7 December 2016

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

Interim Results

Kromek (AIM: KMK), a radiation detection technology company focusing on the medical, security and nuclear markets, announces its interim results for the six months ended 31 October 2016.

Financial Highlights

- Revenue up 19% to £3.8m (H1 2015/16: £3.2m)
- Gross margin was 53% (H1 2015/16: 53%)
- Loss before tax reduced by 41% to £1.8m (H1 2015/16: £3.0m)
- EBITDA was £0.7m loss (H1 2015/16: £2.3m loss)
- Cash and cash equivalents at 31 October 2016 were £3.8m* (30 April 2016: £3.9m; 31 October 2015: £7.5m*)

  **Including £1.5m working capital draw down under the RCF (£1.0m at 31 October 2015)*

Operational Highlights

- Product sales accounted for 74% of total revenue (H1 2015/16: 57%) as some of the R&D programmes moved to full commercialisation phase
- ***Medical Imaging***
  - Commenced delivering on $12.6m five-year OEM contract to develop and supply detectors for Bone Mineral Densitometry ("BMD") diagnostics systems, which was won in H2 2015/16
  - Entered into two-year agreement, worth $560k, to supply CZT-based gamma radiation detectors with an existing medical customer
  - Post period, awarded repeat contracts worth $1.2m by three current OEM customers, all worldwide producers and exporters of BMD diagnostics systems, that were double the size of their previous orders
- ***Nuclear Detection***
  - Completed delivery of initial 10,000 portable nuclear radiation detector D3S units ("D3S") to the Defense Advanced Research Projects Agency ("DARPA"), an agency of the U.S. Department of Defense ("US DoD")
  - Received $1.6m award from Defense Threat Reduction Agency ("DTRA"), another agency of the US DoD, to develop a ruggedised high performance isotope radiation detector capable of use in military and other harsh environments
  - Other significant contracts awarded include; one with the UK Ministry of Defence for the supply of nuclear radiation detection products and another to extend the development and delivery of nuclear radiation detection devices for a major civil nuclear partner
  - Good progress made under three-year, collaborative R&D programme with Canberra, an established provider and market leader in nuclear instrumentation
- ***Security Screening***
  - Contract won from an Asian airport group, a new customer, for delivery and installation of the Group's bottle scanners
  - Contract won for components for screening systems from an existing customer
  - OEM customer that achieved US Transportation Security Agency ("TSA") certification for their screening system last year is gearing up to move into full commercial deployment of its next generation baggage screening product
- ***Research and Development***
  - 9 new patents granted and 5 new patent applications filed during the period

Dr Arnab Basu, CEO of Kromek, said: "We are pleased to report another period of strong operational progress, continuing the momentum from the previous year as we executed on the significant contracts won in all of our three markets of medical imaging, nuclear detection and security screening. We saw high growth in the number of products sold compared with the same period last year and, equally important, a number of R&D programmes have moved into full commercialisation phase.

"Looking ahead, we have entered the second half with significant visibility over revenue in excess of 85% of full year market expectations. Overall, our products continue to gain commercial traction in all of our business segments with new customers as well as deepening our relationships with existing customers. This underpins the management team's belief in the sustained growth of the business and commercial traction resulting from the increasing adoption of CZT-based technology and other products. Consequently, the Board looks to the future with confidence."

This announcement contains inside information

Enquiries

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Arnab Basu, CEO, and Derek Bulmer, CFO, will be hosting a presentation for analysts at 12.30pm GMT at the offices of Luther Pendragon, Second Floor, 48 Gracechurch Street, London, EC3V 0EJ.

About Kromek Group plc

Kromek Group plc is a UK technology Group (global HQ in County Durham) and a leading developer of high performance radiation detection products based on cadmium zinc telluride ("CZT") and related technologies. 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.

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 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. Further information on Kromek Group is available at www.kromek.com.

Overview

Kromek had another half of strong operational progress continuing the momentum of the previous year as it executed on the significant contracts won in each of its three markets of Medical Imaging, Nuclear Detection and Security Screening. In addition, it continued to win multi-year contracts as the Group's customers moved from their R&D phase to launching commercial products into the market.

Revenue increased by 19% to £3.8m compared with the previous interim period (H1 2015/16: £3.2m). Revenue generated from product sales accounted for 74% of total sales compared with 57% in the equivalent period last year. Gross margins were consistent at 53%. Kromek continued to maintain tight cost control on the fixed cost base of the Group's administrative expenses (including operating expenses).

