kromek
detect image identify

2 July 2018

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

Final Results for the Year ended 30 April 2018

Kromek (AIM: KMK), a radiation detection technology company focusing on the medical, security screening and nuclear markets, announces its final audited results for the year ended 30 April 2018.

Financial Highlights

- Revenue increased 32% to £11.8m (2016/17: £9.0m)
- Product sales accounted for 81% of total revenues (2016/17: 74%), a growth year-on-year of 44%
- Gross margin was 56.4% (2016/17: 57.1%)
- EBITDA* was £0.5m profit (2016/17: £1.5m loss)
- Loss before tax for the year was £2.5m (2016/17: £3.8m loss)
- Cash and cash equivalents at 30 April 2018 were £9.5m (31 October 2017: £15m)

**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 as revenue growth from ramp-up in commercial activities enabled Kromek to achieve EBITDA positive for the first time
- Growth due to continued delivery on previously-signed agreements as well as commencing delivery on new high-value contracts won during the year
- Secured new purpose-built premises for Kromek's US operations in Pittsburgh, which will enable the facility to become a world-leading manufacturer of SPECT cameras

Medical Imaging

The Group's CZT-based SPECT cameras and BMD detectors produce superior quality and higher resolution digital images that significantly advance the early identification of disease, such as cancer, dementia and osteoporosis.

- Secured a five-year contract, worth a minimum of $5.38m, to incorporate Kromek's CZT-based detector modules in a new osteoporosis product offering for an existing BMD customer
- Awarded a three-year £1.4m programme by Innovate UK to deliver a Low Dose Molecular Breast Imaging Device based upon the Group's CZT-based SPECT detectors
- Won a five-year repeat order, post-period end, worth $1.2m, from an existing medical customer for the supply of gamma detector modules for incorporation in the customer's products
- Advanced towards achieving first clinical validation of Kromek's CZT-based SPECT detector system

Nuclear Detection

The D3S is the world's most advanced, portable, nuclear radiation detection device used by counter-terrorist agencies to protect civilians and key infrastructure in cities, including ports, borders and transport hubs. Kromek's portfolio also includes a range of high resolution detectors and measurement systems for the civil nuclear markets used in nuclear power plants, research and for other applications.

- Awarded a $1.6m extension to its DARPA contract to add further technical innovation capability to the Kromek D3S family of equipment
- D3S continued to be deployed and field-tested in major areas in the US by DARPA, and by other public administrations across the globe, including by European authorities during the visit of the President of the United States to Brussels in May 2017
- Named as a qualified contractor under the $8.2bn U.S. Department of Defense IDIQ for the Joint Enterprise - Research, Development, Acquisition, and Production/Procurement contract award vehicle following extensive due diligence
- Strengthening and expansion of distribution channels in the civil nuclear markets, and completion of deployment of Quant for GR1 product in all UK EDF nuclear power plants

Security Screening

The Group's security screening solutions are being incorporated into the next generation liquid and luggage scanners. These upgraded machines are replacing legacy machines and are enhancing the safety of passengers while minimising the inconvenience of the security process at airports.

- Commenced work on the Group’s first long-term security screening contract: a five-year, $3.1m agreement with an existing US-based customer to provide OEM components for baggage screening products used in aviation security
- Won a five-year, $2.0m contract, from a new OEM customer, which has commenced incorporating Kromek’s technology into its baggage security screening systems to enhance detection of an extensive range of threat materials

Seven new patents were filed and 29 granted during the period.

Dr Arnab Basu, CEO of Kromek, said: “I am very pleased to report that Kromek had another good year of delivering revenue growth and developing our customer base who continue to launch next generation products incorporating our advanced radiation detectors. We also achieved one of our key targets for the year by becoming EBITDA positive for the first time in our history. This is an important milestone towards cash flow breakeven and pre-tax profits.

"Looking ahead, the momentum of the 2017/18 financial year has been sustained into the current financial year as Kromek’s products continue to gain traction in all of our target markets from the increasing adoption of CZT-based technology and other products. We continue to win new customers and, together with executing on previously-won contracts, Kromek expects to deliver growth across its business segments and to report continued revenue growth for 2018/19 in line with market expectations."

