13 January 2021

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

Interim Results

Kromek (AIM: KMK), a worldwide supplier of detection technology focusing on the medical, security screening and nuclear markets, announces its interim results for the six months ended 31 October 2020.

Financial Summary

- Revenue of £4.6m (H1 2019/20: £5.3m)
- Gross margin was 54% (H1 2019/20: 58%; FY 2019/20: 47%)
- Adjusted EBITDA* was £0.9m loss (H1 2019/20: £0.6m loss)
- Loss before tax was £3.4m (H1 2019/20: £2.7m loss)
- Cash and cash equivalents at 31 October 2020 were £5.8m (30 April 2020: £9.4m; 31 October 2019: £13.4m)

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

Operational Summary

- Resumption of orders and shipments across all segments in final two months of the period with business patterns starting to return to normal and increased commercial activity post period
- Continuing commercial traction and development of D3S family of products, which has been sold in over 25 countries
    - Expansion of global footprint with sales commencing in a new country and engagement of five new distributors
    - Continued to supply products to Irish Civil Defence following contract win in 2019/20
    - Launch of next-generation D3 PRD and D5 RIID high-performance radiation detectors
- Nine new customers won in the civil nuclear segment and continued sales through distribution channels
- Significant progress in fast-growing bio-security market
    - Awarded $5.2m contract extension by the Defense Advanced Research Projects Agency ("DARPA"), an agency of the US Department of Defense, to advance the development of a mobile wide-area bio-security system capable of detecting and identifying airborne pathogens
    - Building field deployable systems to detect presence of pathogens in high footfall areas such as hospitals, mass transport hubs and entertainment venues
- Extended medical application for CZT-based detectors from cancer diagnosis to cancer surgery through new R&D project with Adaptix Ltd and the University of Manchester
- Received first commercial order from security screening OEM customer following achievement of highest level of European liquid explosive detection certification for cabin baggage for its scanner
- Four new patents were filed and five were granted during the period

Current Trading and Outlook

- Entered H2 2020/21 with extensive commercial pipeline and experiencing rebound in commercial activity
    - OEM customer that awarded $58.1m contract has commenced the installation, in multiple countries, of its medical imaging devices for the early detection of cardiovascular diseases. The rollout is expected to ramp-up from H2 2020/21
    - Two contract extensions for networked radiation detection technologies with a European government-related customer – a key step towards customer's full wide-area system rollout
    - Secured new sector-leading global OEM customer for development of customised detectors for industrial applications; expected to transition into multi-year supply contract
- Bio-security activity to accelerate with airport and hospital piloting of pathogen detection platform expected to commence in H2 2020/21
- Increased trading and improved visibility gives confidence of significant revenue growth in H2 2020/21 as compared to H1 2020/21

Dr Arnab Basu, CEO of Kromek, said: *"I am pleased to report that we finished the first half of 2020/21 in a stronger position than we entered the year, resulting from a considerable uptick in trading in the last two months of the period. We are starting to see a return to some normality in business patterns as our customers recommence their commercial activities. In particular, our largest medical OEM customer has* *begun shipping their next-generation scanner, which, as they continue to ramp up installations in the second half of the year, will enable the fulfilment of the long-term contract we have with them.*

"We have also made substantial progress in the development – for DARPA and other national governments – of an automated bio-detection system capable of detecting airborne pathogens. In situ trials are expected to commence during the second half of the year and we believe this new market segment will be a significant contributor to revenues in the short- to medium-term.

"Looking ahead, the positive momentum seen in the last two months of the first half has continued into the second half of the year with increasing detector shipments. The renewed level of activity within our customer base is underpinned by the commercial traction Kromek has demonstrated in recent years in winning multiple, high-value contracts and we are excited about our new opportunities in the bio-security market. As a result, we expect to see significant growth in second half revenue compared with H1 2020/21 and the Board continues to look to the future with confidence and optimism."

This announcement contains inside information.

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Analyst Presentation

Arnab Basu, CEO, and Paul Farquhar, CFO, will be hosting a presentation for analysts at 9.00am GMT today via webinar. To register to participate, please contact joequinlan@luther.co.uk at Luther Pendragon.

