27 June 2019

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

Final Results

Kromek (AIM: KMK), a worldwide supplier of detection technology focusing on the medical, security screening and nuclear markets, announces its final results for the year ended 30 April 2019.

Financial Highlights

- Revenue increased 23% to £14.5m (2017/18: £11.8m)
- Product sales accounted for 83% of total revenues (2017/18: 81%), representing a 25% increase in value
- Gross margin improved to 57.2% (2017/18: 56.4%)
- Adjusted EBITDA* increased fourfold to £2.0m (2017/18: £0.5m)
- Loss before tax for the year reduced to £1.3m (2017/18: £2.5m loss)
- Cash and cash equivalents at 30 April 2019 were £20.6m (30 April 2018: £9.5m), following a successful fundraising of £21.0m during the second half of the year

**Adjusted EBITDA defined as earnings before interest, taxation, depreciation, amortisation, other income and share-based payments. For a reconciliation, see the Financial Review below.*

Operational Highlights

- Milestone year with growth driven by SPECT products in medical imaging and D3S platform in nuclear detection – and delivered key target of increasing adjusted EBITDA
- Increasing commercial traction across Kromek's portfolio of product families with the award of high-value, multi-year contracts from commercial and large government customers worldwide giving greater visibility
- Successfully commenced operations from new high-volume manufacturing facility in US following relocation to purpose-built premises in Pittsburgh to cater for increased demand in medical imaging
- Fundraise in second half enables the Group to significantly expand future capacity and efficiencies in US and UK manufacturing
- 11 new patents were filed and 16 were granted during the year

Medical Imaging

- Awarded a significant contract, expected to be worth a minimum of $58.1m over a seven-year period, by an existing OEM customer to provide CZT detectors and associated advanced electronics to be used in state-of-the-art medical imaging systems
- New OEM customer in the nuclear medicine instrumentation market awarded a $700k contract to be delivered over 18 months
- Received repeat orders from customers in the Bone Mineral Densitometry and gamma detection markets
- Continued to advance towards full clinical validation of Kromek's CZT-based SPECT detector system

Nuclear Detection

- D3S platform sold in 18 countries across Europe and Asia as well as in the US
- Awarded a $1.8m contract by DTRA for two-year project to develop ruggedised, small form-factor D3S platform for military use
- Awarded a $2.0m contract by DARPA to develop, over a 12-month period, a proof-of-concept device for a vehicle-mounted biological-threat identifier – Kromek's first contract for biological threat detection
- Secured a new nuclear security OEM customer with a three-year contract worth at least $1.4m
- Won several new customers in the civil nuclear sector, including the Spanish Army, and added new distributors in Europe and Asia

Security Screening

- Awarded a two-year $1.5m contract by the US Department of Homeland Security to develop CZT detector modules for commercial off-the-shelf detectors for advanced X-ray systems for passenger baggage screening
- Won a new five-year $7.8m contract from an existing OEM customer to provide customised detector modules for incorporation in baggage screening products
- Received a $2.7m order expansion under five-year security screening contract, increasing the total value to a minimum of $5.8m

Dr Arnab Basu, CEO of Kromek, said: “This was a milestone year for Kromek as we delivered on all of our objectives, including our key target of growing adjusted EBITDA. We made progress across our business segments as we continued to execute on previously-signed agreements as well as win new, multi-year contracts from commercial and large government customers worldwide. We significantly strengthened the foundations of our business with the successful relocation of our US operations to a new purpose-built facility, and raised £21m to enhance our UK and US manufacturing capabilities and to support expansion in our key growth areas of SPECT in medical imaging and our D3S products in nuclear detection.

“Looking ahead, we entered the 2019/20 fiscal year in a stronger position than ever before. With the increasing market adoption of customers' next-generation products that incorporate our radiation detection solutions, we are receiving increasing demand from existing customers as well as interest from potential customers – and we are well-placed to capitalise on these opportunities. The momentum of new contract wins has continued, providing us with greater visibility over revenue. As a result, we are confident of delivering growth for full year 2019/20, in line with market expectations, and continue to look to the future with confidence.”

For further information, please contact:

Kromek Group plc
Arnab Basu, CEO +44 (0)1740 626 060
Derek Bulmer, CFO

Cenkos Securities plc (Nominated Adviser and Broker)
Max Hartley (NOMAD) +44 (0)20 7397 8900
Julian Morse (Sales)

Luther Pendragon Ltd (PR)
Harry Chathli +44 (0)20 7618 9100
Claire Norbury
Alexis Gore
Joe Quinlan

Arnab Basu, CEO, and Derek Bulmer, CFO, will be hosting a presentation for analysts at 9.00am BST today at the offices of Luther Pendragon, 48 Gracechurch Street, London, EC3V 0EJ.

About Kromek Group plc

Kromek Group plc is a technology group (global HQ in County Durham) and a leading developer of high performance radiation detection products based on cadmium zinc telluride (“CZT”) and other advanced technologies. Using its core technology platforms, 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 radiation detector materials 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 and https://twitter.com/kromekgroup.

Overview

This was a milestone year for Kromek as the Group delivered on all of its objectives, including the key target of growing adjusted EBITDA. For the full year, revenue increased by 23% to £14.5m (2017/18: £11.8m) and adjusted EBITDA grew fourfold to £2.0m (2017/18: £0.5m). In particular, the Group successfully delivered its largest second half of revenue in its history, which was in excess of £10m. This progress was based on Kromek continuing to execute on previously-signed agreements as well as winning new customers, new contracts and repeat orders across its target markets, with growth driven by increasing adoption of the Group's next-generation molecular imaging single photon emission computed tomography ("SPECT") products in medical imaging and the D3S family of products in nuclear detection. It also reflects the increasing commercialisation of Kromek's technology, with product sales accounting for 83% of total revenue (2017/18: 81%), representing growth in value of 25%. Kromek was also awarded one of its most significant contracts to date, expected to be worth a minimum of $58.1m over a seven-year period, to provide cadmium zinc telluride ("CZT") detectors and associated advanced electronics to be used in state-of-the-art medical imaging systems.

During the year, Kromek significantly strengthened the foundations of the business and ability to deliver on future growth with the successful relocation of its US operations to a new facility that has been purpose-built for high-volume manufacturing of world-class medical imaging products. This was furthered in the second half of the year via a placing and open offer raising £21m to support the growth of the medical imaging business and sales and marketing of the D3S platform. In addition, the fundraise strengthens the balance sheet to provide flexibility to address and capitalise on identified and future opportunities as they emerge.

