28 June 2017

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

Final Results for the Year ended 30 April 2017

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 2017.

Financial Highlights

- Revenue increased 7.5% to £9.0m (2015/16: £8.3m)
- Product sales accounted for 74% of total revenues (2015/16: 65%), a growth year-on-year of 23%
- Gross margin was 57% (2015/16: 53%)
- Administration costs (including operating expenses) were £8.7m (2015/16: £8.3m)
- EBITDA* was £1.5m loss (2015/16: £2.4m loss), following further investment of £3.5m (2015/16: £3.2m) of research costs expensed in preparation for the expected demand regarding D3S and SPECT
- Loss before tax for the year was £3.8m (2015/16: £4.1m loss)
- Total proceeds of £21m (£20m net of expenses) were raised as part of a Placing and Open Offer in February 2017, which saw a further 105,129,536 ordinary shares issued
- Cash and cash equivalents at 30 April 2017 were £20.3m (30 April 2016: £3.9m)

**EBITDA defined as earnings before interest, taxation, depreciation, amortisation and share-based payments.*

Operational Highlights

Another year of good progress and ramp-up in commercial activities with revenue growth driven by higher product sales across Kromek's three key target markets.

Medical Imaging

- Commenced delivery on $12.6m five-year OEM contract to supply detectors for BMD diagnostics systems
- Awarded repeat contracts by three current BMD customers worth $1.2m in total
- Won contract worth minimum of $560,000 for the supply of radiation detectors with an existing customer
- Continued to make progress on the development of CZT-based SPECT modules for customer in China

Nuclear Detection

- Delivered 10,000 D3S units in support of DARPA's SIGMA programme
    - D3S sensors were field-tested in Washington DC and currently deployed by New Jersey Port Authority
- Awarded $1.6m two-year agreement from DTRA to develop a ruggedised high performance isotope radiation detector for military use
- Won and delivered a $430,000 contract to supply nuclear radiation detection products to the UK Ministry of Defence

Security Screening

- Secured five-year agreement, worth a minimum of $3.1m, from an existing US-based customer
- Awarded 12-month contract, valued at $990,000, together with a ten-year exclusivity agreement, by an existing US-based customer to develop and supply upgraded detectors
- Awarded and delivered a contract for the Group's bottle scanners from an Asian airport group

Six new patents were filed and 11 granted during the period.

Dr Arnab Basu, CEO of Kromek, said: "We are pleased with the growth in revenues this year, reflecting the delivery of long-term contracts won in previous years and contracts won during the year. Kromek is at the leading-edge in developing commercially-viable radiation detection solutions and this has, in turn, enabled our customers to successfully launch their new generation of clearly differentiated products in a wide range of markets. Consequently, revenues from the sale of our products now accounts for nearly three quarters of our revenues.

"In the 2017/18 fiscal year, Kromek is seeing a step change across all its business segments as we continue to execute on the large-scale contracts that have been secured over the last 24 months. Additionally, we expect OEM customers to launch products incorporating our technology, prompting additional orders to be placed as sales of these products accelerate. As a result, the Group expects to report year-on-year revenue growth of approximately 40%, in-line with market expectations."

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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 photon 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 another year of good progress for Kromek as the Group won several high value contracts across all its target markets. This has strengthened the Group's market position as a key supplier of CZT detection systems to both commercial and government customers globally. Kromek has a stronger order book, good revenue visibility and is better positioned to capture the opportunities that exist across all its target markets.

Kromek continued to execute on the large-scale contracts that have been secured over the last 24 months. The size and scope of these agreements is illustrative of the ramp-up in Kromek's commercial activities. The larger contracts, alongside an increasing number of customers moving from R&D programmes to full commercialisation, has produced a continued shift in the Group's sales mix from R&D to products sales, which were 74% of total revenue (2015/16: 65%).

Medical Imaging

Kromek made good progress in Medical Imaging - securing new contracts and delivering on current agreements.

In the Bone Mineral Densitometry ("BMD") market, Kromek continued to serve its OEM customers, including the commencement of delivery of the $12.6m contract signed in H2 2015/16. In this market, the Group also received repeat contracts worth $1.2m from existing customers. It is worth noting that the size of the contracts were almost double the previous contracts from these customers.