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

Kromek experienced an uptick in commercial activity in the final two months of H1 2020/21, with the increased momentum continuing into the second half of the year, following a period of disruption caused by the COVID-19 pandemic. Towards the end of the period, normal business patterns began to resume and projects that had been postponed from the previous year started to recommence. The Group has established, and is delivering on, a firm commercial pipeline for the second half of year and is well positioned to meet the backlog in demand for its products in its key nuclear, medical and security segments as well as the substantial emerging opportunities in the biological-threat detection market.

Medical Imaging

Kromek has established itself as a key supplier of CZT-based detector modules for medical imaging, which represents a significant market opportunity for the Group supported by fundamental long-term drivers. As previously noted, the outbreak of COVID-19 necessitated a temporary redirection of hospital resources away from routine scans and elective surgeries. However, in the final two months of the period and post period, the Group has seen a return in demand for its detector modules for medical imaging with shipments resuming and business patterns starting to normalise. By adopting Kromek's CZT detector platforms, OEMs are able to significantly improve the quality of medical imaging with lower radiation doses and at reduced cost. In particular, the Group's detector solutions are increasingly being adopted for single photon emission computed tomography ("SPECT") and molecular breast imaging ("MBI") applications, which are key target areas for future growth.

Kromek continued to work with its significant OEM customer, that in H2 2018/19 awarded the Group a contract expected to be worth a minimum of $58.1m over approximately a seven-year period, to provide CZT detectors and associated advanced electronics to be used in the customer's state-of-the-art medical imaging systems. Towards the end of the period, the Group recommenced delivery under this contract and, post period end, the customer began installing its scanners in multiple countries. This rollout is continuing to ramp through H2 2020/21, which the Group expects to enable a return to the contracted delivery schedule for H2 2020/21, and the Group is receiving increasing forward visibility under this contract.

During the period, the Group entered a new area of medical application for its CZT-based detectors: improving patient outcomes from cancer surgery. The Group commenced development of a new system that will distinguish between healthy and non-healthy tissue, enabling surgeons to confidently remove the minimum amount of healthy tissue and reducing the risks of multiple surgeries and of the cancer spreading. The system is being developed under a three-year project that has received grant funding from Innovate UK and is being conducted in partnership with Adaptix Ltd, the developer of a Flat Panel X-ray Source (FPS), and the University of Manchester.

The Group continued to progress development of its ultra-low dose MBI technology based on its CZT-based SPECT detectors. This technology can significantly improve the early detection of breast cancer in women with dense breast tissues, which will positively impact patient outcomes and potentially reduce cost of treatment. Under this three-year project, which commenced in 2018, Kromek is working alongside partners in the Newcastle-upon-Tyne Hospitals NHS Foundation Trust in the UK and an OEM partner. The project is entering the prototype validation stage following a successful proof-of-feasibility for the target reduction of dose and scan time.

Nuclear Detection

Nuclear Security

Kromek continued to meet commercial demand and further build out the technicality of its D3S platform, which is widely deployed as a networked solution to protect cities, buildings or critical infrastructure against the security threat of 'dirty bombs'. This family of high-performance handheld nuclear detectors was originally developed through a programme of the Defense Advanced Research Projects Agency ("DARPA"), an agency of the US Department of Defense. The D3S has now been fully commercialised and continues to attract orders from businesses and government agencies around the world – and has now been sold in more than 25 countries.

During the period, the Group continued to expand the commercial footprint of the D3S with sales commencing in a further country and five new distributors being appointed across five countries. In addition, the Group developed online platforms for product training and support activities for, as well as marketing of, its nuclear detector products, which have allowed the Group to support its customers globally at a time when travel still remains restricted.

The Group supplied further products to the Irish Civil Defence Agency, following a contract win in 2019/20, and its work with the European Commission for infrastructure protection continued to develop throughout the period.

The Group has continued to deliver on development programmes for government organisations. It is adding further technical innovation capability to the D3S family of products under a contract extension with the Countering Weapons of Mass Destruction Office, which is a component within the US Department of Homeland Security. Kromek also continues to provide D3S-related customisation for military operational transition under the contract awarded to the Group by the Joint Program Executive Office for Chemical, Biological, Radiological and Nuclear Defense (JPEO-CBRND).