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 Joint Broker)
Max Hartley (NOMAD) — +44 (0)20 7397 8900
Julian Morse (Sales)

Cantor Fitzgerald Europe (Joint Broker)
Philip Davies — +44 (0)20 7894 7000
Will Goode

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

About Kromek Group plc

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

It has been a milestone year for Kromek as the Group delivered EBITDA* positive results for the first time with an EBITDA profit of £0.5m (2016/17: EBITDA loss £1.5m) for the full year and the loss before tax narrowing from £3.8m to £2.5m. This EBITDA profit was achieved by growing its revenues for 2017/18 as the Group continued to execute on previously-signed agreements as well as commencing delivery on new high-value contracts won during the year. The multi-year nature of many of these contracts demonstrates the commitment of Kromek's customers to its solutions and the increasing adoption of its products and technologies in its target markets. The shift in the Group's sales mix from R&D to products sales was sustained, with product sales accounting for 81% of total revenue (2016/17: 74%), a year-on-year growth in value of 44%. This transition reflects the increasing value of the Group's contracts, alongside a growing number of customers moving from R&D programmes to full commercialisation. Reported revenue for the Group grew 32% compared with last year, however, on a constant currency basis, the growth would have been 37% as the exchange rate fluctuation during the year was significant.

During the year, Kromek strengthened its market position as a key supplier of CZT-based detection systems to both commercial and government customers globally. Key products were deployed in significant product trials and the Group reached notable performance milestones in both its nuclear and medical markets. Kromek's engagement with leading organisations within its target markets continues to increase and, in a number of instances, the Group has successfully gone through customer due diligence as part of a potential order placement process. These are important steps towards winning new customers and becoming a long-term supplier to high-value customers in its target markets.

Medical Imaging

Kromek's medical imaging solutions can produce high resolution digital images with superior quality to standard detectors currently available in the market. This provides clinicians with the necessary equipment to accurately detect and monitor medical conditions such as osteoporosis, Parkinson's disease and cancer, resulting in better patient outcomes and lowering the overall cost of care.

Kromek made strong progress in medical imaging markets during the year: delivering on previously won orders as well as securing new long-term contracts. The Group now has 11 OEM customers across its key segments of single photon emission computed tomography ("SPECT"), bone mineral densitometry ("BMD") and gamma probes.

The Group advanced towards achieving clinical validation of its CZT-based SPECT detector system, under its contract signed in 2014 with an established manufacturer of X-ray diagnostics and analysis equipment. This achievement is the culmination of several years of intensive product development and internal cost improvement. The Group's management believes that Kromek's CZT-based SPECT camera will significantly enhance the identification and management of diseases such as cancer and Parkinson's in a $100m p.a. market.

Further progress was made in the SPECT segment with the award of a three-year £1.4m programme by Innovate UK, to deliver a Low Dose Molecular Breast Imaging Device ("LDBMI") based upon Kromek's CZT-based SPECT detectors to improve the detection of breast cancer. The project is in partnership with Newcastle-upon-Tyne Hospitals NHS Foundation Trust, where the LDBMI device will be used in a pilot study to demonstrate the clinical benefits of Kromek's SPECT detectors. This is an important step in the Group's engagement with the clinical community to demonstrate both clinical and health economic benefits of Kromek's technology.

In the BMD segment, which is used for the detection of osteoporosis, Kromek was awarded a five-year contract, worth a minimum of $5.38m, from an existing customer for the incorporation of its CZT-based detector modules in a new product. This contract highlights the continuing trend of an increasing number of customers transitioning from legacy diagnostic systems to advanced CZT-based systems in a $20m p.a. market.

In the gamma probes segment, which are used for radio guided surgery, the Group was awarded multiple repeat contracts by its existing OEM customers to provide customised CZT detectors for their existing gamma probes. In addition, post-period end, the Group 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.

**For a definition of EBITDA, see the Financial Review below.*

Nuclear Detection

Kromek's state-of-the-art D3S gamma neutron spectroscopic personal radiation detectors form interconnected, mobile networks enabling wide area monitoring linked to a central command centre, producing detailed maps of radiation levels across large urban areas. This enables threats and non-threats to be clearly differentiated and real-time alarms are triggered when the system locates and identifies unexpected harmful radiation. The D3S can be worn by frontline security workers and it offers an extensive and effective safeguard against the threat of nuclear terrorism. Kromek has already successfully delivered over 10,000 D3S units as a sole supplier to the Defense Advanced Research Projects Agency ("DARPA"), an agency of the US Department of Defense, under its SIGMA programme. This programme has conducted successful trials in Washington DC, New Jersey and many other strategically important areas.