In addition, Kromek entered into an agreement for the supply of CZT-based gamma radiation detectors with an existing medical customer with a minimum value of $560k over the two-year agreement.

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

Nuclear Detection

It was a milestone year in Nuclear Detection as Kromek continued to win new contracts, executed large orders and enhanced its reputation with government agencies and global OEMs.

In particular, Kromek completed the delivery of an initial 10,000 D3S units in support of Defense Advanced Research Projects Agency's ("DARPA") SIGMA programme. Kromek's detectors have been field-tested in Washington DC and other major areas in the US and were also used by European authorities to protect the President of the United States during his recent visit to Brussels. To date Kromek has secured over $11m worth of contracts under the programme.

In further interaction with the US defence agencies, Kromek was awarded a $1.6m two-year agreement by Defense Threat Reduction Agency ("DTRA"), subject to final contract. This award is to build on, and further enhance, the Group's technology platform to develop a ruggedised, high performance, isotope radiation detector that is capable for use in military and other harsh environments.

Other contracts awarded in the period include a $430,000 contract with the UK Ministry of Defence for the supply of nuclear radiation detection products and an extension to an existing contract for the development and delivery of nuclear radiation detection devices for a major civil nuclear partner amounting to $278,000. Both of these contracts were delivered, on schedule, during the period.

Kromek continued to make good progress in its partnership with Mirion (formally Canberra) for product distribution and R&D collaboration. This three-year R&D programme with Mirion is expected to be worth at least $900,000 over the life of the contract.

Security Screening

Kromek secured a milestone five-year agreement, valued at a minimum of $3.1m, with an existing US-based customer that is an emerging leader and global company in the homeland security marketplace. It is Kromek's first long-term contract in the security screening market and, significantly, is another OEM customer that has moved from being an R&D customer to entering the commercial phase.

In addition, Kromek was awarded a contract, valued at $990,000, by an existing US-based customer that is a global leader in aerospace and defence technologies. The contract is for the upgrade of the Group's advanced security screening detectors that the customer has deployed since 2009. The upgraded CZT detectors are critical to the customer's security screening application.

Kromek was also awarded two contracts totalling $265,000, which were both delivered during the period. One for the Group's bottle scanners, from an Asian airport group that is a new customer, and the other for components for screening systems, from an existing customer.

These contracts demonstrate that Kromek continues to gain commercial traction through the increasing adoption of its technology in the security screening market. Kromek's bottle scanners are installed in 50 airports in 11 countries in Asia, Europe and Australia.

R&D

The Group has continued to work on both externally and internally funded R&D activities to develop products and platform technologies that can form important elements of its future product roadmap. During the period, six new patents were filed and 11 patents were granted.

The research pipeline has delivered several fundamental new technologies as the Group:

- invested in developing a new low-power Bluetooth connected readout system designed for seamless integration of large volume vehicle mounted detectors (complementing the handheld D3S detectors) in the SIGMA detector network;
- successfully developed and supplied prototype radiation detectors to DTRA that resulted in a new award for the development of detectors for military applications;
- developed a high-performance ASIC for use in advanced radiation detectors, further enhancing the product offerings in the nuclear detection market while lowering electronic design costs; and
- developed and introduced a new series of x-ray imaging modules in the BMD market, further enhancing Kromek's position in this market.

Financial Review

This was a successful year for Kromek as the Group achieved another year of revenue growth, with the continued increase in product sales, and improved gross margin resulting in reduced EBITDA loss. Kromek also significantly strengthened its balance sheet with a placing and open offer in February 2017 of £19.8m (net).

Revenue
The Group achieved revenue growth of 7.5% year-on-year driven by higher product sales at £6.7m (2015/16: £5.4m), which accounted for 74% of total revenue (2015/16: 65%) as detailed in the table below.

Revenue Mix	**2016/17**		**2015/16**	
	£'000	**% share**	**£'000**	**% share**
Product	6,671	74%	5,432	65%
R&D	2,297	26%	2,910	35%
Total	**8,968**		**8,342**	

The year-on-year growth in product sales of 23% reflects further traction with the D3S, SPECT and BMD products as they delivered on the supply contracts that have been announced over the last 24 months.