Alongside its commercial activities, the Group retains its commitment to investing in product development. In September, Kromek launched the D3 PRD, the new all-in-one, high-accuracy personal radiation detector ("PRD") for first responders, armed forces, border security and CBRNE experts. This product meets a growing market demand for a standalone gamma-only device, while offering market-leading dose accuracy, speed to alarm and an ultra-low false positive number.

In addition, post period end, the Group launched the D5 RIID, the world's smallest high-performance radioisotope identification device ("RIID"). This ruggedised device, with ultra-low false alarm rate, is designed for military, homeland security and industrial use. It is the first device to be launched in Kromek's new D5 product range, which expands the Group's radiation detection portfolio to encompass devices specifically designed for more challenging use cases and harsh environments.

In recent months, the Group has benefitted from a marked pick-up in procurement processes across the US, Asia and Europe. This includes the post-period award of two contract extensions by a European government-related company to provide network solutions of the Group's D3S-related technologies to counter nuclear terrorism. The contract extensions, which are worth a total of £460k in the current financial year, are a further step towards Kromek providing a full wide-area system rollout for this customer to protect critical infrastructure and public spaces.

Defence and security spending is on the rise around the world and Kromek's products meet a demand for technology-led solutions to some of the most pressing global security challenges.

Civil Nuclear

The Group won nine new customers in the civil nuclear segment and continued to win repeat business from its current customers. The pipeline of enquiries and orders in this segment has remained robust throughout the period and has continued in the second half of this year. Following a successful online product demonstration of the drone-based radiation mapping system, the Group has seen widening interest for this product from a range of new sectors, including mining and waste management.

Security Screening

While there was a slowdown in security screening activity during the period, as a result of the impact of the COVID-19 pandemic on the travel industry, the Group continued to receive interest in its technologies that can meet the high-performance standards demanded by customers to ensure passenger safety while increasing the convenience and efficiency of the security process. The Group provided its OEM and government customers with components and systems for cabin and hold luggage scanning applications. In particular, the Group received its first commercial order from a security screening OEM customer whose next-generation scanner, based on Kromek technologies, achieved the highest level of European liquid explosive detection certification for cabin baggage.

The Group is completing a two-year $1.6m development project funded by the US Department of Homeland Security for a CZT detector platform for threat resolution for hold baggage, hand baggage and cargo screening systems. The Group expects commercial adoption and integration of this platform in multiple commercial baggage screening products.

Post period end, in the industrial security segment, the Group secured a development agreement, worth up to $660k, with a US-based, sector-leading OEM with a global customer base. The Group will customise one of its CZT detector platforms for incorporation into the customer's systems for identifying contaminations during production processes. The majority of the development programme will be delivered during the current financial year and, following completion, it is expected to transition to a multi-year supply contract.

Biological-Threat Detection

The outbreak of COVID-19 has exposed the world to the severity of biological threats and their potential impact on public health and the global economy, and has demonstrated the need to rapidly evolve bio-security systems and associated technologies. Kromek significantly progressed its activities in this market during the period.

Under a DARPA-funded programme that was established to combat bioterrorism, Kromek is developing a biological-threat detection solution to form part of a mobile wide-area bio-surveillance system. This was accelerated during the period with the award of a contract extension by DARPA worth up to $5.2m. Kromek's technology enables the automated detection and identification of airborne pathogens and virus mutations using DNA sequencing. Under the DARPA programme, it is intended to be deployed in an urban environment via a vehicle-mounted biological-threat identifier system that is also capable of being located in high footfall areas such as hospitals and airports.

As also announced today, Kromek has commenced a £1.25m programme to customise the Group's biological threat-detection solution to support end-use cases and undergo piloting with those user groups. Funded by Innovate UK, the programme aims to advance solutions that are designed to address and mitigate the impacts of COVID-19. Kromek is currently engaging with potential customers for the system to develop deployment models and identify how it can best fit their needs. The Group will provide customisation of the system ahead of piloting – with airport and hospital pilots expected to commence by the end of this financial year. The Group anticipates successful pilots will result in commercial deployment in 2021/22.