During the year, the Group's D3S continued to be deployed and field-tested in major areas in the US by DARPA and other agencies and by a number of customers in Europe and Asia. This includes being used by European authorities during the visit of the President of the United States to Brussels in May 2017 and by other public administrations across the globe for protection of strategically important events and buildings.

Kromek was also awarded a $1.6m extension to its DARPA contract to add further features to the D3S family of equipment. The enhancements will provide greater operational capability by improving user experience and enabling the device to provide further information to the Homeland Security community and First Responders for some particularly demanding situations.

In addition, Kromek was named as a qualified contractor under the US Department of Defense's Indefinite Delivery Indefinite Quantity ("IDIQ") Joint Enterprise – Research, Development, Acquisition, and Production/Procurement ("JE-RDAP") contract framework. The JE-RDAP vehicle has been allocated $8.2bn to invest over a 10-year period in a number of programmes covering chemical, biological, radiation and nuclear (CBRN) detection, which will be conducted jointly with companies selected from the list of qualified contractors. The Group's management believes that Kromek is well-placed to be selected under the programme for delivery of products based on the D3S and other existing platforms.

In the civil nuclear markets, the Group's portfolio includes a range of high resolution detectors and measurement systems used in nuclear power plants, research and for other applications. During the year, Kromek strengthened and expanded its distribution channels in the civil nuclear markets. Kromek also completed the deployment of Quant for GR1 product in all UK EDF nuclear power plants.

Security Screening

In the Security Screening market, Kromek's solutions are used for baggage screening and for identifying the presence of hazardous liquids at airport checkpoints. These are aimed at enhancing national security and improving the safety of passengers while minimising the inconvenience of the security process at airports.

Kromek continued to deliver on contracts secured during previous periods with global security groups for the supply of OEM components for baggage screening products used in aviation security. In particular, the Group commenced work under its first multi-year contract in the Security Screening market, a five-year agreement that was awarded in 2016/17 by an existing US-based customer.

During the year, Kromek was awarded another five-year contract, worth $2.0m, by a new OEM customer that is a leading company in X-ray imaging systems. This customer is in the process of incorporating Kromek's technology into its baggage security screening systems to enhance detection of an extensive range of threat materials. Kromek expects to start the supply of commercial products under this contract during the current year.

R&D and Manufacturing Facilities

Kromek continued to work on both externally and internally funded R&D activities to develop products and platform technologies that form important elements of the Group's future product roadmap. In particular, the Group invested in the development of new and enhanced products with a focus on the D3S, SPECT and BMD platforms. The Group expects investment in R&D to remain at a steady level over the next few years as it seeks to maintain its commercial advantage. During the period, seven new patents were filed and 29 patents were granted.

Over the last year, the Group has put substantial efforts into optimising the manufacturing process for CZT-based cameras for the SPECT market. The efforts have been focused on both consistency and reliability of processes but also the cost structure of the entire manufacturing chain. One of the key areas of development has been to firm up its supply chain to increase security and quality to mitigate future risks as the Group ramps up.

Given the strategic importance to Kromek of the US markets, in 2017/18 the Group laid the foundations to support future growth there and has secured new premises for its US operations near Pittsburgh, Pennsylvania. The new building, under a 20-year operating lease, has been purpose-built to the Group's requirements and provides a significantly more efficient and cost-effective office, development and manufacturing space with expansion capacity. The location is more suitable for attracting talent, has better transport connectivity and is closer to the growing high-tech hub in Pittsburgh. The new facility will serve as the focus of the Group's Medical Imaging business, providing world-class manufacturing of CZT-based SPECT cameras.

The bespoke premises were built for the Group during the financial year. Kromek has since gained access to the site following the signing of the lease with the landlord, and the move of its entire operation was completed during June. The planning and execution of such a move was critical to ensure that the Group's customers were not significantly affected due to the inevitable disruption to production wind down and subsequent ramp up in this new facility.

Financial Review

This was a seminal year for Kromek as the Group continued its year-on-year revenue growth and, for the first time in the Group's history, moved to a full year of EBITDA profitability (see below for calculation). The continued increase in product sales and expansion of gross profit resulted in EBITDA of £0.5m for the period (2016/17: loss of £1.5m) and the narrowing of the loss before tax to £2.5m (2016/17: loss £3.8m).

Revenue

The Group achieved revenue growth of 32.0% driven by higher product sales at £9.6m (2016/17: £6.7m), which accounted for 81% of total revenue (2016/17: 74%) as detailed in the table below.