Gross Margin

Gross margin (calculated before labour and overhead recovery) increased to 57% (2015/16: 53%). This improvement is the result of product mix and production efficiencies as well as the impact of the allocation of product development amortisation.

On the latter point, amortisation of product development is now expensed on a straight-line estimate rather than linked to specific sales of unit product. The Group amended its accounting estimate of development cost amortisation to reflect the changes in the accounting standards, IAS 38: Intangible Assets and IAS 16: Property, Plant and Equipment, which were effective for accounting periods beginning on or after 1 January 2016.

On a like-for-like basis, if the gross margin in 2015/16 is re-calculated on the same basis as it has been for 2016/17 relating to the change in allocation of amortisation costs, gross margin for 2015/16 would be 55%. Thus, like-for-like, gross margin improved by 2% year-on-year, driven by product mix and production efficiencies.

Administration Costs (Including Operating Expenses)

Administration costs and operating expenses increased by 5% to £8.7m (2015/16: £8.3m). The key movement in the year relates to the higher amortisation charge of £1.4m (2015/16: £0.8m) resulting from the change in the method of estimate and allocation of amortisation as noted above. This additional charge was partly offset by some net cost savings of approximately £0.2m.

EBITDA and Profit/(Loss) from Operations

Due to increased product sales and movement in gross margin, EBITDA for 2016/17 was a loss of £1.5m, compared with a loss of £2.4m for the prior year as set out in the table below:

	2016/17	**2015/16**
	£'000	**£'000**
Revenue	8,968	8,342
Gross margin (%)	*57%*	*53%*
Loss before Tax	(3,794)	(4,143)
***EBITDA* Adjustments:**		
Net interest	40	83
Depreciation	762	709
Amortisation	1,417	828
Share-based payments	99	166
Other income	15	(19)
EBITDA	**(1,461)**	**(2,376)**

The £0.9m improvement in EBITDA in 2016/17 compared with 2015/16 is substantially a result of £0.7m of additional gross profit generated from higher revenues and improvements in gross margin. This has been further supported by net reductions in administrative costs as noted above.

Loss before tax for the year was £3.8m (2015/16: £4.1m loss).

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 £0.7m for the year (2015/16: £0.9m). The Group deferred tax provision saw a movement of a credit of nil (2015/16: £1.2m) as a result of 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 £0.7m (2015/16: £2.0m).

Earnings per Share ("EPS")
EPS is recorded in the year on a basic and diluted basis producing a loss of 1.8p per share (2015/16: 1.5p loss per share) for basic and a loss of 1.7p per share (2015/16: 1.5p loss per share) for diluted.

R&D
The Group invested £4.2m in the year (2015/16: £2.8m) 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, and to meet the demands of customer programmes. A further £3.5m (2015/16: £3.2m) 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 were to expand the D3S suite of products and the SPECT and BMD platforms linked to existing contract deliverables and significant future revenue opportunities. The main driver in the increase in year-on-year near-term product development of £1.4m was the investment in a new ASIC platform that can be utilised to broaden the product portfolio by enabling higher detection sensitivity and smaller product form factors.

The Group continues to undertake this investment in order to advance its commercial advantage. This was manifest in the period in D3S, BMD and SPECT product sales. This investment is considered critical and ongoing as the Group commercialises the opportunities that the technology provides and expands capabilities in a number of different applications, which will be further augmented by the recent ASIC development.

During the period, the Group undertook expenditure on patents and trademarks of £0.3m (2015/16: £0.3m) with six new patents filed and 11 patents were granted.

Capital Expenditure
Capital expenditure in the year amounted to £0.3m (2015/16: £0.4m), which primarily relates to upgrading the IT network along with some modest manufacturing projects.

Cash Balance
Cash and cash equivalents was £20.3m at 30 April 2017 (31 October 2016: £3.8m; 30 April 2016: £3.6m). This follows the successful placing and open offer in February 2017 of £19.8m (net), offset by the adjusted EBITDA loss for the period, further investment in product development in the year of £4.2m, net working capital expansion in debtors, inventory and payables of £0.9m and a £3m drawn down on the newly renewed RCF facility.