In the first half of the year, the underlying sales growth was driven by Medical Imaging and Nuclear Detection whilst Security Screening added a new customer for its bottle scanners in Asia. In Nuclear Detection, Kromek successfully delivered the first 10,000 D3S units to DARPA, and in Medical Imaging, the Group secured multiple new contracts and commenced delivery on a large BMD contract won towards the end of H2 2015/16.

Operational Review

Medical Imaging

Kromek made good progress in the Medical Imaging sector as it commenced delivering on the $12.6m, five-year contract, it won in H2 2015/16 with a long-standing OEM customer in the BMD market. Kromek's detector modules, which are incorporated into the customers' systems, produce some of the most accurate imaging to diagnose the strength and health of bones. This allows clinicians to accurately detect, monitor and treat osteoporosis in patients. Post period, the Group was awarded repeat contracts by three of its current OEM customers to supply its CZT-based detector modules. These contracts were double in size compared with the customers' previous orders.

During the period, the Group also entered an agreement for the supply of CZT-based gamma radiation detectors with an existing medical customer with a minimum value of $560k over the two-year agreement.

The Group continued to make progress under its contract signed in 2014 for the development and delivery of CZT-based SPECT modules for an established manufacturer of x-ray diagnostics and analysis equipment in China.

Nuclear Detection

In Nuclear Detection, Kromek successfully completed the delivery of an initial 10,000 D3S units in support of DARPA's SIGMA programme. The SIGMA programme is aimed at preventing attacks involving radiological "dirty bombs" and other nuclear threats in the US and globally.

DARPA conducted a demonstration at one of the Port Authority of New York and New Jersey's major transportation hubs, which saw more than a 100-fold increase in ability to locate and identify sources of radiation compared with currently installed systems. Recently, DARPA also successfully completed a large-scale test deployment of detectors in Washington, D.C. As recently announced by DARPA, it is planning to demonstrate SIGMA's full city and regional-scale, continuous wide-area monitoring capability in 2017 and to transition the operational system to local, state and federal entities in 2018.

In further interaction with the US defence agencies, Kromek was awarded a $1.6m two-year agreement by the DTRA, subject to final contract, to build on, and further enhance, the Group's technology platform to develop a ruggedised high performance isotope radiation detector capable of use in military and other harsh environments.

Other significant contracts won during the period included a $430k contract with the UK Ministry of Defence for the supply of nuclear radiation detection products. Further, there was an extension to an existing contract to develop and deliver nuclear radiation detection devices for a major civil nuclear partner amounting to $278k.

Also in the first half, Kromek made good progress with its three-year, collaborative R&D programme with Canberra, an established provider and market leader in nuclear instrumentation.

Security Screening

Kromek continued to build on the work carried out during the previous years with global security groups for the supply of OEM components for baggage screening products for aviation security. One of Kromek's OEM customers that achieved TSA certification for their screening system last year is gearing up to move into commercial deployment of its next generation baggage screening product.

The Group was also awarded a contract for bottle scanners from an Asian airport group that is a new customer, and a second contract for components for screening systems was won from an existing customer.

Research and Development

Kromek continued to invest in R&D to maintain its position as a market leader in the provision of advanced radiation detection solutions. This investment was with regards to both technology development and enhancements in addition to continuously innovating to achieve attractive product price points for the target markets. This approach ensures the Group can continue to attract and deliver on accelerated customer programmes, such as DARPA's SIGMA programme and, more recently, the DTRA programme. During the period, the Group was granted 9 new patents and filed 5 new patent applications.

Financial Review

During the six-month period to 31 October 2016 revenue increased by 19% to £3.8m (H1 2015/16: £3.2m) with product sales across Nuclear Detection and Medical Imaging being a key contributor to the growth in the period.

The Group continued to develop its revenue streams derived from product sales over the period as summarised in the table below:

Revenue Mix	**H1 2016/17**		**H1 2015/16**		**Full year 2015/16**	
	£'000	**% share**	**£'000**	**% share**	**£'000**	**% share**
Product	2,782	*74%*	1,805	*57%*	5,432	*65%*
R&D	991	*26%*	1,373	*43%*	2,910	*35%*
Total	**3,773**		**3,178**		**8,342**	

Gross margin was consistent with prior periods at 53%.