Revenue Mix	**2017/18**		**2016/17**	
	£'000	**% share**	**£'000**	**% share**
Product	9,611	81%	6,671	74%
R&D	2,234	19%	2,297	26%
Total	**11,845**		**8,968**	

The year-on-year growth in product sales of 44% reflects further traction with the D3S, SPECT and BMD products as the Group delivered on the supply contracts that have been announced over the last 12 – 36 months.

On a consistent US dollar conversion basis with 2016/17, the Group revenues in 2017/18 would have been £12.3m.

Gross Margin

Gross profit at £6.7m (2016/17: £5.1m) resulted in a margin of 56.4% (2016/17: 57.1%). The stable gross margin, despite a material shift in revenue mix towards product sales, is encouraging as Kromek grows the business and commercialises the technology platform that the business has created over the past years.

Administration Costs

Administration costs and operating expenses were stable at £8.8m for the period (2016/17: £8.7m) despite an increase of £0.5m in amortisation in the period. The Group continues to exercise strong cost control with employment costs being the major contributor to administration and capitalised R&D costs at 54%. The number of staff remains relatively static at 108 (2016/17: 109) with total staff cost stable at £6.6m (2016/17: £6.6m), despite the annual growth in revenue of over 30%.

EBITDA* and Profit/(Loss) from Operations

Due to increased revenues, which have resulted in an expansion of gross profit, EBITDA for 2017/18 was of £0.5m compared with a loss of £1.5m for the prior year as set out in the table below:

	2017/18	2016/17
	£'000	**£'000**
Revenue	11,845	8,968
Gross margin (%)	*56.4%*	*57.1%*
Loss before Tax	(2,533)	(3,794)
***EBITDA* Adjustments:**		
Net interest	192	40
Depreciation	785	762
Amortisation	1,907	1,417
Share-based payments	131	99
Other income	**-**	15
EBITDA earnings/(loss)	**482**	**(1,461)**

**EBITDA defined as earnings before interest, taxation, depreciation, amortisation, other income and share-based payments. 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 EBITDA as this is currently an expense with a zero direct cash impact on financial performance.*

The improvement in EBITDA in 2017/18 compared with 2016/17 is substantially a result of additional gross margin generated from higher revenues. Together with the control over administration costs noted above, the impact of the operational gearing within the Group is evident.

Loss before tax for the year was narrowed to £2.5m (2016/17: £3.8m loss), driven by the improved EBITDA offset by increases in depreciation and amortisation.

During 2017/18, the Group recognised a loss of £1m (2016/17: profit £0.7m) as other comprehensive income that arose in respect of a net investment in a foreign operation as described in note 3 to the financial statements.

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 £1.4m for the year (2016/17: £0.7m). The Group deferred tax provision movement remained static at £nil (2016/17: £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 £1.4m (2016/17: £0.7m).

Earnings per Share ("EPS")

Due to the £1.3m reduction in the loss for the period, the EPS is recorded in the year on a basic and diluted basis as 0.4p loss per share (2016/17: 1.8p loss per share).

R&D

The Group invested £3.4m in the year (2016/17: £4.2m) 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 investment was offset by further amortisation of development costs in 2017/18 of £1.2m (2016/17: £0.7m). Hence, the net development cost capitalisation in 2017/18 was £1.3m lower at £2.2m compared with £3.5m in 2016/17. A further £4.0m (2016/17: £3.5m) was incurred in the research and development of the core technology platform and manufacturing capabilities and expensed through the income statement in the period.

Key areas of development continue to be through the expansion in the D3S suite of products and the SPECT and BMD platforms linked to existing contract deliverables and of significant future revenue opportunities. The Group continues to undertake this investment in order to advance its commercial advantage. This was manifest in the period in D3S, SPECT and BMD product sales. This investment is considered critical and ongoing as the Group commercialises the opportunities that the technology provides and expands capabilities in several different applications.

During the period, the Group undertook expenditure on patents and trademarks of £0.6m (2016/17: £0.3m) with seven new patents filed and 29 patents were granted.

Capital Expenditure
Capital expenditure in the year amounted to £0.3m (2016/17: £0.3m), which primarily relates to some modest manufacturing projects.