R&D, Product Development and IP

Kromek has a core focus on developing the next generation of products for commercial application in its core markets. As noted, during the period the Group continued to advance development programmes with a number of partners in the nuclear security and medical imaging markets as well as launching new products in its D3S portfolio and, in particular, significantly progressed the development of its biological-threat reduction solution. The Group applied for four new patents and had five patents granted during the period.

Financial Review

Revenue for the six-month period ended 31 October 2020 was £4.6m (H1 2019/20: £5.3m) as a result of the COVID-19 related disruption described above.

Gross margin for the period was 54% compared with 58% for H1 2019/20 due to revenue mix. Gross profit was £2.5m (H1 2019/20: £3.1m), reflecting the lower H1 revenue year-on-year.

Operating costs increased by £0.2m to £5.6m (H1 2019/20: £5.4m) due largely to increased depreciation and amortisation expense and adverse foreign exchange costs, partially offset by lower travel and facility costs. Loss before tax of £3.4m (H1 2019/20: £2.7m loss) reflects higher operating costs and lower gross profit. There was an adjusted EBITDA loss for the period of £0.9m (H1 2019/20 £0.6m loss). Adjusted EBITDA is calculated as per the following table:

	H1 2020/21 (Unaudited)	H1 2019/20 (Unaudited)	Full Year 2019/20 (Audited)
	£'000	**£'000**	**£'000**
Loss before tax	**(3,399)**	**(2,653)**	**(18,345)**
EBITDA adjustments:-			
Net interest	306	311	544
Depreciation	821	544	1,185
Amortisation	1,279	1,087	2,142
Share-based payments	120	100	225
COVID-19 related items			
Early settlement discount	-	-	746
Exceptional items	-	-	13,062
Adjusted EBITDA*	(873)	(611)	(441)

**Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, other income and share-based payments. The figure for FY 2019/20 also excludes an exceptional item and early settlement discount related to the impact of COVID-19 comprising an exceptional item of £13.1m relating to the write down of receivables and AROC and a specific airport security customer early settlement discount of £0.7m, as neither are in the normal course of events and are significant in their size, practice, and nature. 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. 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 resulting from movements in revenue, gross margin and the costs of the business.*

Investment in product development was £2.7m for the six-month period ended 31 October 2020 (H1 2019/20: £1.8m). The expenditure in H1 2020/21 was in near-term product development, reflecting the continuing commitment to the future growth of the business with new and enhanced products that can be commercially marketed. Amortisation of such development activity in the period was £1.0m (H1 2019/20: £0.7m).

Cash and cash equivalents at:

- 31 October 2020 were £5.8m (including £4.7m utilised on the revolving credit facility (RCF) and £1.4m of drawn term loan);
- 30 April 2020 were £9.4m (including £4.9m utilised on the RCF); and at
- 31 October 2019 were £13.4m (including £5.0m utilised on the RCF).

The net decrease in cash of £3.6m during H1 2020/21 was a combination of the following:

- An adjusted EBITDA loss for the period of £0.9m
- Net cash generated from financing activities of £1.5m
- A £1.0m reduction in working capital
- Investment in product development and other intangibles, with capitalised development costs of £2.6m and IP additions of £0.1m
- Capital expenditure of £0.3m
- Adverse foreign exchange movements of £0.2m

The net cash generated from financing activities of £1.5m in H1 2020/21 comprised loans received in the period of £2.3m less £0.8m of loan repayments and interest paid. The loans received of £2.3m were £0.8m of Paycheck Protection Program Loans secured by the Group's US operations and a £1.4m HSBC term loan.

The £1.0m reduction in working capital was due to a decrease of £2.8m in payables partially offset by a net £1.8m increase in inventories and receivables during the period. This £2.8m outflow was largely comprised of payments related to a planned build-up of inventory in the year ended 30 April 2020 in anticipation of an uptick in shipments in the last quarter of 2019/20 and for normal activity levels in H1 2020/21. As a result of the COVID-19 disruption in H1 2020/21, inventory levels remained relatively consistent with the 2019/20 year-end position. With normal business patterns now resuming and customer demand expected to continue to increase through H2 2020/21 and into 2021/22, the Group anticipates inventory levels to fall, which will release cash. Accordingly, the Group does not expect a material change in the cash position at year end compared with 31 October 2020.