The Group's administrative expenses (including operating expenses) decreased by £0.9m (20%) to £3.7m (H1 2015/16: £4.6m) in the period. This decrease consisted of £0.6m due to cost reduction exercises adopted by the Group (offset by an increase in depreciation and amortisation of £0.4m), and £0.7m foreign exchange gain due to favourable movements in the strength of the USD as explained by the following table:

	£'m
Balance sheet and working capital conversion	1.2
Impact on cost conversion on Kromek USA	(0.5)
Net foreign exchange impact to 31 October 2016	**0.7**

The gain noted in the table above is the position at the half year. This net gain could largely unwind in the second half, and thus for the full year, should the value of the US dollar remain strong against the pound.

The EBITDA loss reduced during the period to £0.7m (H1 2015/16: £2.3m loss), with the loss before tax at £1.8m (H1 2015/16: £3.0m loss). EBITDA is calculated as per the following table:

	H1 2016/17 (Unaudited)	H1 2015/16 (Unaudited)	Full Year 2015/16 (Audited)
	£'000	**£'000**	**£'000**
Loss before tax	**(1,810)**	**(3,044)**	**(4,143)**
Adjustments:-			
Net interest	7	26	83
Depreciation	379	335	709
Amortisation	692	365	828
EBITDA	(732)	(2,318)	(2,523)
Share-based payments	96	91	166
Other income	-	(5)	(19)
Adjusted EBITDA	**(636)**	**(2,232)**	**(2,376)**

The £1.6m improvement in EBITDA in H1 2016/17 compared with H1 2015/16 is summarised by:

- £0.3m of additional gross profit generated from higher revenues;
- £0.6m cost reductions; and
- £0.7m net gains from naturally hedged foreign exchange on US operations.

Investment in product development was £1.7m (H1 2015/16: £1.3m) reflecting the commitment to invest for future growth of the business, capture the market opportunity with new and enhanced products, and to meet the demands of accelerated customer programmes. The USD expenditure on product development has also been impacted by a stronger USD during the period.

Cash and cash equivalents at 31 October 2016 were £3.8m (30 April 2016: £3.9m; 31 October 2015: £7.5m (net £6.5m)), which included the utilisation of £1.5m from the revolving credit facility (RCF) to support working capital movements towards the end of the half-year period. The net decrease in cash and cash equivalents excluding the £1.5m drawdown of the RCF in the six months to 31 October 2016 was £1.6m. This consists largely of the EBITDA loss of £0.7m, investment in development costs of £1.7m, partly offset by the receipt of the R&D tax credit of £0.9m (relating to the year ended 30 April 2016). The Group can draw up to a maximum of £3m from the RCF based upon levels of inventory and trade debtors.

Outlook

The Group is making good progress on the delivery of $35.5m of new orders won over the past 18 months, which provides good revenue visibility for the current financial year as well as the next. The Group already has significant visibility over revenue accounting for more than 85% of market expectations for full year 2016/17.

The management team expects to benefit from the increasing trend amongst the Group’s customers to launch next generation CZT-based products into the market. The majority of anticipated sales in the second half of the year are expected to be in Medical Imaging and Nuclear Detection – with revenue from the BMD and SPECT contracts signed over the past 12 months and further delivery on existing OEM and DARPA contracts.

Overall, the Group's products continue to gain traction in all its business segments with Kromek winning new customers as well as strengthening its relationships with existing customers. The momentum of contract wins provides significant visibility of revenue. This underpins the management team’s belief in the sustained growth of the business and commercial traction resulting from the increasing adoption of CZT-based technology and other products. Consequently, the Board looks to the future with confidence.

Kromek Group plc
Consolidated condensed income statement
For the six months ended 31 October 2016

	Note	Six months ended 31 October 2016 £'000 (Unaudited)	Six months ended 31 October 2015 £'000 (Unaudited)	Year ended 30 April 2016 £'000 (Audited)
Continuing operations				
Revenue	4	3,773	3,178	8,342
Cost of sales		(1,786)	(1,503)	(3,913)
Gross profit		1,987	1,675	4,429
Other operating income		-	5	19
Distribution costs		(106)	(84)	(181)
Administrative expenses (including operating expenses)		(3,684)	(4,614)	(8,327)
Operating loss		(1,803)	(3,018)	(4,060)
Finance income		-	1	1
Finance costs		(7)	(27)	(84)
Loss before tax		(1,810)	(3,044)	(4,143)
Tax	5	317	662	1,992
Loss from continuing operations		(1,493)	(2,382)	(2,151)
Losses per share				
-basic and diluted (£)	7	(1.0p)	(2.0p)	(1.5p)