Medical Imaging

Kromek made significant commercial progress in the medical imaging markets during the year: delivering on previously-won orders, receiving repeat orders from existing customers as well as securing new contracts with new customers across its key segments of SPECT, bone mineral densitometry ("BMD") and gamma probes.

As noted, during the year, Kromek secured one of its most significant contracts to date, both from a strategic and monetary perspective. The contract, which is from an existing OEM customer, is expected to be worth a minimum of $58.1m over a seven-year period. Kromek will provide the customer with CZT detectors and associated advanced electronics to be used in its state-of-the-art medical imaging systems.

Kromek is receiving significant interest in its SPECT products as the market continues to grow, led by the major OEMs, such as GE Healthcare, championing nuclear medical imaging and recognising CZT as key to their next-generation systems. During the year, Kromek advanced towards achieving clinical validation of its CZT-based SPECT detector system under the contract signed in 2014 with an established manufacturer of X-ray diagnostics and analysis equipment, which the Group's management believe will significantly enhance the identification and management of diseases such as cancer and Parkinson's. Kromek was also awarded a $700k order from a new OEM customer, to be delivered over 18 months, to supply CZT detectors to be used to build next-generation nuclear medical instrumentation.

In the BMD segment, which is used for the detection of osteoporosis, Kromek was awarded a repeat contract by an existing OEM customer to provide CZT-based detectors for the customer's existing product line. The contract, which was worth $340k, was delivered during the year.

In the gamma probes segment, which are used for radio guided surgery, Kromek secured a long-term repeat order from an existing medical customer for the supply of gamma detector modules for incorporation in the customer's products. The contract, which covers a five-year period, is worth $1.2m.

Nuclear Detection

Kromek's flagship D3S platform consists of a family of products designed to cater for the varying demands of homeland security. The D3S-ID is a wearable and concealable Radioisotope Identification Device (RIID) gamma neutron detector for immediate area detection. The D3S-NET builds on the features of the D3S-ID by adding a networked solution, with each device acting as a building block for wide area mapping on a remotely-hosted server. The recently launched D3S-PRD has the same hardware as the D3S-ID, but is a more cost-effective device without some of the specialised reporting functionality of the D3S-ID and is designed for first-line users. The D3S Drone uses an unmodified D3S gamma neutron radiation detector plugged into a custom-built transmission unit, which allows it to communicate at up to ten kilometres to a base station.

During the year, Kromek continued to increase sales of its D3S products. This was supported by the expansion, following the successful fundraise, of the D3S distribution network and sales team. As a result, the D3S family of products is sold in 18 countries worldwide.

The D3S platform was used in active deployments and field-tests in multiple locations of strategic importance and high risk across the US, Asia and Europe. With some of these multi-year trials approaching a successful conclusion, this activity is expected to translate to product and system-level sales in the future.

This included continued deployment and field-testing in major areas in the US by the Defense Advanced Research Projects Agency ("DARPA"), an agency of the US Department of Defense, under its SIGMA programme, and by other agencies. The D3S platform was also used by the Belgian Federal Police (Airport Unit), supported by the European Commission Counter Terrorism Unit of the Directorate General for Home Affairs, during the July 2018 NATO Summit in Brussels.

In addition, the D3S platform was selected by the European Commission's Directorate-General for Migration and Home Affairs, working alongside security authorities in Belgium, Luxembourg, The Netherlands and Spain, under a new initiative to allow the law enforcement authorities to validate new and emerging technologies for homeland protection. Deployment commenced post period and over the next 12 months, the European Commission will use the D3S-ID and D3S Drone radiation detectors for the protection of public spaces across multiple European locations covering high risk venues such as airports, train stations and other public areas.

Kromek was awarded a $1.8m contract by the Defense Threat Reduction Agency ("DTRA"), an agency of the US Department of Defense, to develop a next-generation, ruggedised small form factor D3S for use by the US military to identify radioactive threats in combat environments. The project, which is scheduled to be delivered over a two-year period, is progressing ahead of schedule as customer demand is accelerating development towards commercialisation.

Also during the year, Kromek was awarded a contract by DARPA, as part of its new SIGMA+ initiative, to develop a proof-of-concept vehicle-mounted device capable of detecting and identifying pathogens used in a biological attack at significantly higher speeds compared with current systems. This represents the Group's first contract for biological-threat detection, which expands on its existing capabilities in radiological and nuclear threat detection. Development work under the contract commenced, which is progressing on track. The contract is worth $2.0m over a twelve-month period and could potentially be extended to a multi-year contract for the development of a fully-deployable system.

In the nuclear markets, Kromek's portfolio also includes a range of high resolution detectors and measurement systems used for civil nuclear applications, primarily in nuclear power plants and research. During the year, this area of business continued to grow as expected, as the Group won several new customers, including the Spanish Army and a new OEM customer. The contract with the new OEM customer, which is for the supply of CZT detectors, is worth at least $1.4m and will be delivered over a three-year period, with minimum annual volumes for each year. We also added new distributors in Europe and Asia for our civil nuclear portfolio.

Security Screening

In security screening, the regulatory framework in Europe regarding explosive detection systems for cabin baggage (EDSCB), overseen by the European Civil Aviation Conference, is focused on increasing safety as well as convenience and efficiency for passengers. This includes installing equipment that is sufficiently sophisticated to allow passengers to keep their liquids and laptops inside their cabin baggage when passing through security, which is driving OEMs to adopt technologies such as Kromek's to meet these higher performance standards. Kromek also provides OEM components for hold luggage scanning.

During the year, Kromek received an order expansion under its five-year contract that was awarded in 2017 by a US-based OEM customer that is an emerging global leader in homeland security. The order expansion increased the total value of the contract by at least 90% to a minimum of $5.8m over the five years, with the additional $2.7m relating to the orders for the third and fourth years of the contract.

An existing OEM customer that is a leading company in X-ray imaging systems awarded Kromek a new five-year supply contract worth a minimum of $7.8m. The contract is for the customisation of current technologies and CZT detector modules and supply for the baggage security screening market.

The Group was also awarded a $1.5m two-year contract by the US Department of Homeland Security to develop CZT detector modules for commercial off-the-shelf detectors for advanced X-ray systems for passenger baggage screening. This award reflects Kromek's established relationship with the US government for developing next-generation radiation detection solutions for national defence and security applications.