Outlook

The final two months of the first half saw an uptick in trading and the momentum has carried into the second half of the year as business patterns begin to return to normal. The Group has fully adapted to working within global pandemic conditions and any interruption in its ability to service customers has been minimised. The Group does not expect the current UK lockdown to have any material impact on its business operations, however, it is mindful of the potential disruption that could be caused by prolonged restrictions, such as on international travel, in the event of further deterioration of conditions in the countries where it operates.

As customers start to resume the rollout of their next-generation products based on Kromek technology, consequently detector shipments have increased. Specifically, in medical imaging, the Group's OEM customer that awarded the contract expected to be up to $58.1m, has commenced installing its medical imaging scanners in multiple countries, with the rollout expected to ramp-up from H2 2020/21. The Group has received multiple contracts from new and existing customers in recent months, underscoring the pronounced rebound in sales and commercial activity across the Group's key segments of medical imaging, nuclear detection and security screening. The renewed level of activity within its customer base is underpinned by the commercial traction Kromek has demonstrated in recent years in winning several, high-value contracts. As a result, the Group expects revenue in the second half of the year to be significantly higher than in H1 2020/21.

Looking further ahead, the Group's key addressable markets continue to benefit from long-term growth drivers. In medical imaging, there remains a fundamental demand to improve screening for diseases such as cancer and cardiovascular illnesses as well as other conditions such as osteoporosis that require early diagnosis and intervention to improve patient outcomes. Similarly, in the nuclear security market, governments remain vigilant to the threat of terrorism and defence procurement spending is rising, which is leading to heightened demand for Kromek's technology. Additionally, the Group anticipates developments in its new market segment of biological-threat detection to accelerate and multiple milestones to be achieved in the second half of the year that will enable commercial deployment in 2021/22.

Consequently, the Board continues to look to the future with confidence and optimism.

Consolidated condensed income statement
For the six months ended 31 October 2020

	Note	Six months ended 31 October 2020 £'000 (Unaudited)	Six months ended 31 October 2019 £'000 (Unaudited)	Year ended 30 April 2020 £'000 (Audited)
Continuing operations				
Revenue	4	4,576	5,333	13,120
Cost of sales		(2,083)	(2,240)	(6,912)
Gross profit		2,493	3,093	6,208
Distribution costs		(128)	(190)	(336)
Administrative expenses (including operating expenses)		(5,458)	(5,245)	(10,611)
Operating loss		(3,093)	(2,342)	(4,739)
Exceptional impairment losses on trade receivables and amounts recoverable on contract		-	-	(13,062)
Operating results (post exceptional items)		(3,093)	(2,342)	(17,801)
Finance income		1	45	60
Finance costs		(307)	(356)	(604)
Loss before tax		(3,399)	(2,653)	(18,345)
Tax	5	385	389	1,805
Loss from continuing operations		(3,014)	(2,264)	(16,540)
Losses per share				
-basic (p)	7	(0.9)	(0.7)	(4.8)
-diluted (p)		(0.9)	(0.7)	(4.8)

Consolidated condensed statement of comprehensive income
For the six months ended 31 October 2020

	Six months ended 31 October 2020 £'000 (Unaudited)	Six months ended 31 October 2019 £'000 (Unaudited)	Year ended 30 April 2020 £'000 (Audited)
Loss for the period	(3,014)	(2,264)	(16,540)
Items that may be recycled to the income statement			
Exchange gains/(losses) on translation of foreign operations	(640)	(35)	1,047
Total comprehensive loss for the period	(3,654)	(2,299)	(15,493)

