kromek
detect image identify

14 January 2015

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

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 2014.

Financial Highlights

- Revenue increased 33% to £3.2m (H1 2013/14: £2.4m)
- Adjusted EBITDA* improved to £1.6m loss (H1 2013/14: £2.0m loss)
- Loss before tax was £2.3m (H1 2013/14: £2.5m loss)
- Gross margin** was 70% (H1 2013/14: 61%)
- Loss per share was 1p (H1 2013/14: 9p loss)
- Cash and cash equivalents at 31 October 2014 were £2.86m (30 April 2014: £6.56m; 31 October 2013: £9.96m), with no debt and the Company expects to be EBITDA positive for the second half of the current financial year

*Adjusted EBITDA eliminates non-recurring other income, share-based payment expenses. See 'Financial Review' below for a reconciliation of adjusted EBITDA.
**As with prior periods, gross margin is calculated before labour and overhead recovery.

Operational Highlights

- Progress achieved across all of Kromek's target sectors of medical imaging, nuclear detection and security screening, with increased sales of the Company's product portfolio while developing products and enhancing customer engagements in medical CT, SPECT and portable networkable radiation detectors
- Revenue growth as a result of higher nuclear and security product sales and US Government contracts, and supplemented by contracts with OEMs in medical imaging and sale of bottle scanners
- Successfully progressed to second year of exclusive development programme in medical CT market with a top four global OEM
- Awarded significant new opportunity by US Defense Advanced Research Projects Agency ("DARPA") with project to develop advanced portable detection system for gamma and neutron radiation that can be combined in large networks
- Key contracts won in US and UK with US Defense Threat Reduction Agency ("DTRA") and Innovate UK
- Significant contract awarded for providing bottle scanner technology to a number of airports in Asia. Over 40 airports in 10 countries now using Kromek bottle scanners
- Doubled cadmium zinc telluride ("CZT") crystal manufacturing capacity by expanding in UK, and demonstrated ability to rapidly scale up production by successfully replicating the manufacturing process previously being conducted only in US
- 10 new patents were granted and 18 new patent applications were filed during the period

Post-Period Developments

- Awarded a number of significant contracts across the business:
    - $1.0m contract extension by leading global security company for developing CZT-based detectors for medical and nuclear markets, including homeland security
    - First contract from another global security technology group and market leader in security solutions
    - Further contract by existing customer for OEM components for baggage screening
    - First contract from a leading global healthcare and diagnostics company for development of bone mineral densitometry ("BMD") applications

    - Additional $1.1m contract by DARPA, as announced today, for enhancing the continued development of advanced networkable radiation detectors
- Nine patents were granted post period

Dr Arnab Basu, CEO of Kromek, said: “We are pleased to report another half year of growth against the comparative period as a result of sustained progress in Kromek’s product portfolio approach whilst advancing our strategy of becoming the preferred component supplier to major OEMs in CT and SPECT and in the supply of network sensors in nuclear markets. This has been achieved both by establishing new partnerships and strengthening our existing relationships.

“Looking ahead, investment in enhancing our sales and marketing function is resulting in increased interest in Kromek’s products and technology from a greater number of companies and organisations. We continue to be subject to fluctuations in the timing of certain contracts and revenue recognition as well as the impact of seasonality, with the procurement cycle of many customers resulting in sales being weighted to the second half of the current financial year. Despite this, the Company remains confident that it can deliver in excess of 100% revenue growth from the first half to second half of the current financial year. Additionally, the Company expects to be EBITDA positive for the second half of this year.”

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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.

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 a hundred full time employees across its global operations. Further information on Kromek Group is available at www.kromek.com.

Overview

Kromek is pleased to report another period of revenue growth. In the first half of 2014/15 revenue increased by 33% to £3.2m (H1 2013/14: £2.4m) with an improvement in adjusted EBITDA to £1.6m loss compared with £2.0m loss in H1 2013/14.