Manufacturing Facilities and R&D

During the year, Kromek relocated its US operations to a new purpose-built premises near Pittsburgh, Pennsylvania. The facility offers a world-class platform upon which to build next-generation CZT-based molecular imaging SPECT cameras and other medical imaging products. The building, under a 20-year lease, also provides a significantly more efficient facility, is in a preferable location for attracting talent and enhances transport connectivity. It also allows for further capacity expansion, which, combined with the Group's fundraising, will enable the delivery of the anticipated growth in medical imaging – which has already been evidenced by the award of the significant seven-year $58.1m contract – and provides a strong basis on which to strengthen this part of the business.

Following the fundraising, Kromek also invested in expanding capacity at its UK manufacturing facility as well as significantly increasing process automation in both the UK and US. With greater automation, the Group will expand throughput capacity as well as improve efficiencies. These improvements are intended to be implemented in a phased manner over the course of this current financial year.

R&D efforts focused on two key areas: the continued development and enhancement of products and platform technologies that form elements of Kromek's product roadmap and to enable the Group to maintain its leading market position; and, importantly, value engineering to increase cost efficiencies to enable the Group to offer competitively priced products whilst maintaining margins. During the year, 11 new patents were filed and 16 patents were granted.

Kromek worked on both externally and internally funded R&D activities, with the proportion continuing to transition away from externally funded R&D projects as its technologies are increasingly commercialised. Investment in R&D is expected to remain at a steady level over the next few years as the Group seeks to maintain its commercial advantage.

Financial Review

Kromek achieved year-on-year revenue growth of 23% and a fourfold increase in adjusted EBITDA resulting in loss before tax being reduced to £1.3m (2017/18: £2.5m loss). The balance sheet has been strengthened following the placing and open offer in February 2019 where the Group raised funds of £19.8m net of expenses.

During the year, three new accounting standards were adopted: IFRS 15 'Revenue from Contracts with Customers'; IFRS 16 'Leases' (early adopted); and IFRS 9 'Financial Instruments'. The impact of these standards is described below.

Revenue

The Group achieved total revenue growth of 23% to £14.5m (2017/18: £11.8m), which was driven by higher sales across both product and R&D revenue activities. Product sales grew by 25% to £12.1m (2017/18: £9.6m), which accounted for 83% of total revenue (2017/18: 81%) and revenue from R&D contracts grew by 14% to £2.5m (2017/18: £2.2m), as detailed in the table below:

Revenue Mix	**2018/19**		**2017/18**	
	£'000	**% share**	**£'000**	**% share**
Product	12,060	83%	9,611	81%
R&D	2,457	17%	2,234	19%
Total	**14,517**		**11,845**	

The continued year-on-year growth in product sales reflects further traction with the D3S, SPECT and BMD products as Kromek delivered on the supply of multi-year contracts that have been announced over recent months and years.

The new revenue standard IFRS 15 'Revenue from Contracts with Customers' came into mandatory effect for the Group during 2018/19. However, following a comprehensive review, this mandatory change in the Group's revenue recognition policy has not materially impacted the value of revenue that would have been recognised under the former revenue standards, IAS 18 Revenue and IAS 11 Construction Contracts, in 2018/19 or during 2017/18.

Gross Margin

The year-on-year increase in revenue resulted in growth of gross profit to £8.3m (2017/18: £6.7m). Due to a similar revenue mix, the margin remained relatively static year-on-year, with a slight improvement to 57.2% (2017/18: 56.4%).

Administration Costs

Administration costs and operating expenses increased by £0.2m to £9.0m (2017/18: £8.8m). This increase is the net result of:

- £0.8m additional costs resulting from the impact of foreign exchange fluctuations on consolidation and revaluations of working capital balances (a weaker average Pound to US Dollar ratio during 2018/19 compared with 2017/18);
- £0.2m costs being reallocated from administration costs to finance costs as required under the new accounting standard IFRS 16 'Leases' (see note 2 in the consolidated financial statements below); and
- general cost savings of £0.4m made throughout 2018/19.

IFRS 16

As detailed in the Group's Interim Results announcement on 14 January 2019, the Group has adopted the new accounting standard, IFRS 16 'Leases', and is accounting for its existing leases in accordance with this standard.

Mandatory adoption of IFRS 16 comes into effect for the Group for the accounting period ending 30 April 2020, and, therefore, the Group has decided to early adopt this standard to best reflect the new 20-year lease for the US facility. This adoption applies to the accounting of all four existing property leases of the Group.

In accordance with IFRS 16, right of use (ROU) assets representing the present value of future lease payments have been recognised on the face of the balance sheet at 30 April 2019 totalling £4.0m (30 April 2018: nil). Corresponding liabilities have also been recognised on the face of the balance sheet, which are split between amounts due within one year and amounts due after more than one year: at 30 April 2019 these liabilities totalled £4.2m (30 April 2018: nil). For more information on IFRS 16, see the notes to the consolidated financial statements below.

Adjusted EBITDA* and Result from Operations

Primarily due to increased revenues, which resulted in a £1.6m increase in gross profit, adjusted EBITDA for 2018/19 was £2.0m compared with £0.5m for the prior year as set out in the table below:

	2018/19	**2017/18**
	£'000	**£'000**
Revenue	14,517	11,845
Gross margin (%)	*57.2%*	*56.4%*
Loss before Tax	(1,270)	(2,533)
***EBITDA* Adjustments:**		
Net interest	364	192
Depreciation	879	785
Amortisation	1,806	1,907
Share-based payments	195	131
Adjusted EBITDA	**1,974**	**482**

**Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, other income and share-based payments. Adjusted EBITDA is considered a key metric to the users of the financial statements as it represents a useful milestone that is reflective of the performance of the business as a result of revenue growth. Share-based payments are added back when calculating the Group's adjusted EBITDA as this is currently an expense with a zero direct cash impact on financial performance.*

The £1.5m improvement in adjusted EBITDA in 2018/19 compared with 2017/18 is substantially a result of additional gross margin generated from higher revenues. This reflects the operational gearing of the Group, supported by the control over administration costs noted above.

Loss before tax for the year was reduced by 48% to £1.3m (2017/18: £2.5m loss), largely driven by the £1.5m increase in adjusted EBITDA and partially offset by higher interest, depreciation and share-based payments that were largely due to the impact of IFRS 16.