Outlook

Kromek is experiencing a step change in the growth across all its business segments and expects to report revenue growth for 2017/18 of approximately 40% in-line with market expectations. This expectation is underpinned by the good visibility of revenues as the Group continues delivery on over $40m of contracts signed over the last 24 months.

The Group also continues to benefit from its customers launching next-generation CZT-based products into the market. In 2017/18, Kromek expects OEM customers to launch further products incorporating the Group's technology, prompting additional orders to be placed as sales of these products accelerate.

Overall, the Group's products continue to gain traction in all its business segments with Kromek winning new customers as well as strengthening its relationships with existing customers. With a strengthened order book in place and improved revenue visibility, the Board looks to the future with confidence.

Kromek Group plc
Consolidated income statement
For the year ended 30 April 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Revenue	5	8,968	8,342
Cost of sales		(3,851)	(3,913)
Gross profit		5,117	4,429
Other operating income	5	(15)	19
Distribution costs		(194)	(181)
Administrative expenses (including operating expenses)		(8,662)	(8,327)
Operating loss		(3,754)	(4,060)
Finance income	10	5	1
Finance costs	11	(45)	(84)
Loss before tax	7	(3,794)	(4,143)
Tax	12	710	1,992
Loss for the year from continuing operations		(3,084)	(2,151)
Loss per share	14		
- basic (p)		(1.8)	(1.5)
- diluted (p)		(1.7)	(1.5)

Kromek Group plc
Consolidated statement of comprehensive income
For the year ended 30 April 2017

	2017 £'000	2016 £'000
Loss for the year	(3,084)	(2,151)
Items that are or may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	685	156
Total comprehensive loss for the year	(2,399)	(1,995)

Kromek Group plc
Consolidated statement of financial position
As at the year ended 30 April 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Goodwill	15	**1,275**	1,275
Other intangible assets	16	**14,824**	11,222
Property, plant and equipment	17	**3,698**	3,974
		19,797	16,471
Current assets			
Inventories	19	**3,204**	2,810
Trade and other receivables	21	**6,005**	5,159
Current tax assets	21	**596**	811
Cash and bank balances		**20,343**	3,857
		30,148	12,637
Total assets		**49,945**	29,108
Current liabilities			
Trade and other payables	24	**(4,567)**	(4,445)
Finance lease liabilities	22	**-**	(9)
Borrowings	26	**(3,000)**	-
Provisions for liabilities	25	**(169)**	-
		(7,736)	(4,454)
Net current assets		**22,412**	8,183
Non-current liabilities			
Finance lease liabilities		**-**	-
Deferred tax liabilities	23	**-**	-
Total liabilities		**(7,736)**	(4,454)
Net assets		**42,209**	24,654
Equity			
Share capital	28	**2,591**	1,522
Share premium account	29	**63,270**	44,484
Capital redemption reserve		**1,175**	1,175
Translation reserve	30	**757**	72
Accumulated losses	31	**(25,584)**	(22,599)
Total equity		**42,209**	24,654

The financial statements of Kromek Group plc (registered number 08661469) were approved by the board of directors and authorised for issue on 27 June 2017.

Kromek Group plc
Consolidated statement of changes in equity
For the year ended 30 April 2017

	Equity attributable to equity holders of the Company					
	Share capital £'000	**Share premium account £'000**	**Capital redemption reserve £'000**	**Translation reserve £'000**	**Accumulated losses £'000**	**Total equity £'000**
Balance at 1 May 2015	**1,082**	**34,643**	**1,175**	**(84)**	**(20,614)**	**16,202**
Loss for the year	-	-	-	-	(2,151)	(2,151)
Exchange difference on translation of foreign operations	-	-	-	156	-	156
Total comprehensive losses for the year	-	-	-	156	(2,151)	(1,995)
Issue of share capital net of expenses	440	9,841	-	-	-	10,281
Credit to equity for equity-settled share based payments	-	-	-	-	166	166
Balance at 30 April 2016	**1,522**	**44,484**	**1,175**	**72**	**(22,599)**	**24,654**
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	**2,591**	**63,270**	**1,175**	**757**	**(25,584)**	**42,209**