Consolidated condensed statement of financial position
As at 31 October 2020

	Note	31 October 2020 £'000 (Unaudited)	Restated* 31 October 2019 £'000 (Unaudited)	30 April 2020 £'000 (Audited)
Non-current assets				
Goodwill		**1,275**	1,275	1,275
Other intangible assets		**23,048**	18,986	21,878
Property, plant and equipment	8	**12,052**	11,365	12,551
Right-of-use asset		**3,597**	3,809	3,852
		39,972	35,435	39,556
Current assets				
Inventories		**6,579**	4,014	6,416
Trade and other receivables		**6,282**	20,823	8,210
Current tax assets		**1,415**	515	1,031
Cash and bank balances		**5,810**	13,437	9,444
		20,086	38,789	25,101
Total assets		**60,058**	74,224	64,657
Current liabilities				
Trade and other payables		**(5,966)**	(5,369)	(8,795)
Lease obligation		**(328)**	(270)	(324)
Borrowings		**(3,654)**	(3,607)	(3,669)
Provisions for liabilities		**-**	-	-
		(9,948)	(9,246)	(12,788)
Net current assets		**10,138**	29,543	12,313
Non-current liabilities				
Deferred tax liability		**-**	(868)	-
Deferred income		**(1,068)**	-	(1,021)
Finance lease liabilities		**(3,575)**	(3,815)	(3,844)
Borrowings		**(3,928)**	(2,156)	(1,937)
Total liabilities		**(18,519)**	(16,085)	(19,590)
Net assets		**41,539**	58,139	45,067
Equity				
Share capital	10	**3,449**	3,447	3,446
Share premium account		**61,603**	61,602	61,600
Capital redemption reserve		**21,853**	21,853	21,853
Translation reserve		**1,341**	889	1,981
Retained earnings		**(46,707)**	(29,662)	(43,813)
Total equity		**41,539**	58,139	45,067

*See note 3 to the financial statements.

Consolidated condensed statement of changes in equity
For the six months ended 31 October 2020

Equity attributable to equity holders of the Group

	Share Capital £'000	Share Premium Account £'000	Merger Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 May 2020	**3,446**	**61,600**	**21,853**	**1,981**	**(43,813)**	**45,067**
Loss for the period	-	-	-	-	(3,014)	**(3,014)**
Other comprehensive income for the period	-	-	-	(640)	-	**(640)**
Total comprehensive gain for the period	-	-	-	(640)	(3,014)	**(3,654)**
Transactions with shareholders recorded in equity						
Issue of share capital net of expenses	3	-	-	-	-	**3**
Premium on shares issued less expenses	-	3	-	-	-	**3**
Credit to equity for equity-settled share-based payments	-	-	-	-	120	**120**
Balance at 31 October 2020	**3,449**	**61,603**	**21,853**	**1,341**	**(46,707)**	**41,539**
Balance at 1 May 2019 as reported	3,446	61,600	21,853	949	(26,645)	**61,203**
Prior period adjustment (see note 3)	-	-	-	(15)	(853)	**(868)**
Balance at 1 May 2019 (restated)	3,446	61,600	21,853	934	(27,498)	**60,335**
Loss for the period	-	-	-	-	(2,264)	**(2,264)**
Other comprehensive income for the period	-	-	-	(35)	-	**(35)**
Total comprehensive loss for the period	-	-	-	(35)	(2,264)	**(2,299)**
Transactions with shareholders recorded in equity						
Issue of share capital net of expenses	1	-	-	-	-	**1**
Premium on shares issued less expenses	-	1	-	-	-	**2**
Credit to equity for equity-settled share-based payments	-	-	-	-	100	**100**
Balance at 31 October 2019 (restated)	**3,447**	**61,602**	**21,853**	**899**	**(29,662)**	**58,139**
Balance at 1 May 2019 as reported	3,446	61,600	21,853	949	(26,645)	**61,203**
Prior period adjustment (see note 3)	-	-	-	(15)	(853)	**(868)**
Balance at 1 May 2019 (restated)	3,446	61,600	21,853	934	(27,498)	**60,335**
Loss for the year	-	-	-	-	(16,540)	**(16,540)**
Other comprehensive income for the period	-	-	-	1,047	-	**1,047**
Total comprehensive loss for the year	-	-	-	1,047	(16,540)	**(15,493)**
Transactions with shareholders recorded in equity						
Issue of share capital net of expenses	-	-	-	-	-	**-**
Credit to equity for equity-settled share-based payments	-	-	-	-	255	**225**
Balance at 30 April 2020	**3,446**	**61,600**	**21,853**	**1,981**	**(43,813)**	**45,067**

Consolidated condensed statement of cash flows
For the six months ended 31 October 2020