The Company has continued to establish its position as a key supplier of CZT detection systems both to commercial and government customers globally. The growth in sales provides the revenue base which, combined with the funds raised through the IPO, gives the Company confidence in achieving its expected transition to profitability as well as representing an important corroboration of both the effectiveness and applicability of its platform. Kromek's revenue growth to date has been due to an increase in the number and size of funded development projects, small OEM supply contracts and the sale of its portfolio of products in its three target sectors of medical imaging, nuclear detection and security screening. As stated previously, the Company believes that its largest opportunities are in the three areas of Computerised Tomography ("CT"), Single Photon Emission Computed Tomography ("SPECT") and portable advanced radiation detectors where its proprietary technologies bring important and differentiated performance advantages. The Company continues to make good progress with product development and in its engagement with the major OEMs serving these markets.

The Company's customers are currently going through new product development cycles to replace older technologies with new detector technologies to bring about a step change in image quality and end-user system functionality. The markets for these improved systems are substantial and potential revenue in each product line is very large. As these new products come to market, Kromek expects to be a key supplier of finished, high-value components that will have been designed into the end product. The management of Kromek believe that, given the existing market reach and penetration of the Company's partners, there is potential for very rapid and profitable growth as their new products are deployed, although the timing remains dependent on these partners.

Specifically, in the case of CT and SPECT, the introduction of new products to the market by OEMs is, as previously indicated, likely to be in at least 18-24 months' time.

A positive development during the period was the addition of a significant new opportunity in the area of portable sensors with the contract from DARPA. The programme is aimed at developing an advanced and widely deployable detection system for gamma and neutron radiation. This system is expected to have superior price-performance to anything that is available today and can be combined into very large-scale networks, thereby improving the early detection of threat materials of various kinds. The Company is becoming increasingly confident that the opportunity with advanced detector systems is meaningful and achievable within the next 18 months.

Operational Review

Medical Imaging
The Company continued to work under its mutually exclusive contract with a top four global OEM in the CT market for developing and supplying CZT-based multispectral (colour) detectors for producing high resolution colour X-Ray images by CT scanners. The current development and prototyping phase is worth up to $5.3m. Based on sustained progress towards meeting the aims of the development programme, the OEM confirmed its decision to progress to the second year of the programme and awarded Kromek a $1.0m exclusivity payment for this next stage.

During the period, Kromek was granted contracts worth £150,000 from Innovate UK (formerly the Technology Strategy Board), an executive non-departmental public body sponsored by the UK Government's Department for Business, Innovation & Skills, to develop an enhanced detection system for breast imaging in conjunction with the UK's Centre for Process Innovation, which is due for delivery in 2015. Following the successful collaboration on these, and other, projects, Innovate UK awarded Kromek, post-period end, a further contract, worth approximately £0.2m, for an 18-month programme for the development of a novel radiation detector for the medical and nuclear markets.

Post-period end, the Company continued to grow its sales in the medical industry, including approximately $0.4m attributable to BMD applications. This includes a contract from a leading global healthcare and diagnostics company for the first phase of a project to incorporate the Company's detector modules into their diagnostics systems. In addition, Kromek has received further contracts from two of its existing OEM customers for CZT-based detector modules for BMD applications.

Nuclear Detection

During the fiscal year to date, Kromek has signed two new contracts for a total value of $3.8m ($2.7m during the period) with the US Department of Defense ("US DoD"). The Company was awarded up to $1.23m for a 12-month programme with DARPA to develop an advanced portable detection system for gamma and neutron radiation that can be combined in large networks, providing information on radiation signatures over an extended area. Post-period, this contract was supplemented by a further $1.1m from DARPA, which signifies the customer's confidence in Kromek as a strong solution provider. Kromek also secured a two-year $1.45m contract with DTRA for the design, manufacture and optimisation of high sensitivity, next generation, solid state detectors for the homeland security radiation detection market. The project has progressed well and is achieving the target milestones.

The Company continued to work under, and successfully completed, the first phase of a contract with a leading global security company, which provides innovative systems, products and solutions to government and commercial customers worldwide, to design CZT-based detectors and ASICs for nuclear safeguard markets. This resulted, post-period end, in Kromek being awarded a $1.0m contract extension to focus on the delivery of the new ASICs and detectors as well as the testing and characterisation of detector modules.

Security Screening

In the security screening market, Kromek was awarded a significant contract for providing its advanced bottle scanner technology to a number of airports in Asia. This initial contract, worth $620,000, has been delivered in the current financial year and represents entry into a new geographical market that the Company believes offers considerable scope for future growth. As a result, Kromek now supplies its technology to over 40 airports in 10 countries worldwide.

