income statement as follows:

	2014	2013
	£'000	£'000
Loss before tax	**4,295**	1,656
Tax at the UK corporation tax rate of 22.83% (2013: 23.92%)	**981**	396
Expenses not deductible for tax purposes	**(57)**	(14)
Effect of R&D	**791**	195
Rate differences effect of R&D	**(727)**	-
Negative goodwill non-taxable write-off	**-**	578
Income not taxable	**155**	
Unrecognised movement on deferred tax	**(360)**	(248)
Effects of overseas tax rates	**323**	60
Adjustments in respect of previous periods	**-**	46
Total tax credit for the year	**1,106**	1,013

Deferred tax liabilities of £1,329k (2013: £1,612k) arose on the acquisition of eV Products Inc during the year ended 30 April 2014. There are no tax items charged to other comprehensive income.

The Finance Act 2013 enacted a rate reduction in the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. As there is no UK deferred tax recognised there is no impact on the tax provisions reported in these accounts.

There is a potential deferred tax asset on excess tax deductions arising from share based payments on exercise of share options of £1,147k (2013: £1,420k). The asset has not been recognised as it is not considered probable that there will be future profits available.

6. Dividends

The directors do not recommend the payment of a dividend (2013: £nil).

7. Losses per share

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

Losses

	2014 £'000	2013 £'000
Losses for the purposes of basic and diluted losses per share being net losses attributable to owners of the Group	**(3,189)**	(643)

Number of shares	Year ended 2014 Number	Year ended 2013 Number
Weighted average number of ordinary shares for the purposes of basic losses per share	**61,870,643**	7,572,337
Effect of dilutive potential ordinary shares:		
Share options	**5,080,789**	341,429
Weighted average number of ordinary shares for the purposes of diluted losses per share	**66,951,432**	7,913,766

	2014 p	2013 p
Basic and diluted	**(5)**	(8)
Adjusted basic and diluted	**(5)**	(40)

Due to the Group having losses in each of the years, the fully diluted loss per share for disclosure purposes, as shown in the income statement, is the same as for the basic loss per share.

8. Deferred tax liabilities

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

	Revaluation of intangibles £'000	Accelerated capital allowances £'000	Short term timing differences £'000	Tax losses £'000	Total £000
At 1 May 2013	1,765	441	(74)	(588)	1,544
Charge/(credit) to profit or loss	(307)	186	57	(346)	(410)
At 30 April 2014	1,458	627	(17)	(934)	1,134

8. Deferred tax liabilities (continued)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2014 £'000	2013 £'000
Deferred tax liabilities	2,085	2,206
Deferred tax assets	(951)	(662)
	1,134	1,544

At the statement of financial position date, the Group has unused tax losses of £12,075k (2013: £9,869k) available for offset against future profits. A deferred tax asset has been recognised in respect of £3,845K (2013: £2,220k) of such losses. No deferred tax asset has been recognised in respect of the remaining £8,230K (2013: £7,650k) as it is not considered probable that there will be future taxable profits available. All losses may be carried forward indefinitely subject to a significant change in the nature of the Group's trade with US losses having a maximum life of 20 years.

9. Notes to the cash flow statement

	2014 £'000	2013 £'000
Loss for the year	(3,189)	(643)
Adjustments for:		
Finance income	(15)	-
Finance costs	530	171
Income tax credit	(1,106)	(1,013)
Depreciation of property, plant and equipment	737	447
Amortisation of intangible assets	560	264
Negative goodwill released to income statement	-	(2,417)
Share-based payment expense	125	122
Operating cash flows before movements in working capital	(2,358)	(3,069)
Increase in inventories	(291)	(284)
Increase in receivables	(386)	(625)
Increase in payables	120	1,374
Cash used in operations	(2,915)	(2,604)
Income taxes received	766	1,359
Net cash used in operating activities	(2,149)	(1,245)

Cash and cash equivalents

	2014 £'000	2013 £'000
Cash and bank balances	6,563	309

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.