Kromek Group plc
Consolidated statement of cash flows
For the year ended 30 April 2017

	Note	2017 £'000	2016 £'000
Net cash used in operating activities	32	**(1,500)**	(2,845)
Investing activities			
Interest received		**5**	1
Purchases of property, plant and equipment		**(261)**	(444)
Purchases of patents and trademarks		**(320)**	(320)
Capitalisation of development costs		**(4,187)**	(2,819)
Net cash used in investing activities		**(4,763)**	(3,582)
Financing activities			
Loans paid		**-**	(1,003)
Revolving credit facility		**3,000**	-
Net proceeds on issue of shares		**19,855**	10,281
Payment of finance lease liabilities		**-**	(9)
Interest paid		**(45)**	(84)
Net cash generated from financing activities		**22,810**	9,185
Net increase in cash and cash equivalents		**16,547**	2,758
Cash and cash equivalents at beginning of year		**3,857**	1,183
Effect of foreign exchange rate changes		**(61)**	(84)
Cash and cash equivalents at end of year		**20,343**	3,857

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.

Whilst the financial information included in this Preliminary Results Announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The Preliminary Results Announcement does not constitute the Company's statutory accounts for the years ended 30 April 2017 and 30 April 2016 within the meaning of Section 435 of the Companies Act 2006 but is derived from those statutory financial statements.

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".*
- *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 are considering the future impacts of IFRS 9, IFRS 15 and IFRS 16, however it is not practicable to provide a reasonable assessment of the impacts of the standards until a detailed review has been completed. A detailed review of the impact of IFRS 15 will be completed in the upcoming financial year.

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and IFRIC interpretations. Therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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

Basis of consolidation

The consolidated financial statements incorporate the results and net assets of the Group and entities controlled by the Group (its subsidiaries) made up to 30 April each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to results of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses, and profits are eliminated on consolidation.

Going concern

As at 30 April 2017, the Group had net assets of £42.2m (2016: £24.7m) and cash and cash equivalents of £20.3m (2016: £3.9m) 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 and from the research and development contracts which are typically with government agencies. 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.

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.

iv) Exclusivity contracts

The Group reflects exclusivity payments as revenue at the point that it contractually agrees to become exclusive. Where terms of exclusivity require performance the Group reflects the revenue as performance is delivered.

v) 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.

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 and other gains and losses.

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

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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 34.

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. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Development costs
As described in note 3, the Group expenditure on development activities is capitalised if it meets the criteria as per IAS 38.

These capitalised assets are 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 over a 15-year period. Provision is made for any impairment. Where no internally-generated intangible asset can be recognised, development expenditure is expensed in the period in which it is incurred.

Valuation of acquired intangible assets
Acquisitions may result in identifiable intangible assets such as customer relationships, supplier relationships, licences and technology being recognised. These are valued by professional valuation firms, using discounted cash flow methods which require the application of certain key judgments and estimates are required to be made in respect of discount rates and future cash flows.

Recoverability of receivables
As disclosed in note 3, in order to obtain market penetration through technology-based customers, the Group recognises that normal payment terms from these customers may not be adhered to when assessing recoverability of receivables. This is as a result of the necessary marketing support that customers may require in promoting the products. Management have reassessed the recoverability at the balance sheet date and provided where appropriate.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Development costs

As disclosed in note 16, Development costs are capitalised in accordance with the accounting policy noted above. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is assessed, usually when a product development project has reached a defined milestone.

ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment as at the transition date and thereafter for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist, such as negative cash flows and operating losses of subsidiaries. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

iii) Contract revenue

This policy requires forecasts to be made of the outcomes of long-term contracts, which include assessments and judgements on changes in expected costs. Ongoing revenue and profit recognition is also dependent on contract debtors being fully recoverable, which over the course of a multi-year contract requires ongoing monitoring and assessment. A change in the likelihood of recoverability could have a material impact on the results of the Group.