During 2018/19, the Group recognised other comprehensive income of £1.2m (2017/18: £1.0m loss) that arose in respect of exchange differences on a net investment in a foreign operation as described in note 3 to the financial statements. Unlike the £0.8m additional costs resulting from foreign exchange on consolidation and revaluations of working capital balances noted above that were expensed to the profit and loss account, this gain has been treated as effectively a reserve movement only.

Tax

The Group continues to benefit from the UK Research and Development Tax Credit resulting from the investment in developments of technology and recorded a credit of £1.0m for the year (2017/18: £1.4m). The Group's deferred tax provision movement remained static at £nil (2017/18: £nil) due to the distribution of losses between the UK and US operations. These two elements led to an overall tax credit to the income statement for the Group of £1.0m (2017/18: £1.4m).

Earnings per Share ("EPS")

Due to the £0.8m reduction in loss after tax for the year, the EPS is recorded in the year on a basic and diluted basis as 0.1p loss per share (2017/18: 0.4p loss per share).

R&D

The Group invested £2.7m in the year (2017/18: £3.4m) in near-term product developments that were capitalised on the balance sheet, reflecting the continued commitment to invest for the future growth of the business with new and enhanced products. This capitalisation is lower in the current year because of the facility move in the US during the first half of 2018/19. Development work was temporarily suspended in Kromek US to accommodate the shutdown of the old facility and transfer to the new facility. Based upon the existing portfolio of development projects that are currently in operation primarily regarding SPECT and D3S, such amounts capitalised are likely to increase in future financial years as the Group continues with product development, unaffected by one-off events such as a facility relocation.

This investment was offset by further amortisation of development costs in 2018/19 of £1.2m (2017/18: £1.2m). Hence, the net development cost capitalisation in 2018/19 was £0.7m lower at £1.5m compared with £2.2m in 2017/18. A further £5.3m (2017/18: £4.0m) was incurred in research relating to the core technology platform and manufacturing capabilities and expensed through the income statement.

Key areas of development continue to be the expansion in the D3S suite of products and the SPECT and BMD platforms linked to existing and expanding contract deliverables and of significant future revenue opportunities. The Group continues to undertake this investment in order to advance its commercial advantage.

During the year, the Group undertook expenditure on patents and trademarks of £0.2m (2017/18: £0.6m) with 11 new patents filed and 16 patents granted (2017/18: seven new patents filed and 29 patents granted).

Capital Expenditure

Capital expenditure in the year amounted to £3.6m (2017/18: £0.3m). This increase consisted of:

- £2.5m relating to the enhancements required for medical imaging (including SPECT) manufacturing capabilities at the new US facility. These additions were financed in full by a corresponding loan with the Group's landlord;
- £0.5m relating to assets under construction – primarily the required increase in production capacity following the award of the $58.1m seven-year supply contract with a key medical OEM. The Group expects to spend up to a further £8m-£10m over the next 18 months in respect of such assets; and
- £0.6m relating to modest capital expenditure across IT and general fixtures and fittings.

Cash Balance

Cash and cash equivalents were £20.6m at 30 April 2019 (30 April 2018: £9.5m). The £11.1m increase in cash during 2018/19 was a combination of the following:

- Adjusted EBITDA profit for the year of £2.0m, less net finance costs of £0.3m
- Increase in working capital of £7.5m (see below for more detail)
- R&D Tax Credit receipts of £1.2m
- Investment in product development and other intangibles, with capitalised development costs of £2.7m and IP additions of £0.2m
- Net proceeds raised from the issue of shares of £19.8m
- Capital expenditure net of financing loans of £1.2m

The £7.5m increase in key working capital balances is analysed as follows:

- A £0.2m increase in inventories held at 30 April 2019 to £3.2m (30 April 2018: £3.0m). Following the $58.1m medical imaging contract awarded in January 2019, the Group is holding more component stock. This is an indicative feature of a contract that is centred around product supply rather than R&D.
- An £8.7m increase in trade and other receivables owed to the Group at 30 April 2019 to £20.0m (30 April 2018: £11.3m):
    - The majority (55%) of this overall increase is directly due to an expansion of amounts recoverable on contract ("AROC"). In line with IFRS 15, the Group recognises revenue associated with the performance obligations of such contracts "over time", which best reflects the transfer of control. There has been an increase in the value of the AROC over the last 12-24 months. The reason for this increase is because of the lead time to build on a number of long-term contracts. This position has been augmented due to the relocation of the US facility; to some extent, forward build was undertaken by the Group to mitigate any risk of delays that may have resulted from the relocation. This ensures that through a critical time of growth, the Group has sufficient product to deliver on these contracts in line with delivery requirements and expectations of customers. The Group expects shipment of products and a corresponding conversion of this AROC balance into invoices and then cash over the next 6 to 18 months. This timing will coincide with the beneficial impact that the new US facility will bring to the organisation.
    - Other increases in trade and other receivables relate to the timing of invoicing around the financial year end and the overall 23% increase in revenue for the year. The Group was also impacted by the recent furlough of the US Government during the second half of the year, which effectively delayed the invoicing of some contracted revenues into months 11 and 12.
- A £1.4m increase in current liabilities to £8.3m (2017/18: £6.9m). This increase is a feature of additional capital expenditure in the year relating to the continuation of the assets under construction and the timing of invoicing around the year end.
- During March 2019, the Group renewed its existing revolving credit facility with HSBC. The facility has been extended from £3.0m to £5.0m and the renewal period has increased to a minimum of 3 years, with an additional option for up to 5 years. Further, up to £2.0m of the facility can be used to fund plant and machinery as well as supporting working capital expansion. This is a continuation of a strong relationship with HSBC and provides the Group with additional funding capacity and options as it grows over the coming years. At 30 April 2019, £3.0m of the facility was drawn (30 April 2018: £3.0m).

Outlook

Kromek entered 2019/20 in a stronger position than ever before. The Group is delivering on existing customer product contracts as well as continuing to gain traction in all of its business segments with the award of high-value, multi-year contracts from commercial and large government customers worldwide. This has provided strong visibility over revenues for the next six to 24 months. As a result, the Board is confident of delivering growth for full year 2019/20, in line with market expectations.

Looking further ahead, with the increasing market adoption of customers' next-generation products that incorporate Kromek's radiation detection solutions, the Group is receiving increasing demand from existing customers as well as interest from potential customers. As a result of the new high-volume manufacturing facility in the US for medical imaging products, combined with the fundraising completed in the second half of 2018/19 to support growth across the business, Kromek is well-placed to capitalise on these expanding opportunities. Consequently, the Board continues to look to the future with confidence.