Kromek Group plc
Consolidated condensed statement of comprehensive income
For the six months ended 31 October 2016

	Six months ended 31 October 2016 £'000 (Unaudited)	Six months ended 31 October 2015 £'000 (Unaudited)	Year ended 30 April 2016 £'000 (Audited)
Loss for the period	(1,493)	(2,382)	(2,151)
Exchange (losses)/gains on translation of foreign operations	770	(22)	156
Total comprehensive loss for the period	(723)	(2,404)	(1,995)

Kromek Group plc
Consolidated condensed statement of financial position
For the six months ended 31 October 2016

	Note	31 October 2016 £'000 (Unaudited)	31 October 2015 £'000 (Unaudited)	30 April 2016 £'000 (Audited)
Non-current assets				
Goodwill		**1,275**	1,275	1,275
Other intangible assets		**13,201**	9,822	11,222
Property, plant and equipment	8	**4,050**	3,948	3,974
		18,526	15,045	16,471
Current assets				
Inventories		**3,174**	2,295	2,810
Trade and other receivables		**3,868**	4,046	5,159
Current tax assets		**210**	1,605	811
Cash and bank balances		**3,803**	7,485	3,857
		11,055	15,431	12,637
Total assets		**29,581**	30,476	29,108
Current liabilities				
Trade and other payables		**(4,028)**	(4,182)	(4,445)
Finance lease liabilities		**-**	(20)	(9)
Borrowings		**(1,500)**	(1,006)	-
		(5,528)	(5,208)	(4,454)
Net current assets		**5,527**	10,223	8,183
Non-current liabilities				
Finance lease liabilities		**-**	-	-
Deferred tax liabilities		**-**	(1,098)	-
Total liabilities		**(5,528)**	(6,306)	(4,454)
Net assets		**24,053**	24,170	24,654
Equity				
Share capital	10	**1,539**	1,522	1,522
Share premium account		**44,493**	44,484	44,484
Capital redemption reserve		**1,175**	1,175	1,175
Translation reserve		**842**	(106)	72
Retained earnings		**(23,996)**	(22,905)	(22,599)
Total equity		**24,053**	24,170	24,654

Kromek Group plc
Consolidated condensed statement of changes in equity
For the six months ended 31 October 2016

	Equity attributable to equity holders of the Group					
	Share Capital £'000	**Share Premium Account £'000**	**Capital Redemption Reserve £'000**	**Translation Reserve £'000**	**Retained Earnings £'000**	**Total £'000**
Balance at 1 May 2016	**1,522**	**44,484**	**1,175**	**72**	**(22,599)**	**24,654**
Loss for the period	-	-	-	-	(1,493)	**(1,493)**
Other comprehensive income for the period	-	-	-	770	-	**770**
Total comprehensive loss for the period	-	-	-	770	(1,493)	**(723)**
Issue of share capital net of expenses	17	-	-	-	-	**17**
Premium on shares issued less expenses	-	9	-	-	-	**9**
Credit to equity for equity-settled share based payments	-	-	-	-	96	**96**
Balance at 31 October 2016	**1,539**	**44,493**	**1,175**	**842**	**(23,996)**	**24,053**
Balance at 1 May 2015	1,082	34,643	1,175	(84)	(20,614)	**16,202**
Loss for the period	-	-	-	-	(2,382)	**(2,382)**
Other comprehensive income for the period	-	-	-	(22)	-	**(22)**
Total comprehensive loss for the period	-	-	-	(22)	(2,382)	**(2,404)**
Issue of share capital net of expenses	440	-	-	-	-	**440**
Premium on shares issued less expenses	-	9,841	-	-	-	**9,841**
Credit to equity for equity-settled share based payments	-	-	-	-	91	**91**
Balance at 31 October 2015	**1,522**	**44,484**	**1,175**	**(106)**	**(22,905)**	**24,170**
Balance at 1 May 2015	1,082	34,643	1,175	(84)	(20,614)	**16,202**
Loss for the year	-	-	-	-	(2,151)	**(2,151)**
Other comprehensive income for the period	-	-	-	156	-	**156**
Total comprehensive loss for the year	-	-	-	156	(2,151)	**(1,995)**
Issue of share capital net of expenses	440	9,841	-	-	-	**10,281**
Credit to equity for equity-settled share based payments	-	-	-	-	166	**166**
Balance at 30 April 2016	**1,522**	**44,484**	**1,175**	**72**	**(22,599)**	**24,654**