Kromek has also expanded its customer base with the award, post-period end, of its first contract from another global security technology group. Additionally, the Company won a new contract worth approximately $0.25m for the supply of OEM components for a baggage screening product for aviation security.

R&D and Doubling of Manufacturing Capacity

During the period, Kromek reached an important milestone as it successfully replicated in the UK the manufacturing processes that had previously been utilised in the US, which will enable a doubling of the Company's production capacity by April 2015. This is a validation of the robustness and scalability of Kromek's crystal-growth technology. Equally, it demonstrates the Company's ability to rapidly scale up manufacturing in more than one site. In addition, as a result of this, Kromek has significantly reduced the supply chain risk for its customers. This growth in capacity was achieved in a capital efficient manner, making fullest use of the UK Government's Regional Growth Fund programme.

Kromek continued to invest in R&D to maintain its position as a leader in the provision of CZT-based radiation detection solutions with regards to both technology and cost. During the period, the Company was awarded 10 new patents and filed 18 new patent applications, with an additional nine patents being granted post-period.

Financial Review

The financial performance for the first half saw growth in revenue whilst tight control was maintained over the cost base. Revenue increased 33% to £3.2m for the first half compared with £2.4m for the same period of the previous year. The revenue growth was generated from nuclear and security product sales, and supplemented by government contracts and sales to OEMs in the medical imaging sector and sales of bottle scanners.

During the period, the Company signed two contracts with US DoD divisions DARPA and DTRA worth a combined $2.7m. Kromek started to recognise revenue from these contracts during the second quarter.

Further, Kromek received its second $1.0m non-refundable exclusivity payment from a top four OEM in the CT market as it entered the second year of the project. This payment is part of a programme that comes under Kromek's mutually exclusive development contract worth up to $5.3m. The development programme with this top four OEM is progressing as planned.

Gross margin, before labour and overhead recovery, increased to 70% for the six months to 31 October 2014 (H1 2013/14: 61%) due to the level and mix of government contracts and product sales. Underlying product profitability is in line with expectations.

The Company's loss before interest, tax, depreciation and amortisation (EBITDA), excluding non-recurring other income and share-based payment expenses, was £1.6m compared with a loss of £2.0m for the first half of 2013/14. Loss before tax was reduced to £2.3m compared with a loss of £2.5m in the same period of the previous year.

Adjusted EBITDA is calculated as per the following table:

	H1 2014/15	H1 2013/14	Full Year 2013/14
	£'000	**£'000**	**£'000**
PBT	**(2,289)**	**(2,481)**	**(4,295)**
Adjustments:-			
Net interest	(16)	513	515
Depreciation	355	404	737
Amortisation	296	135	560
EBITDA	(1,654)	(1,429)	(2,483)
Share-based payments	92	55	125
Other income	-	(649)	(649)
Adjusted EBITDA	**(1,562)**	**(2,023)**	**(3,007)**

Cash and cash equivalents at 31 October 2014 were £2.86m (30 April 2014: £6.56m; 31 October 2013: £9.96m), with no debt. Given that there is no requirement for significant capital expenditure and that the Company expects to be EBITDA positive in the second half of the current fiscal year, the Company considers that it has sufficient funds for the foreseeable future as it continues to grow.

Outlook

Kromek expects to achieve a higher rate of revenue growth for the remainder of the year and into next year, primarily through expansion in the number and scope of customer-funded development projects. This will be augmented by direct sales of both end-user and component-level products for OEMs. The Company has invested in additional sales and marketing resources and is receiving increased interest in its products and technology from a greater number of companies and organisations. Whilst the development timelines for major OEM and government projects are quite long, the future revenue opportunities appear to be substantial. The Company continues to make significant progress in the development of its materials technology platform and the related electronic and software capabilities. These developments, protected by patents and other IP wherever possible, should enable Kromek to add considerable value to its OEM partner programs. As Kromek's partners' new product development programs mature, the Company's revenues should benefit accordingly, along with the overall visibility and predictability of its revenue projections.