As noted above, the Group recently entered a 20-year operating lease and has gained access to the new production facility in the US since the year end. This facility has been purpose-built near to Pittsburgh, Pennsylvania, for one of the Group's subsidiary companies, eV Products. As part of obtaining preferential rates associated with the lease, the Group was required to place £1.25m cash as security into a money market account during the year. However, as the lease was not signed until after the year end, these amounts were technically not under security at 30 April 2018. Nevertheless, the £1.25m money market investment is not included as part of the cash and cash equivalents at the year end.

Cash Balance
Cash and cash equivalents was £9.5m at 30 April 2018 (31 October: £15m; 30 April 2017: £20.3m). The change compared with the prior year is as a result of several elements. The net movement in working capital expansion in debtors, inventory and payables of £6.7m is the most significant element and was a requirement to ensure production and customer delivery continuity as the US operations transitioned to the new facilities, as noted above. This is due to an expected 6 months' down time required for the move and reinstallation and commissioning of plant and machinery from the old facility to the new. The Group anticipates that a significant element of the working capital expansion during 2017/18 will reverse during 2018/19.

Further, and related, to this, £1.25m was transferred into investment in a money market account (as detailed above). Product development and capitalisation of £3.4m and capital and IP expenditure of £0.9m made up the larger part of the other cash outflows, partly offset by the EBITDA profit of £0.5m and £0.9m received in R&D Tax Credits.

Reserves reanalysis
Following a review, the Group has revisited the historical treatment of certain balances within equity, as recorded at the time of the IPO. As a result, a number of reanalysis adjustments have been made as described in note 3 to the financial statements. There is no overall change in the net assets or equity of the Group.

Outlook

The momentum of the 2017/18 financial year has been sustained into the current financial year as Kromek's products continue to gain traction in all its business segments from the increasing adoption of CZT-based technology and other products. In particular, the Group is well-positioned to capture the significant opportunities in its key target areas of SPECT and D3S portable advanced radiation detectors.

As a result, as the Group continues to win new customers and, together with executing on previously-won contracts, Kromek expects to deliver growth across its business segments and to report total revenue growth for 2018/19 in line with market expectations.

In particular, Kromek's market-ready offering of CZT general purpose SPECT cameras, at a commercially attractive price, is receiving increasing interest and the Group is engaged in discussions with a wide range of companies in this segment regarding its adoption. The D3S is being well-received by public administrations and other potential customers across the globe, and Kromek expects some of this activity to materialise into product purchase orders in due course.

Looking further ahead, the Group expects its OEM customers to launch products incorporating Kromek's technology during the 2018/19 financial year and anticipates that this will prompt additional orders to be placed as sales of these products accelerate. Kromek continues to strengthen its relationships with existing customers and enhance its reputation among potential customers who are increasingly recognising the functional and operational benefits that the Group's products can deliver.

Accordingly, the Board looks to the future with confidence.

Kromek Group plc
Consolidated income statement
For the year ended 30 April 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue	4	11,845	8,968
Cost of sales		(5,161)	(3,851)
Gross profit		6,684	5,117
Other operating income	4	-	(15)
Distribution costs		(214)	(194)
Administrative expenses		(8,811)	(8,662)
Operating loss		(2,341)	(3,754)
Finance income		35	5
Finance costs		(227)	(45)
Loss before tax	6	(2,533)	(3,794)
Tax		1,429	710
Loss for the year from continuing operations		(1,104)	(3,084)
Loss per share	8		
- basic (p)		(0.4)	(1.8)
- diluted (p)		(0.4)	(1.8)

Kromek Group plc
Consolidated statement of comprehensive income
For the year ended 30 April 2018

	2018 £'000	2017 £'000
Loss for the year	(1,104)	(3,084)
Items that are or may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(1,026)	685
Total comprehensive loss for the year	(2,130)	(2,399)

Kromek Group plc
Consolidated statement of financial position
As at the year ended 30 April 2018

	Note	2018 £'000	As restated* 2017 £'000
Non-current assets			
Goodwill		**1,275**	1,275
Other intangible assets		**16,555**	14,824
Investments - Long term cash deposits		**1,250**	-
Property, plant and equipment		**3,097**	3,698
		22,177	19,797
Current assets			
Inventories		**3,014**	3,204
Trade and other receivables		**11,334**	6,005
Current tax assets		**1,167**	596
Cash and bank balances		**9,488**	20,343
		25,003	30,148
Total assets		**47,180**	49,945
Current liabilities			
Trade and other payables		**(3,500)**	(4,567)
Borrowings		**(3,000)**	(3,000)
Provisions for liabilities		**(424)**	(169)
		(6,924)	(7,736)
Net current assets		**18,079**	22,412
Non-current liabilities			
Deferred tax liabilities		**-**	-
Total liabilities		**(6,924)**	(7,736)
Net assets		**40,256**	42,209
Equity			
Share capital		**2,604**	2,591
Share premium account		**42,625**	42,592
Merger reserve		**21,853**	21,853
Translation reserve		**(269)**	757
Accumulated losses		**(26,557)**	(25,584)
Total equity		**40,256**	42,209

*See note 3 for details of the restatement.