	Note	Six months ended 31 October 2020 £'000 (Unaudited)	Six months ended 31 October 2019 £'000 (Unaudited)	Year ended 30 April 2020 £'000 (Audited)
Net cash used in operating activities	9	**(1,890)**	(876)	179
Investing activities				
Investment in long term cash deposits		**-**	1,250	1,250
Interest received		**1**	45	60
Purchases of property, plant and equipment		**(295)**	(5,459)	(6,965)
Purchases of patents and trademarks		**(114)**	(111)	(243)
Capitalisation of research and development costs		**(2,667)**	(1,738)	(5,256)
Net cash used in investing activities		**(3,075)**	(6,013)	(11,154)
Financing activities				
Loans received		**2,283**	2,000	2,100
Proceeds on issue of shares		**3**	2	-
Interest paid		**(189)**	(233)	(365)
Payment of loan and borrowings		**(307)**	(1,683)	(2,105)
Finance lease repayments		**(272)**	(265)	(539)
Net cash generated from/(used in) financing activities		**1,518**	(179)	(909)
Net decrease in cash and cash equivalents		**(3,447)**	(7,068)	(11,884)
Cash and cash equivalents at beginning of period		**9,444**	20,616	20,616
Effect of foreign exchange rate changes		**(187)**	(111)	712
Cash and cash equivalents at end of period		**5,810**	13,437	9,444

Notes to the unaudited interim statements
For the six months ended 31 October 2020

1. Basis of preparation

This interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditors reported on the Kromek Group plc financial statements for the year ended 30 April 2020, their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Group's consolidated annual financial statements for the year ended 30 April 2020 have been filed with the Registrar of Companies and are available on the Group's website www.kromek.com.

2. Going concern

The Directors have a reasonable expectation that the going concern basis of accounting remains appropriate and that the Group has adequate resources and facilities to continue in operation for the next 12 months based on its cash flow forecasts prepared. Accordingly, the Group's unaudited interim statements for the six months ended 31 October 2020 have been prepared on a going concern basis which contemplates the realisation of assets and the settlement of liabilities and commitments in the normal course of operations.

The Group meets its day-to-day working capital requirements from cash receipts from sales as well as external borrowings comprising a Revolving Credit facility (RCF) and capex facility from HSBC for which there are certain covenants attached. The RCF facility is subject to renewal in April 2022. The Group renegotiated its banking covenants in response to COVID-19 and secured waivers in relation to certain covenants. As a result of obtaining these waivers, the management forecast does not indicate any breaches of its covenants over the next 12 months. The management forecast indicates that the Group will continue to operate within the existing facilities, should they remain available, until the RCF renewal in April 2022.

3. Interim report

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

Restatement as reported in the 2020 Annual Report: Following a review, management revisited the historical treatment of deferred tax in relation to development costs capitalised in the US subsidiaries since reporting under IFRS. As a result of management's review, a prior year adjustment has been made to recognise a non-current deferred tax liability of £868k as at 31 October 2019. For more detail, please refer to the 2020 Annual Report.

4. Business and geographical segments

Products and services from which reportable segments derive their revenues

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

The chief operating decision maker is the Board of Directors who assess performance of the segments using the following key performance indicators; revenues, gross profit, operating profit and EBITDA. 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 on developing a number of detection products in the industrial and consumer markets. Whilst results are not measured by end market, the Group currently categorises its customers as belonging to the Nuclear, Medical or Security sectors.

Analysis by geographical area

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

	Six months ended 31 October 2020 £'000 (Unaudited)	Six months ended 31 October 2019 £'000 (Unaudited)	Year ended 30 April 2020 £'000 (Audited)
United Kingdom	**683**	1,916	2,541
North America	**3,055**	2,362	7,606
Asia	**197**	113	893
Europe	**630**	940	2,075
Australasia	**11**	2	5
Total revenue	**4,576**	5,333	13,120

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

Six months ended 31 October 2020

	UK Operations £'000	USA Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	2,255	1,615	3,870
-Revenue from grants	8	-	8
-Revenue from contract customers	2,266	320	2,586
Total sales by segment	4,529	1,935	6,464
Removal of inter-segment sales	(1,317)	(571)	(1,888)
Total external sales	3,212	1,364	4,576
Segment result – operating loss	(537)	(2,556)	(3,093)
Net interest	(179)	(127)	(306)
Loss before tax	(716)	(2,683)	(3,399)
Tax credit	385	-	385
Loss for the period	(331)	(2,683)	(3,014)
Other information			
Property, plant and equipment additions	229	66	295
Depreciation of property, plant and equipment	483	338	821
Intangible asset additions	2,172	609	2,781
Amortisation of intangible assets	777	502	1,279
Balance Sheet			
Total assets	35,203	24,855	60,058
Total liabilities	(11,887)	(6,632)	(18,519)

Inter-segment sales are charged at prevailing market prices.