Whilst the increasing order book and a strong pipeline provides the Company with improved visibility going forward, dealing with government agencies and OEMs makes it difficult to predict the exact timing of some of the contracts. Despite this, the Company remains confident that it can deliver in excess of 100% growth from the first half to second half of the current financial year and achieve positive EBITDA during the second six months. Whilst the exact timing of specific contracts remains uncertain, the underlying revenues that the Company is achieving combined with tight cost controls mean that the IPO funds can bring it to profitability. The Company has sufficient funds and is well-placed to capitalise on the large and growing opportunities that it continues to develop.

The Company believes that its technology capabilities will continue to attract blue chip partners that will continue to fund the development of innovative solutions tied to their own future product lines. Kromek's ability to manufacture CZT detector solutions at an economic cost will allow for mainstream adoption over the next few years, which promises to enable a fundamental shift in the market, allowing better images and more accurate detection, with lower energy doses and faster cycle times. The Board of Kromek remains confident in the ability of the Company to achieve these longer-term goals while continuing to grow from the revenue base that has now been established.

Kromek Group plc
Consolidated condensed income statement
For the six months ended 31 October 2014

	Note	Six months ended 31 October 2014 £'000 (Unaudited)	Six months ended 31 October 2013 £'000 (Unaudited)	Year ended 30 April 2014 £'000 (Audited)
Continuing operations				
Revenue	4	3,165	2,372	5,972
Cost of sales		(949)	(924)	(2,101)
Gross profit		2,216	1,448	3,871
Other operating income		-	649	719
Distribution costs		(119)	(39)	(144)
Administrative expenses (including operating expenses)		(4,402)	(4,026)	(8,226)
Operating loss		(2,305)	(1,968)	(3,780)
Finance income		16	-	15
Finance costs		-	(513)	(530)
Loss before tax		(2,289)	(2,481)	(4,295)
Tax	5	499	648	1,106
Loss from continuing operations		(1,790)	(1,833)	(3,189)
Losses per share				
-basic and diluted (£)	7	(0.01)	(0.09)	(0.05)

Kromek Group plc
Consolidated condensed statement of comprehensive income
For the six months ended 31 October 2014

	Six months ended 31 October 2014 £'000 (Unaudited)	**Six months ended 31 October 2013 £'000 (Unaudited)**	**Year ended 30 April 2014 £'000 (Audited)**
Loss for the period	(1,790)	(1,833)	(3,189)
Exchange gains/(losses) on translation of foreign operations	162	(303)	(641)
Total comprehensive losses for the period	(1,628)	(2,136)	(3,830)

Kromek Group plc
Consolidated condensed statement of financial position
For the six months ended 31 October 2014

	Note	Six months ended 31 October 2014 £'000 (Unaudited)	Six months ended 31 October 2013 £'000 (Unaudited)	Year ended 30 April 2014 £'000 (Audited)
Non-current assets				
Goodwill		1,275	1,275	1,275
Other intangible assets		7,686	6,373	6,965
Property, plant and equipment	8	3,467	2,597	2,285
		12,428	10,245	10,525
Current assets				
Inventories		2,330	1,836	2,389
Trade and other receivables		3,057	1,276	1,907
Current tax assets		449	1,234	696
Cash and bank balances		2,864	9,961	6,563
		8,700	14,307	11,555
Total assets		21,128	24,552	22,080
Current liabilities				
Trade and other payables		(3,802)	(3,865)	(3,210)
Current tax liabilities		-	(1)	-
Current				
		(3,802)	(3,866)	(3,210)
Net current assets		4,898	10,441	8,345
Non-current liabilities				
Deferred tax		(1,093)	(1,364)	(1,134)
Total liabilities		(4,895)	(5,230)	(4,344)
Net assets		16,233	19,322	17,736
Equity				
Share capital	10	1,082	1,074	1,080
Share premium account		34,643	34,580	34,612
Capital redemption reserve		1,175	1,175	1,175
Translation reserve		(320)	(144)	(482)
Retained earnings		(20,347)	(17,363)	(18,649)
Total equity		16,233	19,322	17,736

Kromek Group plc
Consolidated condensed statement of changes in equity
For the six months ended 31 October 2014