The financial statements of Kromek Group plc (registered number 08661469) were approved by the board of directors and authorised for issue on 29 June 2018. They were signed on its behalf by

Dr Arnab Basu MBE
Chief Executive Officer

Kromek Group plc
Consolidated statement of changes in equity
For the year ended 30 April 2018

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 May 2016 as reported	**1,522**	**44,484**	**-**	**1,175**	**72**	**(22,599)**	**24,654**
Prior period adjustment (see note 3)	**-**	**(20,678)**	**21,853**	**(1,175)**	**-**	**-**	**-**
As restated	**1,522**	**23,806**	**21,853**	**-**	**72**	**(22,599)**	**(24,654**
Loss for the year	-	-	-	-	-	(3,084)	(3,084)
Exchange difference on translation of foreign operations	-	-	-	-	685	-	685
Total comprehensive losses for the year	-	-	-	-	685	(3,084)	(2,399)
Issue of share capital net of expenses	1,069	18,786	-	-	-	-	19,855
Credit to equity for equity-settled share based payments	-	-	-	-	-	99	99
Balance at 30 April 2017 (as restated)	**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**

Kromek Group plc
Consolidated statement of cash flows
For the year ended 30 April 2018

	Note	2018 £'000	2017 £'000
Net cash used in operating activities	9	**(4,613)**	(1,500)
Investing activities			
Investment into Money Market account		**(1,250)**	-
Interest received		**35**	5
Purchases of property, plant and equipment		**(272)**	(261)
Purchases of patents and trademarks		**(641)**	(320)
Capitalisation of development costs		**(3,450)**	(4,187)
Net cash used in investing activities		**(5,578)**	(4,763)
Financing activities			
Revolving credit facility		**-**	3,000
Net proceeds on issue of shares		**46**	19,855
Interest paid		**(227)**	(45)
Net cash generated from financing activities		**(181)**	22,810
Net (decrease)/increase in cash and cash equivalents		**(10,372)**	16,547
Cash and cash equivalents at beginning of year		**20,343**	3,857
Effect of foreign exchange rate changes		**(483)**	(61)
Cash and cash equivalents at end of year		**9,488**	20,343

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 31 April 2018 or 2017 but is derived from those accounts. Statutory accounts for 2017 have been delivered to the registrar of companies, and those for 2018 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

The Group has adopted all amendments to standards with an effective date relevant to this year end with no material impact on its results, assets or liabilities. All other accounting policies have been applied consistently.

Standards not affecting the reported results nor the financial position
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- *IFRS 9 "Financial Instruments" will supersede IAS 39 "Financial Instruments – Recognition and Measurement" and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.*
- *IFRS 15 "Revenue from Contracts with Customers" provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations, and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 will supersede IAS 18 "Revenue" IAS 11 Construction Contracts.*
- *IFRS 16 "Leases" provides a new model for lessee accounting in which all leases, other than short-term and small-ticket item leases, will be accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to-use asset over the lease term. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019.*

The Directors have considered the impact of IFRS 9 and IFRS 15 and conclude that these new standards are not expected to have a significant impact on the accounts when adopted. With regard to IFRS 9, the only area considered of key relevance relates to provisions in respect of trade receivables. Given the Group's approach to provisions for doubtful or bad debts the Directors consider that no further analysis will be required. On the matter of IFRS 15, the Group has undertaken a full review of all current revenue streams and contracts and concluded that none of them will require any significant change in measure under the new standard.

The Directors continue to assess the impact of IFRS 16 Leases before it is implemented for periods beginning on or after 1 January 2019. The Group currently has property lease agreements in place for its main sites of business in the UK (Sedgefield and Huddersfield) and in the US (Pittsburgh, PA and Riverside, CA) which are currently accounted for as operating leases. These property leases typically span periods of between 2-20 years. The adoption of the standard will have a material impact on the balance sheet of the Group when recognising the property asset and the present value of future lease payments. There are no other significant leases in the Group other than these property leases. The Group will be able to give a quantification of the impact of IFRS 16 by the end of 2019.