Kromek Group plc
Consolidated condensed statement of cash flows
For the six months ended 31 October 2016

	Note	Six months ended 31 October 2016 £'000 (Unaudited)	Six months ended 31 October 2015 £'000 (Unaudited)	Year ended 30 April 2016 £'000 (Audited)
Net cash generated from/(used in) operating activities	9	**799**	(2,333)	(2,845)
Investing activities				
Interest received		**-**	1	1
Purchases of property, plant and equipment		**(128)**	(96)	(444)
Purchases of patents and trademarks		**(115)**	(171)	(320)
Capitalisation of research and development costs		**(1,665)**	(1,296)	(2,819)
Net cash used in investing activities		**(1,908)**	(1,562)	(3,582)
Financing activities				
Loans paid		**-**	-	(1,003)
Loans received		**1,500**	-	-
Proceeds on issue of shares		**26**	10,281	10,281
Payment of finance lease liabilities		**-**	(9)	(9)
Interest paid		**(7)**	(28)	(84)
Net cash generated from financing activities		**1,519**	10,244	9,185
Net increase in cash and cash equivalents		**410**	6,349	2,758
Cash and cash equivalents at beginning of period		**3,857**	1,183	1,183
Effect of foreign exchange rate changes		**(464)**	(47)	(84)
Cash and cash equivalents at end of period		**3,803**	7,485	3,857

1. Basis of preparation

This interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditors reported on the Kromek Group plc financial statements for the year ended 30 April 2016; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Group's consolidated annual financial statements for the year ended 30 April 2016 have been filed with the Registrar of Companies and are available on the Group's website www.kromek.com.

The accounting policies used in this interim financial report are consistent with International Financial Reporting Standards. Except for the amortisation of capitalised development expenditure, the same accounting policies, presentation and methods of computation are followed in this condensed set of financial statements as applied in the Group's latest annual audited financial statements other than standards, amendments and interpretations which became effective after 1 May 2016 and were adopted by the Group. These have had no significant impact on the Group's result for the period or its equity.

Following the Amended Clarification of Acceptable Methods of Amortisation effective for annual accounting periods beginning on or after 1 January 2016, the Group now amortise the capitalised development costs on a straight-line basis over a period 3-15 years rather than against product sales directly relating to the development expenditure. Provision is made for any impairment.

The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

This interim report for the period ending 31 October 2016 was approved by the Board of Directors on 6 December 2016.

2. Going concern

The directors are satisfied that the Group has sufficient resources and facilities to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

3. Interim report

This interim financial report will be available from the Group's website at www.kromek.com.

4. Business and geographical segments

Products and services from which reportable segments derive their revenues

For management purposes, the Group is organised into two business units (UK and USA) 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 performance 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:

	Six months ended 31 October 2016 £'000 (Unaudited)	**Six months ended 31 October 2015 £'000 (Unaudited)**	**Year ended 30 April 2016 £'000 (Audited)**
United Kingdom	**425**	201	688
North America	**2,202**	2,379	5,468
Asia	**991**	447	1,940
Europe	**144**	151	246
Australasia	**11**	-	-
Total revenue	**3,773**	3,178	8,342

4. Business and geographical segments (continued)

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

Six months ended 31 October 2016

	UK Operations	USA Operations	Total for Group
	£'000	£'000	£'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	2,611	1,288	3,899
-Revenue from grants	80	-	80
-Revenue from contract customers	32	530	562
Total sales by segment	2,723	1,818	4,541
Removal of inter-segment sales	(299)	(469)	(768)
Total external sales	2,424	1,349	3,773
Segment result – operating loss	(505)	(1,298)	(1,803)
Net interest	(7)	-	(7)
Loss before tax	(512)	(1,298)	(1,810)
Tax credit	317	-	317
Loss for the year	(195)	(1,298)	(1,493)
Other information			
Property, plant and equipment additions	74	55	128
Depreciation of property, plant and equipment	162	217	379
Intangible asset additions	787	993	1,780
Amortisation of intangible assets	448	244	692
Balance Sheet			
Total assets	19,197	10,384	29,581
Total liabilities	(5,348)	(180)	(5,528)

Inter-segment sales are charged at prevailing market prices.

No impairment losses were recognised in respect of property, plant and equipment and goodwill.