5. Revenue

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

	2017 **£'000**	**2016** **£'000**
Continuing operations		
Sales of goods and other services	6,676	6,015
Revenue from grants	74	227
Revenue from contract customers	2,218	2,100
Total revenue	**8,968**	**8,342**
Grant income	(15)	15
Other income	-	4
Total income	8,953	8,361

6. Operating segments

Products and services from which reportable segments derive their revenues

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

	2017 **£'000**	**2016** **£'000**
United Kingdom	**931**	688
North America	**4,455**	5,468
Asia	**3,276**	1,940
Europe	**296**	246
Australasia	**10**	-
Total revenue	**8,968**	8,342

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

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)

Year ended 30 April 2016

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	3,993	2,974	6,967
-Revenue from grants	227	-	227
-Revenue from contract customers	568	1,532	2,100
Total sales by segment	4,788	4,506	9,294
Removal of inter-segment sales	(393)	(559)	(952)
Total external sales	4,395	3,947	8,342
Segment result – operating loss	(2,174)	(1,886)	(4,060)
Interest received	1	-	1
Interest expense	(81)	(3)	(84)
Loss before tax	(2,254)	(1,889)	(4,143)
Tax credit	856	1,136	1,992
Loss for the year	(1,398)	(753)	(2,151)
Reconciliation to EBITDA:			
Net interest	80	3	83
Tax	(856)	(1,136)	(1,992)
Depreciation of PPE	314	395	709
Amortisation	449	379	828
Non-recurring other income	(19)	-	(19)
Share-based payment charge	166	-	166
EBITDA	(1,264)	(1,112)	(2,376)
Other segment information			
Property, plant and equipment additions	314	130	444
Depreciation of PPE	(314)	(395)	(709)
Intangible asset additions	1,447	1,692	3,139
Amortisation of intangible assets	(449)	(379)	(828)
Statement of financial position			
Total assets	19,240	9,868	29,108
Total liabilities	(4,163)	(291)	(4,454)

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:

	2017 £'000	2016 £'000
Product revenue	**6,671**	5,432
Research and development revenue	**2,297**	2,910
Consolidated revenue	**8,968**	8,342

Information about major customers

Included in revenues arising from USA operations are revenues of approximately £1,869k (2016: £1,227k) which arose from a major customer. Included in revenues arising from UK operations are revenues of approximately £2,925k (2016: £3,047k) which arose from the Group's largest customer.

7. Loss before tax for the year

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

	2017 £'000	2016 £'000
Net foreign exchange (gains)/losses	**(792)**	(304)
Research and development costs recognised as an expense	**3,520**	3,178
Depreciation of property, plant and equipment	**762**	709
Amortisation of internally-generated intangible assets	**1,417**	828
Cost of inventories recognised as expense	**4,534**	3,780
Staff costs (see note 9)	**6,638**	6,238

8. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2017 £'000	2016 £'000
Fees payable to the Company's auditor and their associates for other services to the Group		
–The audit of the Company and its subsidiaries	**43**	52
Total audit fees	**43**	52
- Audit-related assurance services	**13**	10
- Taxation services	**2**	14
Total non-audit fees	**15**	24
Total	**58**	76

9. Staff costs

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

	2017 Number	2016 Number
Directors (executive)	**2**	2
Research and development, production	**88**	86
Sales and marketing	**7**	10
Administration	**12**	13
	109	111

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	**5,592**	5,155
Social security costs	**526**	451
Pension scheme contributions	**421**	466
Share based payments	**99**	166
	6,638	6,238

The total Directors' emoluments (including non-executive directors) was £616k (2016: £713k). The aggregate value of contributions paid to money purchase pension schemes was £63k (2016: £46k) in respect of two directors (2016: two directors).

The highest paid director received emoluments of £235k (2016: £224k) and amounts paid to money purchase pension schemes was £10k (2016: £16k).

Key management compensation:

	2017 £'000	2016 £'000
Wages and salaries and other short-term benefits	**1,047**	1,177
Social security costs	**187**	205
Pension scheme contributions	**134**	92
Share based payment expense	**81**	149
	1,449	1,623

Key management comprise the Executive Directors and senior operational staff.