We continue to evaluate the impacts of these new standards as we progress through our project for transition and there remains a risk that the final outcome may be different once that project is completed and the standards are adopted.

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.

During the year, following a review, the Directors identified that the capital of the Group and Company differed from each other. On investigation, it was identified that the difference arose from the accounting entries made as part of the Group reconstruction in the year ended 30 April 2014. On further investigation, it was noted that a number of capital entries related to the former 'topco', Kromek Limited, had been included within the capital of the Group. This included a capital redemption reserve of £1,175,000 and share premium of £20,678,000. These capital entries have been removed and replaced with a merger reserve of £21,853,000 to reflect the difference between the capital of the Company and the book value of the net assets recognised as at the date of the Group reconstruction. These adjustments did not have an impact on the net assets or loss of the Group.

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 2018, the Group had net assets of £40.3m (2017: £42.2m) and cash and cash equivalents of £9.5m (2017: £20.3m) including £3m (2017: £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.

Revenue recognition

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

i) Sale of goods and services

The Group's income derives from the sale of goods to primarily OEM customers and from the research and development contracts which are typically with government agencies, such as Innovate in the UK, DARPA and DNDO in the US. Revenue on product sales is recognised when the risk and reward of ownership pass to the customer, the amount can be measured reliably, and it is probable that future economic benefits will flow to the company. The terms of sale are agreed with each customer on an individual basis, which are generally under FCA INCOTERMS. Revenue from research and development contracts is recognised as revenue in the accounting period in which the milestones are achieved which reasonably reflects the stage of completion of the contract.

ii) Revenue from grants

Revenue from grants is recognised when the costs relating to the project activity have been incurred, the customer is in agreement with the expenses which are being claimed as grant revenue, and subsequent invoices have been issued to the customers.

iii) Long-term contracts

The Group accounts for long-term contracts under IAS 11, and reflects revenue by reference to the stage of completion of the contract activity at the statement of financial position date. Revenue and profits are determined by estimating the outcome of the contract and determining the costs and profit attributable to the stage of completion. Any expected contract loss is recognised immediately. Revenue that has been recognised in the income statement but remain unbilled at the date of the statement of financial position are included as amounts recoverable on contract.

iv) Interest revenue

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest costs charged to the income statement on the outstanding balance.

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

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

i) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified category: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group held no fair value through profit and loss ("FVTPL"), available for sale ("AFS") or held-to-maturity ("HTM") financial assets during the period.

ii) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group interacts with other technology-based companies to obtain market penetration for its products. These arrangements initially require funding to allow for marketing of the Group's products, with longer lead times for sale. As a consequence, the terms with these customers are not always on normal payment terms (30 to 60 days), and management confirm that it could take longer before recoverability of the cash on these sales.

iii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

v) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

vi) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

vii) Financial liabilities

Financial liabilities are classified as 'other financial liabilities'. The Group held no financial liabilities that would be classified as FVTPL.

viii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate method is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

ix) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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. Revenue

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

	2018 £'000	2017 £'000
Continuing operations		
Sales of goods and other services	5,399	6,676
Revenue from grants	1,024	74
Revenue from contract customers	5,422	2,218
Total revenue	**11,845**	8,968
Grant income	-	(15)
Other income	-	-
Total income	**11,845**	8,953

5. Operating segments

Products and services from which reportable segments derive their revenues

For management purposes, the Group is organised into two geographical business units (USA 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 USA 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:

	2018 £'000	2017 £'000
United Kingdom	**1,253**	931
North America	**3,547**	4,455
Asia	**6,080**	3,276
Europe	**949**	296
Australasia	**16**	10
Total revenue	**11,845**	8,968

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

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)/profit	(3,955)	1,614	(2,341)
Interest received	35	-	35
Interest expense	(227)	-	(227)
(Loss)/profit before tax	(4,147)	1,614	(2,533)
Tax credit	1,429	-	1,429
(Loss)/profit for the year	(2,718)	1,614	(1,104)
Reconciliation to 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
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)