Kromek Group plc
Consolidated income statement
For the year ended 30 April 2019

	Note	2019 £'000	2018 £'000
Continuing operations			
Revenue	4	14,517	11,845
Cost of sales		(6,208)	(5,161)
Gross profit		8,309	6,684
Other operating income	4	-	-
Distribution costs		(184)	(214)
Administrative expenses		(9,031)	(8,811)
Operating loss		(906)	(2,341)
Finance income		155	35
Finance costs		(519)	(227)
Loss before tax	5	(1,270)	(2,533)
Tax		987	1,429
Loss for the year from continuing operations		(283)	(1,104)
Loss per share	7		
- basic (p)		(0.1)	(0.4)
- diluted (p)		(0.1)	(0.4)

Kromek Group plc
Consolidated statement of comprehensive income
For the year ended 30 April 2019

	2019 £'000	2018 £'000
Loss for the year	(283)	(1,104)
Items that are or may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	1,218	(1,026)
Total comprehensive income/(loss) for the year	935	(2,130)

Kromek Group plc
Consolidated statement of financial position
As at 30 April 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Goodwill		**1,275**	1,275
Other intangible assets		**18,165**	16,555
Investments – long-term cash deposits		**1,250**	1,250
Property, plant and equipment		**6,252**	3,097
Right-of-use asset		**3,975**	-
		30,917	22,177
Current assets			
Inventories		**3,227**	3,014
Trade and other receivables		**19,997**	11,334
Current tax assets		**987**	1,167
Cash and bank balances		**20,616**	9,488
		44,827	25,003
Total assets		**75,744**	47,180
Current liabilities			
Trade and other payables		**(4,884)**	(3,500)
Borrowings		**(3,133)**	(3,000)
Provisions for liabilities		**-**	(424)
Lease obligation		**(273)**	-
		(8,290)	(6,924)
Net current assets		**36,537**	18,079
Non-current liabilities			
Lease obligation		**(3,938)**	-
Loans		**(2,313)**	-
		(6,251)	-
Total liabilities		**(14,541)**	(6,924)
Net assets		**61,203**	40,256
Equity			
Share capital		**3,446**	2,604
Share premium account		**61,600**	42,625
Merger reserve		**21,853**	21,853
Translation reserve		**949**	(269)
Accumulated losses		**(26,645)**	(26,557)
Total equity		**61,203**	40,256

Kromek Group plc
Consolidated statement of changes in equity
For the year ended 30 April 2019

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Accumulated income/ (losses) £'000	Total equity £'000
Balance at 1 May 2017	**2,591**	**42,592**	**21,853**	**757**	**(25,584)**	**42,209**
Loss for the year	-	-	-	-	(1,104)	(1,104)
Exchange difference on translation of foreign operations	-	-	-	(1,026)	-	(1,026)
Total comprehensive losses for the year	-	-	-	(1,026)	(1,104)	(2,130)
Issue of share capital net of expenses	13	33	-	-	-	46
Credit to equity for equity-settled share based payments	-	-	-	-	131	131
Balance at 30 April 2018	**2,604**	**42,625**	**21,853**	**(269)**	**(26,557)**	**40,256**
IFRS 15 adjustment	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the year	-	-	-	-	(283)	(283)
Exchange difference on translation of foreign operations	-	-	-	1,218	-	1,218
Total comprehensive income/(losses) for the year	-	-	-	1,218	(283)	935
Issue of share capital net of expenses	842	18,975	-	-	-	19,817
Credit to equity for equity-settled share based payments	-	-	-	-	195	195
Balance at 30 April 2019	**3,446**	**61,600**	**21,853**	**949**	**(26,645)**	**61,203**

Kromek Group plc
Consolidated statement of cash flows
For the year ended 30 April 2019

	Note	2019 £'000	2018 £'000
Net cash used in operating activities	8	**(4,777)**	(4,613)
Investing activities			
Investment into Money Market account		**-**	(1,250)
Interest received		**155**	35
Purchases of property, plant and equipment		**(3,644)**	(272)
Purchases of patents and trademarks		**(210)**	(641)
Capitalisation of development costs		**(2,731)**	(3,450)
Net cash used in investing activities		**(6,430)**	(5,578)
Financing activities			
Net proceeds on issue of shares		**19,817**	46
New loans and borrowings		**2,557**	-
Payment of loan and borrowings		**(111)**	
Payment of lease liability		**(486)**	-
Interest paid		**(293)**	(227)
Net cash generated from/(used in) financing activities		**21,484**	(181)
Net increase/(decrease)in cash and cash equivalents		**10,277**	(10,372)
Cash and cash equivalents at beginning of year		**9,488**	20,343
Effect of foreign exchange rate changes		**851**	(483)
Cash and cash equivalents at end of year		**20,616**	9,488

1. General information

Kromek Group plc is a company incorporated and domiciled in the United Kingdom under the Companies Act. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

The Group's financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and on a basis consistent with that adopted in the previous year.

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 April 2019 or 2018 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006

2. Adoption of new and revised Standards

Adoption of New and Revised Standards

The accounting policies used in this financial report are consistent with International Financial Reporting Standards. However, new accounting standards have been adopted as described below:

IFRS 15 Revenue from contracts with customers (effective for year ends beginning on or after 1 January 2018)

The new accounting standard IFRS 15 sets out a single and comprehensive framework for revenue recognition. The guidance in IFRS 15 is more detailed than previous IFRSs for revenue recognition (IAS 11 Construction Contracts and IAS 18 Revenue and associated interpretations).

The Group has adopted IFRS 15 from 1 May 2018 and has chosen to apply the cumulative effect approach. As a result, the Group is required to restate its opening equity position as at 1 May 2018 to reflect the impact of transitioning to IFRS 15. However, when transitioning to IFRS 15, on 1 May 2018, there has been a zero impact on its opening equity position.

In line with the requirements of the standard in regard to the transition option adopted, the Group has not restated its comparative information which continues to be reported under previous revenue standards, IAS 11 and IAS 18. As noted below, the financial impact of this is zero.