4. Business and geographical segments (continued)

Six months ended 31 October 2015

	UK Operations	**USA Operations**	**Total for Group**
	£'000	**£'000**	**£'000**
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	1,817	884	2,701
-Revenue from grants	148	-	148
-Revenue from contract customers	357	213	570
Total sales by segment	2,322	1,097	3,419
Removal of inter-segment sales	(151)	(90)	(241)
Total external sales	2,171	1,007	3,178
Segment result – operating loss	(1,221)	(1,797)	(3,018)
Net interest	(25)	(1)	(26)
Loss before tax	(1,246)	(1,798)	(3,044)
Tax credit	662	-	662
Loss for the period	(584)	(1,798)	(2,382)
Other information			
Property, plant and equipment additions	122	14	136
Depreciation of property, plant and equipment	148	187	335
Intangible asset additions	860	602	1,462
Amortisation of intangible assets	187	178	365
Balance Sheet			
Total assets	24,214	6,262	30,476
Total liabilities	(3,984)	(2,322)	(6,306)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of the share of profits of associates, central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

5. Tax

The Group has recognised R&D tax credits of £210k (six months ended 31 October 2015: £603k) for the six months ended 31 October 2016.

Deferred tax liabilities were £nil (six months ended 31 October 2015: £59k) for the six months ended 31 October 2016.

6. Dividends

The directors do not recommend the payment of a dividend (six months ended 31 October 2015: £nil).

7. Losses per share

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

Losses

	Six months ended 31 October 2016 £'000 (Unaudited)	Six months ended 31 October 2015 £'000 (Unaudited)	Year ended 30 April 2016 £'000 (Audited)
Losses for the purposes of basic earnings per share being net profit attributable to owners of the Group	**(1,493)**	(2,382)	(2,151)

	Six months ended 31 October 2016 '000 (Unaudited)	Six months ended 31 October 2015 '000 (Unaudited)	Year ended 30 April 2016 '000 (Audited)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic losses per share	**153,285**	125,525	141,337
Effect of dilutive potential ordinary shares:			
Share options and warrants	**3,746**	5,489	6,249
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**157,031**	131,014	147,586
Basic and diluted (£)	**(1.0p)**	(2.0p)	(1.5p)

Due to the Group having losses in each of the periods, 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. Property, plant and equipment

During the six months ended 31 October 2016, the Group acquired property, plant and equipment with a cost of £128k (six months ended 31 October 2015: £136k).

9. Notes to the cash flow statement

	Six months ended 31 October 2016 £'000 (Unaudited)	Six months ended 31 October 2015 £'000 (Unaudited)	Year ended 30 April 2016 £'000 (Audited)
Loss for the period	**(1,493)**	(2,382)	(2,151)
Adjustments for:			
Finance income	**-**	(1)	(1)
Finance costs	**7**	27	84
Income tax credit	**(317)**	(662)	(1,992)
Government grants credit	**-**	-	(15)
Depreciation of property, plant and equipment	**379**	335	709
Amortisation of intangible assets	**692**	365	828
Share-based payment expense	**96**	91	166
Operating cash flows before movements in working capital	**(636)**	(2,227)	(2,372)
Increase in inventories	**(364)**	(192)	(707)
Decrease/(increase) in receivables	**1,291**	43	(1,070)
(Decrease)/increase in payables	**(417)**	43	302
Cash used in operations	**(126)**	(2,333)	(3,847)
Income taxes received	**925**	-	1,002
Net cash generated from/(used in) operating activities	**799**	(2,333)	(2,845)

10. Share capital

During the six-month period to 31 October 2015, 44,012,792 ordinary shares were issued because of the successful placing agreement of 36,000,000 new ordinary shares, and open offer of 8,012,792 new ordinary shares, which raised £10.3m net proceeds. No such transaction has taken place in the six-month period to 31 October 2016.

During the period, 1,675,000 ordinary shares (six months ended 31 October 2015: nil) were issued because of the exercise of employee share options.

11. Related party transactions

During the period M Robinson, a former director, charged the Group £44k (six months ended 31 October 2015: £44k) for consultancy fees. At the period end the Group owed M Robinson £7k (six months ended 31 October 2015: £7k). This amount was included within trade payables at the period end.

11. Related party transactions (continued)

During the period Arnab Basu, a director, purchased 800,000 (six months ended 31 October 2015: nil) ordinary shares of the Group in the open market.

During the period Derek Bulmer, a director, purchased nil (six months ended 31 October 2015: 40,000) ordinary shares of the Group in the open market.

12. Events after the balance sheet date

There are no significant or disclosable post-balance sheet events.