Year ended 30 April 2017

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	4,515	3,794	8,309
-Revenue from grants	74	-	74
-Revenue from contract customers	349	1,869	2,218
Total sales by segment	4,938	5,663	10,601
Removal of inter-segment sales	(494)	(1,139)	(1,633)
Total external sales	4,444	4,524	8,968
Segment result – operating loss	(1,727)	(2,027)	(3,754)
Interest received	5	-	5
Interest expense	(45)	-	(45)
Loss before tax	(1,767)	(2,027)	(3,794)
Tax credit	710	-	710
Loss for the year	(1,057)	(2,027)	(3,084)
Reconciliation to EBITDA:			
Net interest	40	-	40
Other operating income	15	-	15
Tax	(710)	-	(710)
Depreciation of PPE	324	438	762
Amortisation	923	494	1,417
Non-recurring other income	-	-	-
Share-based payment charge	48	51	99
EBITDA	(417)	(1,044)	(1,461)
Other segment information			
Property, plant and equipment additions	107	154	261
Depreciation of PPE	324	437	761
Intangible asset additions	2,051	2,456	4,507
Amortisation of intangible assets	923	494	1,417
Statement of financial position			
Total assets	35,993	13,952	49,945
Total liabilities	(6,428)	(1,308)	(7,736)

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.

Revenues from major products and services

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

	2018 £'000	2017 £'000
Product revenue	**9,611**	6,671
Research and development revenue	**2,234**	2,297
Consolidated revenue	**11,845**	8,968

Information about major customers

Included in revenues arising from USA operations are revenues of approximately £4,773k (2017: £1,869k) which arose from the Group's largest customer (2017: major customer). Included in revenues arising from UK operations are revenues of approximately £1,265k (2017: £2,925k) which arose from a major customer (2017: largest customer).

6. Loss before tax for the year

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

	2018 £'000	2017 £'000
Net foreign exchange (gains)/losses	**(593)**	(792)
Research and development costs recognised as an expense	**4,015**	3,520
Depreciation of property, plant and equipment	**785**	762
Amortisation of internally-generated intangible assets	**1,907**	1,417
Cost of inventories recognised as expense	**4,672**	4,534
Staff costs (see note 7)	**6,642**	6,638

7. Staff costs

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

	2018 Number	2017 Number
Directors (executive)	**2**	2
Research and development, production	**89**	88
Sales and marketing	**6**	7
Administration	**11**	12
	108	109

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	**5,662**	5,592
Social security costs	**504**	526
Pension scheme contributions	**345**	421
Share based payments	**131**	99
	6,642	6,638

The total Directors' emoluments (including non-executive directors) was £744k (2017: £616k). The aggregate value of contributions paid to money purchase pension schemes was £20k (2017: £63k) in respect of two directors (2017: two directors).

The highest paid director received emoluments of £346k (2017: £235k) and amounts paid to money purchase pension schemes was £10k (2017: £10k).

Key management compensation:

	2018 £'000	2017 £'000
Wages and salaries and other short-term benefits	**1,307**	1,047
Social security costs	**258**	187
Pension scheme contributions	**57**	134
Share based payment expense	**97**	81
	1,719	1,449

Key management comprise the Executive Directors and senior operational staff.

8. Losses per share

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

Losses

	2018 £'000	2017 £'000
Losses for the purposes of basic and diluted losses per share being net losses attributable to owners of the Group	**(1,104)**	(3,084)

	2018 Number	2017 Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic losses per share	**260,161,744**	174,572,586
Effect of dilutive potential ordinary shares:		
Share options	**2,606,464**	3,564,858
Weighted average number of ordinary shares for the purposes of diluted losses per share	**262,768,208**	178,137,444

	2018	2017
Basic (p)	**(0.4)**	(1.8)
Diluted (p)	**(0.4)**	(1.8)

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.

9. Notes to the cash flow statement

	2018 £'000	2017 £'000
Loss for the year	**(1,104)**	(3,084)
Adjustments for:		
Finance income	**(35)**	(5)
Finance costs	**227**	45
Income tax credit	**(1,429)**	(710)
Government grants credit	**-**	-
Depreciation of property, plant and equipment	**783**	762
Amortisation of intangible assets	**1,907**	1,417
Share-based payment expense	**131**	99
Operating cash flows before movements in working capital	**480**	(1,476)
(Increase)/decrease in inventories	**191**	(394)
(Increase) in receivables	**(5,330)**	(846)
(Decrease)/Increase in payables	**(1,067)**	122
Increase in provisions	**255**	169
Cash used in operations	**(5,471)**	(2,425)
Income taxes received	**858**	925
Net cash used in operating activities	**(4,613)**	(1,500)

Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and bank balances	**9,488**	20,343

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.