Impact of the adoption of IFRS 15

	As reported 1 May 2018 £'000
Retained earnings as previously reported	(26,557)
Adjustment to earnings from adoption of IFRS 15 – profit before tax	-
Adjustment to earnings from adoption of IFRS 15 – deferred tax	-
Retained earnings on adoption of IFRS 15 – 1 May 2018	**(26,557)**

Impact on the result for the year ended 30 April 2019	**Result before adoption of IFRS 15**	**Impact of change in GAAP**	**Result after adoption of IFRS 15**
	£’000	**£’000**	**£’000**
Revenue	14,517	-	14,517
Cost of sales	(6,208)	-	(6,208)
Gross profit	**8,309**	**-**	**8,309**
Distribution costs	(184)	-	(184)
Administration expenses	(9,031)	-	(9,031)
Operating loss	**(906)**	**-**	**(906)**
Finance income	155	-	155
Finance costs	(519)	-	(519)
Loss before tax	**(1,270)**	**-**	**(1,270)**
Tax	987	-	987
Loss for the year from continuing operations	**(283)**	**-**	**(283)**

Revenue before the adoption of IFRS 15 was accounted for under IAS 11 and IAS 18.

An assessment of the impact of IFRS 15 was completed during the year across the Group’s revenue streams, including a comprehensive review of contracts that were not completed at the date of initial application.

This review ascertained that under IFRS 15 all revenue that had been recognised in previous accounting periods up to and including 30 April 2018 under the former revenue standards of IAS 11 and IAS 18 are consistent with how the revenue would have been recognised under IFRS 15 should this standard have been applied retrospectively to the same period.

In addition to this, IFRS 15 has not impacted the revenue and profit recognition of contracts commencing during the year which were incomplete at 30 April 2019. The revenue from contracts that were formerly assessed under IAS 11 have been accounted for under IFRS 15 as “over time” and, revenue from contracts that were formerly assessed under IAS 18 have been accounted for under IFRS 15 as “point in time”.

A summary of the new accounting policies and the nature of the changes to previous accounting policies in relation to the revenues derived from the Group's various goods and services are set out below:

Type of product or service	Nature, timing and satisfaction of performance obligations and significant payment terms	Nature, timing and satisfaction of performance
Revenue from the sale of radiation detection equipment	Revenue from the sale of radiation detection equipment is recognised at a point in time on despatch unless the customer specifically requests deferred delivery. For deliveries deferred, at the customer's request, revenues are recognised at a point in time when the customer takes title of the goods provided that it is probable that delivery will be made, the goods are identifiable and ready for delivery and usual payment terms apply.	No material impact on adoption of IFRS 15.
Revenue from construction contracts and grants	Construction contracts comprise contracts specifically negotiated for the construction and design, development and delivery of specific radiation equipment to a particular customer. The transaction price of the contract is known from inception of the contract. Each contract is reviewed to identify the number of distinct performance obligations and the transaction price is assigned accordingly, usually by the value of work performed on an input cost basis. Based on the performance of the contract to date, revenue is recognised over time. If relevant, an expected loss on a contract is recognised immediately in the income statement.	No material impact on adoption of IFRS 15.

In order to demonstrate a consistent revenue recognition of IFRS 15 compared to IAS 18 and IAS 11, the timing of the Group's revenue recognition can be disaggregated in 2018/19 and 2017/18 as follows:

	2019 £'000	2018 £'000
Product and services transferred at a point in time – IFRS 15 (2018: IAS 18)	**8,952**	6,035
Products and services transferred over time – IFRS 15 (2018: IAS 11)	**5,565**	5,810
	14,517	11,845

IFRS 16 Leases

The Group has early adopted IFRS 16 Leases using the modified retrospective approach. Leases are initially recorded on the statement of financial position whereby the right of use ("ROU") asset is measured at an amount equal to the current outstanding lease liability. Under this methodology, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The Group recognises a ROU asset and a lease liability at the transition date (1 May 2018). Leases subject to IFRS 16 are recorded on the balance sheet, showing a ROU asset and a corresponding lease liability. The lease liability is initially measured at the present value of future lease payments that are not paid at the commencement date, discounted using the relevant incremental borrowing rate in line with the standard.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU or the end of the lease term.

The standard allows two options for adoption – fully retrospective and modified retrospective. The Group has elected to take the modified retrospective approach. As a result of this the Group has:

- recognised a lease liability at 1 May 2018 for leases previously classified as operating leases applying IAS 17. The Group has measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application;
- recognised a right-of-use asset at 1 May 2018 for leases previously classified as operating leases applying IAS 17. The Group has chosen to measure right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position as at 30 April 2018; and
- 2018 comparatives are left unchanged, and any opening adjustment to net assets was recognised on 1 May 2018.

The Group has also applied the low value and short-term expedients.

All these leases adopted under IFRS 16 relate to property rentals; no other material leases that are above the expedient threshold are required for IFRS 16 treatment.

As noted above, no comparatives are given for the adoption of IFRS 16. The Group has calculated that the right-of-use asset recognised and corresponding liability as at 1 May 2018 is £1.3m.

The impact on adoption within the results reported as continued operations for the year ended 30 April 2019 is as follows:

- Finance costs have increased by £226k;
- Depreciation expense has increased by £334k due to the depreciation of the right-of-use asset;
- EPS has not changed; and
- Adjusted EBITDA has improved by £0.5m due to the reduction of rental expense.

IFRS 9 Financial Instruments

The Group have adopted IFRS 9 Financial Instruments which is mandatory for years commencing on or after 1 January 2018. The Group does not believe that the new classification requirements have a material impact on its accounting for financial assets, financial liabilities, loans, investments in debt securities that are all managed on a fair value basis.

At the end of each reporting period, financial instruments are assessed for impairment. Any impairment charge is recognised in the profit and loss account.

3. Significant accounting policies

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and IFRIC interpretations.

The financial statements have been prepared on the historical cost basis modified for assets recognised at fair value on acquisition. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

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, and profits are eliminated on consolidation.

Going concern

As at 30 April 2019, the Group had net assets of £61.2m (2018: £40.3m) and cash and cash equivalents of £20.6m (2018: £9.5m) including £3m (2018: £3m) drawn down on the Group's Revolving Credit Facility as set out in the consolidated statement of financial position. The Directors have prepared detailed forecasts of the Group's financial performance over the next five years. As a result of this review, which incorporated sensitivities and risk analysis, the Directors believe that the Group has sufficient resources and working capital to meet their present and foreseeable obligations for a period of at least twelve months from approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

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.

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.

Contracts with customers – accounting policies applied since 1 May 2018

The Group has adopted IFRS 15 retrospectively from 1 May 2018 in accordance with paragraph C3(a) and has chosen to apply the cumulative effect approach. As a result, the Group has restated its opening equity position as at 1 May 2018 to reflect the impact of transitioning to IFRS 15. Comparatives for the year ended 30 April 2018 have not been restated.