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

4. Business and geographical segments (continued)

Six months ended 31 October 2019

	UK Operations	USA Operations	Total for Group
	£'000	£'000	£'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	2,867	2,770	5,637
-Revenue from grants	508	-	508
-Revenue from contract customers	310	30	340
Total sales by segment	3,685	2,800	6,485
Removal of inter-segment sales	(642)	(510)	(1,152)
Total external sales	3,043	2,290	5,333
Segment result – operating loss	(573)	(1,769)	(2,086)
Net interest	(163)	(148)	(47)
Loss before tax	(736)	(1,917)	(2,653)
Tax credit	389	-	389
Loss for the period	(347)	(1,917)	(2,264)
Other information			
Property, plant and equipment additions	4,963	496	5,459
Depreciation of property, plant and equipment	221	323	544
Intangible asset additions	1,044	805	1,849
Amortisation of intangible assets	573	514	1,087
Balance Sheet			
Total assets	38,059	36,182	74,241
Total liabilities	(9,536)	(5,698)	(15,234)

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

5. Tax

The Group has recognised R&D tax credits of £385k for the six months ended 31 October 2020 (six months ended 31 October 2019: £398k).

6. Dividends

The directors do not recommend the payment of a dividend (six months ended 31 October 2019: £nil).

7. Losses per share

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

Losses

	Six months ended 31 October 2020 £'000 (Unaudited)	Six months ended 31 October 2019 £'000 (Unaudited)	Year ended 30 April 2020 £'000 (Audited)
Losses for the purposes of basic earnings per share being net profit attributable to owners of the Group	**(3,014)**	(2,264)	(16,540)

	Six months ended 31 October 2020 Thousands (Unaudited)	Six months ended 31 October 2019 Thousands (Unaudited)	Year ended 30 April 2020 Thousands (Audited)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic losses per share	**344,751**	344,642	344,644
Effect of dilutive potential ordinary shares:			
Share options and warrants	**340**	1,573	1,085
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**345,745**	346,215	345,729
Basic (p)	**(0.9)**	(0.7)	(4.8)
Diluted (p)	**(0.9)**	(0.7)	(4.8)

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

8. Property, plant and equipment

During the six months ended 31 October 2020, the Group acquired property, plant and equipment with a cost of £295k (six months ended 31 October 2019: £5,459k).

9. Notes to the cash flow statement

	Six months ended 31 October 2020 £'000 (Unaudited)	Six months ended 31 October 2019 £'000 (Unaudited)	Year ended 30 April 2020 £'000 (Audited)
Loss for the period	**(3,014)**	**(2,264)**	(16,540)
Adjustments for:			
Finance income	**(1)**	**(45)**	(60)
Finance costs	**307**	**356**	604
Income tax credit	**(385)**	**(389)**	(1,805)
Depreciation of property, plant and equipment	**821**	**544**	1,185
Amortisation of intangible assets	**1,279**	**1,087**	2,142
Share-based payment expense	**120**	**100**	225
Operating cash flows before movements in working capital	**(873)**	**(611)**	(14,249)
(Increase) in inventories	**(163)**	**(787)**	(3,189)
Decrease/ (increase) in receivables	**1,928**	**(826)**	11,787
(Decrease)/ increase in payables	**(2,782)**	**485**	4,932
Cash used in operations	**(1,890)**	**(1,739)**	(719)
Income taxes received	**-**	**863**	898
Net cash used in operating activities	**(1,890)**	**(876)**	179

10. Share capital

During the period, 250,000 ordinary shares (six months ended 31 October 2019: 12,000) were issued to satisfy the exercise of employee share options.

11. Events after the balance sheet date

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