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 2014	1,080	34,612	1,175	(482)	(18,649)	17,736
Loss for the period	-	-	-	-	(1,790)	(1,790)
Translation of foreign subsidiaries	-	-	-	162	-	162
Total comprehensive income/(losses) for the period	-	-	-	162	(1,790)	(1,628)
Issue of new shares	2	-	-	-	-	2
Premium on shares issued less expenses	-	31	-	-	-	31
Credit to equity for equity-settled share based payments	-	-	-	-	92	92
Balance at 31 October 2014	**1,082**	**34,643**	**1,175**	**(320)**	**(20,347)**	**16,233**
Balance at 1 May 2013	1,175	22,278	-	159	(15,585)	8,027
Loss for the period	-	-	-	-	(1,833)	(1,833)
Translation of foreign subsidiaries	-	-	-	(303)	-	(303)
Total comprehensive income/(losses) for the period	-	-	-	(303)	(1,833)	(2,136)
Share reorganisation	780	(780)	-	-	-	-
Share buyback	(1,175)	-	1,175	-	-	-
Issue of new shares	294	-	-	-	-	294
Premium on shares issued less expenses	-	13,082	-	-	-	13,082
Credit to equity for equity-settled share based payments	-	-	-	-	55	55
Balance at 31 October 2013	**1,074**	**34,580**	**1,175**	**(144)**	**(17,363)**	**19,322**
Balance at 1 May 2013	1,175	22,278	-	159	(15,585)	8,027
Loss for the year	-	-	-	-	(3,189)	(3,189)
Translation of foreign subsidiaries	-	-	-	(641)	-	(641)
Total comprehensive income/(losses) for the year	-	-	-	(641)	(3,189)	(3,830)
Premium on shares issued less 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 condensed statement of cash flows
For the six months ended 31 October 2014

	Note	**Six months ended 31 October 2014 £'000 (Unaudited)**	**Six months ended 31 October 2013 £'000 (Unaudited)**	**Year ended 30 April 2014 £'000 (Audited)**
Net cash from operating activities	9	**(1,384)**	(92)	(2,149)
Investing activities				
Interest received		**16**	-	15
Purchases of property, plant and equipment		**(1,396)**	-	(187)
Purchases of patents and trademarks		**(299)**	(39)	(567)
Capitalisation of research and development costs		**(744)**	(327)	(1,061)
Net cash used in investing activities		**(2,423)**	(366)	(1,800)
Financing activities				
Loans repaid		**-**	(2,449)	(2,449)
Proceeds on issue of shares		**33**	13,375	13,414
Interest paid		**-**	(513)	(530)
Net cash from financing activities		**33**	10,413	10,435
Net (decrease)/ increase in cash and cash equivalents		**(3,774)**	9,955	6,486
Cash and cash equivalents at beginning of period		**6,563**	309	309
Effect of foreign exchange rate changes		**75**	(303)	(232)
Cash and cash equivalents at end of period		**2,864**	9,961	6,563

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 accounts for the year ended 30 April 2014; 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 2014 have been filed with the Registrar of Companies and are available on the Company's website www.kromek.com.

The accounting policies used in this interim financial report are consistent with International Financial Reporting Standards. 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 2014 and were adopted by the Group. These have had no significant impact on the Group's result for the period or its equity.

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 2014 was approved by the Board of Directors on 13 January 2015.

2. Going concern

The directors are satisfied that the Group has sufficient resources 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

The interim report and the interim announcement 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 2014 £'000 (Unaudited)	**Six months ended 31 October 2013 £'000 (Unaudited)**	**Year ended 30 April 2014 £'000 (Audited)**
United Kingdom	**165**	261	385
North America	**2,221**	1,371	3,416
Asia	**723**	477	1,089
Europe	**35**	242	1,054
Australasia	**21**	21	28
Total revenue	**3,165**	2,372	5,972