The following expedients have been used in accordance with paragraph C5:

– revenue in respect of completed contracts that begin and end in the same accounting period has not been restated;

– revenue in respect of completed contracts with variable consideration reflects the transaction price at the date the contracts were completed; and

– in the financial statements for the year ending 30 April 2019, the comparative information for the year ending 30 April 2018 will not disclose the amount of the transaction price allocated to the remaining performance obligations or an explanation of when the Group expects to recognise that amount as revenue.

Following the adoption of IFRS 15, the Group’s accounting policy in respect of revenue is as follows:

Revenue represents income derived from contracts for the provision of goods and services by the Group to customers in exchange for consideration in the ordinary course of the Group’s activities.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. Given the bespoke nature of many of the Group’s products and services, which are designed and/or manufactured under contract to the customer’s individual specifications, there are sometimes no observable stand-alone selling prices. Instead, stand-alone selling prices are typically estimated based on expected costs plus contract margin consistent with the Group’s pricing principles.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer.

For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time. The Group has determined that the performance obligations of the majority of its contracts are satisfied at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

For each performance obligation to be recognised over time, the Group recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Group has determined that this method faithfully depicts the Group's performance in transferring control of the goods and services to the customer.

If the over-time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery.

The Group's contracts that satisfy the over time criteria are typically product development contracts where the customer simultaneously receives and consumed the benefit provided by the Group's performance.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Contract modifications

The Group's contracts are sometimes amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

(a) prospectively as an additional, separate contract;

(b) prospectively as a termination of the existing contract and creation of a new contract; or

(c) as part of the original contract using a cumulative catch up.

The majority of the Group's contract modifications are treated under either (a) (for example, the requirement for additional distinct goods or services) or (c) (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract-by-contract and may result in different accounting outcomes.

Costs to obtain a contract

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded.

Costs to fulfil a contract

Contract fulfilment costs in respect of over time contracts are expensed as incurred. No such costs have been incurred in current or previous years. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2 Inventories.

Inventories

Inventories include raw materials, work-in-progress and finished goods recognised in accordance with IAS 2 in respect of contracts with customers which have been determined to fulfil the criteria for point in time revenue recognition under IFRS 15. It also includes inventories for which the Group does not have a contract. This is often because fulfilment costs have been incurred in expectation of a contract award. The Group does not typically build inventory to stock. Inventories are stated at the lower of cost, including all relevant overhead

Contract receivables

Contract receivables represent amounts for which the Group has an unconditional right to consideration in respect of unbilled revenue recognised at the balance sheet date and comprises costs incurred plus attributable margin.

Contract liabilities

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The Group recognised a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU is periodically reduced by impairment loses, if any, and adjusted for certain remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise of fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU has been reduced to zero.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Foreign currencies

The individual results of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pound sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. The Directors have applied IAS 21 The Effects of Changes in Foreign Exchange Rates and have come to the conclusion that the inter-company loans held by Kromek Limited, substantially form part of the net investment in Kromek USA, and so any gain or loss arising on the inter-company loan balances are recognised as other comprehensive income in the period.

In preparing the results of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the statement of financial position date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in other comprehensive income and are credited/(debited) to the retranslation reserve.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants towards job creation and growth (RGF) costs are recognised as income over the periods necessary to match them with the related costs of creating those jobs.

Operating result

Operating loss is stated as loss before tax, finance income and costs.

Retirement benefit costs

The Group operates a defined contribution pension scheme for employees.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. For these schemes the assets of the schemes are held separately from those of the Group in independently administered funds. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The R&D tax credit is calculated using the current rules as set out by HMRC and is recognised in the income statement during the period in which the R&D programmes occurred.

i) Current tax

The tax credit is based on taxable loss for the year. Taxable loss differs from net loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

ii) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Consolidated Statement of Financial Position and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Plant and machinery	6% to 25%
Fixtures, fittings and equipment	15%
Computer equipment	25%

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Research expenditure is written off as incurred. Development expenditure is also written off, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. This period normally equates to the life of the products the development expenditure relates to. Where expenditure relates to developments for use rather than direct sales of product the cost is amortised straight-line over a 2-15-year period. Provision is made for any impairment.

Amortisation of the intangible assets recognised on the acquisitions of Nova R&D, Inc. and eV Products, Inc. are recognised in the income statement on a straight-line basis over their estimated useful lives of between five and fifteen years.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated in the statement of financial position at standard cost, which approximates to historical cost determined on a first in, first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Work in progress costs are taken as production costs, which include an appropriate proportion of attributable overheads.

Provision is made for obsolete, slow moving or defective items where appropriate. Items which have not shown activity for between 12-18 months will be provided for at a rate of 50%, and those which have not shown activity in 18 months or longer will be provided for at a rate of 100% after consideration is given to the full or residual value where appropriate. Given the nature of the products and the gestation period of the technology, commercial rationale necessitates that this provision is reviewed on a case by case basis.

Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Such provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money. Provisions are not recognised for future operating losses.

Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

• It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

• Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents comprise cash balances and call deposits.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL – these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost – these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Intra-group financial instruments

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(iii) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as twelve-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

• The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

• The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date and spread over the period during which the employees become unconditionally entitled to the options, which is based on a period of employment of three years from grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. The vesting date is determined based on the date an employee is granted options, usually three years from date of grant. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Cash

Cash, for the purposes of the statement of cash flows, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

4. Operating segments

Products and services from which reportable segments derive their revenues

For management purposes, the Group is organised into two geographical business units from which the Group currently operates from (US and UK) and it is on these operating segments that the Group is providing disclosure. Both business units focus on the three key markets of the Group (Medical Imaging, Nuclear Detection and Security Screening). Typically, the US business unit focuses on Medical Imaging and the UK on Nuclear Detection and Security Screening. However, this arrangement is flexible and can vary based on the geographical location of the Group's customer.

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:

	2019 **£'000**	**2018** **£'000**
United Kingdom	**2,267**	1,253
North America	**4,869**	3,547
Asia	**5,452**	6,080
Europe	**1,905**	949
Australasia	**24**	16
Total revenue	**14,517**	11,845

The Group has aggregated its market sectors into two reporting segments being the operational business units in the UK and US.

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

Year ended 30 April 2019

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	6,718	4,694	11,412
-Revenue from grants	1,020	-	1,020
-Revenue from contract customers	82	4,534	4,616
Total sales by segment	7,820	9,228	17,048
Removal of inter-segment sales	(1,251)	(1,280)	(2,531)
Total external sales	6,569	7,948	14,517
Segment result – operating (loss)/profit	(1,652)	746	(906)
Interest received	155	-	155
Interest expense	(197)	(322)	(519)
(Loss)/profit before tax	(1,694)	424	(1,270)
Tax credit	1,020	(33)	987
(Loss)/profit for the year	(674)	391	(283)
Reconciliation to adjusted EBITDA:			
Net interest	42	322	364
Other operating income	-	-	-
Tax	(1,020)	33	(987)
Depreciation of PPE	432	447	879
Amortisation	1,085	721	1,806
Non-recurring other income	-	-	-
Share-based payment charge	184	11	195
Adjusted EBITDA	49	1,925	1,974
Other segment information			
Property, plant and equipment additions	569	3,075	3,644
Right-of-use assets	1,051	3,257	4,308
Depreciation of PPE	432	447	879
Intangible asset additions	1,309	1,632	2,941
Amortisation of intangible assets	1,085	721	1,806
Statement of financial position			
Total assets	41,370	34,374	75,744
Total liabilities	(7,097)	(7,444)	(14,541)

Year ended 30 April 2018

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	2,914	5,585	8,499
-Revenue from grants	1,024	-	1,024
-Revenue from contract customers	129	5,293	5,422
Total sales by segment	4,067	10,878	14,945
Removal of inter-segment sales	(940)	(2,160)	(3,100)
Total external sales	3,127	8,718	11,845
Segment result – operating loss	(3,955)	1,614	(2,341)
Interest received	35	-	35
Interest expense	(227)	-	(227)
Loss before tax	(4,147)	1,614	(2,533)
Tax credit	1,429	-	1,429
Loss for the year	(2,718)	1,614	(1,104)
Reconciliation to adjusted EBITDA:			
Net interest	192	-	192
Other operating income	-	-	-
Tax	(1,429)	-	(1,429)
Depreciation of PPE	307	478	785
Amortisation	1,132	775	1,907
Non-recurring other income	-	-	-
Share-based payment charge	111	20	131
Adjusted EBITDA	(2,405)	2,887	482
Other segment information			
Property, plant and equipment additions	17	83	100
Depreciation of PPE	307	478	785
Intangible asset additions	790	3,300	4,090
Amortisation of intangible assets	1,132	775	1,907
Statement of financial position			
Total assets	26,975	20,205	47,180
Total liabilities	(5,503)	(1,421)	(6,924)

Inter-segment sales are charged on an arms-length basis.

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 intangible assets including goodwill.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment (loss) represents the (loss) earned by each segment. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

5. Loss before tax for the year

Loss before tax for the year has been arrived at after (crediting)/charging:

	2019 £'000	2018 £'000
Net foreign exchange losses/ (gains)	**82**	(593)
Research and development costs recognised as an expense	**5,432**	4,015
Depreciation of property, plant and equipment	**879**	785
Amortisation of internally-generated intangible assets	**1,806**	1,907
Cost of inventories recognised as expense	**4,152**	4,672
Staff costs (see note 6)	**7,372**	6,642

6. Staff costs

The average monthly number of employees (excluding non-executive directors) was:

	2019 Number	2018 Number
Directors (executive)	**2**	2
Research and development, production	**95**	89
Sales and marketing	**7**	6
Administration	**12**	11
	116	108

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	**6,297**	5,662
Social security costs	**551**	504
Pension scheme contributions	**329**	345
Share based payments	**195**	131
	7,372	6,642

The total Directors' emoluments (including non-executive directors) was £780k (2018: £744k). The aggregate value of contributions paid to money purchase pension schemes was £20k (2018: £20k) in respect of two directors (2018: two directors). For a breakdown of remuneration by director, refer to the Directors' emoluments table within the Remuneration Committee Report of the annual report and accounts.

The highest paid director received emoluments of £354k (2018: £346k) and amounts paid to money purchase pension schemes was £10k (2018: £10k).

Key management compensation:

	2019 £'000	2018 £'000
Wages and salaries and other short-term benefits	**1,162**	1,307
Social security costs	**136**	258
Pension scheme contributions	**27**	57
Share based payment expense	**184**	97
	1,494	1,719

Key management comprise the Executive Directors and senior operational staff.

7. Losses per share

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

Losses

	2019 £'000	2018 £'000
Losses for the purposes of basic and diluted losses per share being net losses attributable to owners of the Group	**(283)**	(1,104)

Number of shares	**2019 Number**	2018 Number
Weighted average number of ordinary shares for the purposes of basic losses per share	**275,073,400**	260,161,744
Effect of dilutive potential ordinary shares:		
Share options	**2,581,104**	2,606,464
Weighted average number of ordinary shares for the purposes of diluted losses per share	**277,654,504**	262,768,208

	2019	**2018**
Basic (p)	**(0.1)**	(0.4)
Diluted (p)	**(0.1)**	(0.4)

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. Notes to the cash flow statement

	2019 £'000	2018 £'000
Loss for the year	**(283)**	(1,104)
Adjustments for:		
Finance income	**(155)**	(35)
Finance costs	**519**	227
Income tax credit	**(987)**	(1,429)
Depreciation of property, plant and equipment	**879**	783
Amortisation of intangible assets	**1,806**	1,907
Share-based payment expense	**195**	131
Operating cash flows before movements in working capital	**1,974**	480
(Increase)/decrease in inventories	**(213)**	191
Increase in receivables	**(8,663)**	(5,330)
Increase/(decrease) in payables	**1,384**	(1,067)
(Decrease)/Increase in provisions	**(424)**	255
Cash used in operations	**(5,942)**	(5,471)
Income taxes received	**1,165**	858
Net cash used in operating activities	**(4,777)**	(4,613)

Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and bank balances	**20,616**	9,488

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.

Revenues from major products and services

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

	2019 £'000	2018 £'000
Product revenue	**12,060**	9,611
Research and development revenue	**2,457**	2,234
Consolidated revenue	**14,517**	11,845

Information about major customers

Included in revenues arising from USA operations are revenues of approximately £4,092k (2018: £4,773k) which arose from the Group's largest customer. Included in revenues arising from UK operations are revenues of approximately £1,066k (2018: £1,265k) which arose from a major customer.