4. Business and geographical segments (continued)

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

Six months ended 31 October 2014

	UK Operations	USA Operations	Total for Group
	£'000	£'000	£'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	1,195	3,153	4,348
-Other revenue	-	608	608
Total sales by segment	1,195	3,761	4,956
Removal of inter-segment sales	(197)	(1,594)	(1,791)
Total external sales	998	2,167	3,165
Segment result – operating loss	(2,159)	(146)	(2,305)
Interest received	16	-	16
Loss before tax	(2,143)	(146)	(2,289)
Tax credit	499	-	499
Loss for the year	(1,644)	(146)	(1,790)
Other information			
Property, plant and equipment additions	1,278	118	1,396
Depreciation of PPE	154	201	355
Intangible asset additions	665	300	965
Amortisation of intangible assets	134	162	296
Balance Sheet			
Total assets	14,127	7,001	21,128
Total liabilities	(3,781)	(1,114)	(4,895)

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 2013

	UK Operations £'000	USA Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	580	1,219	1,799
-Other revenue	-	643	643
Total sales by segment	580	1,862	2,442
Removal of inter-segment sales	(17)	(53)	(70)
Total external sales	563	1,809	2,372
Other operating income			
Legal settlements	490	-	490
Grants received	159	-	159
Segment result – operating loss	(1,412)	(556)	(1,968)
Interest expense	(513)	-	(513)
Loss before tax	(1,925)	(556)	(2,481)
Tax (charge)/credit	467	181	648
Loss for the year	(1,458)	(375)	(1,833)
Other information			
Property, plant and equipment additions	-	-	-
Depreciation of PPE	149	255	404
Intangible asset additions	274	92	366
Amortisation of intangible assets	76	59	135
Balance Sheet			
Total assets	16,870	7,682	24,552
Total liabilities	(4,318)	(912)	(5,230)

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 £457,483 (six months ended 31 October 2013: £467,512) for the six months ended 31 October 2014.

Deferred tax liabilities have been reduced by £41,410 (six months ended 31 October 2013: £180,504) for the six months ended 31 October 2014 as a result of fair value amortisation of Group entities.

6. Dividends

The directors do not recommend the payment of a dividend (six months ended 31 October 2013: £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 2014 £'000 (Unaudited)	Six months ended 31 October 2013 £'000 (Unaudited)	Year ended 30 April 2014 £'000 (Audited)
Losses for the purposes of basic earnings per share being net profit attributable to owners of the Company	**(1,790)**	(1,833)	(3,189)

	Six months ended 31 October 2014 '000 (Unaudited)	Six months ended 31 October 2013 '000 (Unaudited)	Year ended 30 April 2014 '000 (Audited)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	**108,056**	16,982	61,871
Effect of dilutive potential ordinary shares:			
Share options and warrants	**5,822**	4,015	5,081
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**113,878**	20,997	66,952
Basic and diluted (£)	**(0.01)**	(0.09)	(0.05)

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 2014, the Group acquired property, plant and equipment with a cost of £1,396k (six months ended 31 October 2013: £nil).

9. Notes to the cash flow statement

	Six months ended 31 October 2014 £'000 (Unaudited)	Six months ended 31 October 2013 £'000 (Unaudited)	Year ended 30 April 2014 £'000 (Audited)
Loss for the period	**(1,790)**	(1,833)	(3,189)
Adjustments for:			
Finance income	**(16)**	-	(15)
Finance costs	**-**	513	530
Income tax credit	**(499)**	(648)	(1,106)
Depreciation of property, plant and equipment	**355**	404	737
Amortisation of intangible assets	**296**	135	560
Share-based payment expense	**92**	55	125
Operating cash flows before movements in working capital	**(1,562)**	(1,374)	(2,358)
Decrease/(increase) in inventories	**58**	262	(291)
(Increase)/decrease in receivables	**(665)**	426	(386)
Increase in payables	**81**	594	120
Cash used in operations	**(2,088)**	(92)	(2,915)
Tax received	**704**	-	766
Net cash from operating activities	**(1,384)**	(92)	(2,149)

10. Share capital

During the period 293,455 ordinary shares (six months ended 31 October 2013: 0 shares) were issued as a result of the exercise of employee share options.

11. Related party transactions

During the period M Robinson, a director, charged the Group £36,000 for consultancy fees. At the period end the Group owed M Robinson £7,324 (six months ended 31 October 2013: £7,315). This amount was included within trade payables at the period end.

During the period Charlotta Ginman, a director, purchased 37,527 ordinary shares of the company.

12. Events after the balance sheet date

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