10. Finance income

	2017 £'000	2016 £'000
Bank deposits	**5**	1
Total finance income	**5**	1

11. Finance costs

	2017 £'000	2016 £'000
Interest on bank overdrafts, loans and borrowings	**45**	84
Total interest expense	**45**	84

12. Tax

Recognised in the income statement

	2017 £'000	2016 £'000
Current tax credit:		
UK corporation tax on losses in the year	**596**	811
Adjustment in respect of previous periods	**114**	45
Foreign taxes paid	**-**	(11)
Total current tax	**710**	845
Deferred tax:		
Origination and reversal of timing differences	**-**	1,298
Adjustment in respect of previous periods	**-**	(151)
Total deferred tax	**-**	1,147
Total tax credit in income statement	**710**	1,992

Corporation tax is calculated at 19.9% (2016: 20%) of estimated taxable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions**.**

Reconciliation of tax credit

The charge for the year can be reconciled to the profit in the income statement as follows:

	2017 £'000	**2016 £'000**
Loss before tax	**3,794**	4,143
Tax at the UK corporation tax rate of 19.918% (2016: 20.0%)	**755**	829
Expenses not deductible for tax purposes	**(29)**	(40)
Effect of R&D	**833**	1,049
Rate differences effect of R&D	**-**	(307)
Income not taxable	**89**	2
Unrecognised movement on deferred tax	**(71)**	(156)
Effects of other tax rates/credits	**-**	722
Effects of overseas tax rates	**-**	11
Adjustment in respect of previous periods	**114**	(118)
Unrelieved tax losses arising in the period	**(897)**	-
Fixed asset timing differences	**(84)**	-
Total tax credit for the year	**710**	1,992

Further details of deferred tax are given in note 23. There are no tax items charged to other comprehensive income.

The rate of corporation tax for the year has remained at 20%. Finance (No.2) Act 2015 reduced the rate from 20% to 19% (with effect from 1 April 2017) and to 18% (with effect from 1 April 2020). The 2020 rate was further reduced to 17% by Finance Act 2016. Accordingly, deferred tax has been provided in line with the rates at which temporary differences are expected to reverse. There is a potential deferred tax asset on excess tax deductions arising from share-based payments on exercise of share options of £1,091k (2016: £1,259k). The asset has not been recognised as it is not considered probable that there will be future profits available.

13. Dividends

The Directors do not recommend the payment of a dividend (2016: £nil).

14. Losses per share

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

Losses

	2017 £'000	**2016 £'000**
Losses for the purposes of basic and diluted losses per share being net losses attributable to owners of the Group	**(3,084)**	(2,151)

Number of shares	**2017 Number**	2016 Number
Weighted average number of ordinary shares for the purposes of basic losses per share	**174,572,586**	141,337,174
Effect of dilutive potential ordinary shares:		
Share options	**3,564,858**	6,249,111
Weighted average number of ordinary shares for the purposes of diluted losses per share	**178,137,444**	147,586,285

	2017	2016
Basic (p)	**(1.8)**	(1.5)
Diluted (p)	**(1.7)**	(1.5)

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.

15. Goodwill

	£'000
Cost	
At 1 May 2016	1,275
At 30 April 2017	1,275
Accumulated impairment losses	
At 1 May 2016	-
At 30 April 2017	-
Carrying amount	
At 30 April 2017	1,275
At 30 April 2016	1,275

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2017 £'000	2016 £'000
US operations	**1,275**	1,275

The goodwill arose on the acquisition of Nova R&D, Inc. in 2010, and represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired.

Goodwill has been allocated to Kromek USA (a combination of eV Products and Nova R&D Inc.) as a cash generating unit (CGU). This is reported in note 6 within the segmental analysis of the US operations.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired, by comparing the net book value of the goodwill and non-current assets for the CGU to its value in use on a discounted cash flow basis.

The recoverable amount has been determined on a value in use basis on each cash-generating unit using the management approved 5 year forecasts for each cash-generating unit. The base 5 year projection is year-on-year growth over the next 5 years, with overheads remaining relatively stable. The growth rate of the CGU is expected to be 35% in Year 1, 26% in Year 2, 129% in Year 3, 37% in Year 4 and 0% in Year 5. These cash flows are then discounted at the Company's weighted average cost of capital of 11.5% (2016: 15%).

Based on the results of the current year impairment review, no impairment charges have been recognised by the Group in the year ended 30 April 2017 (2016: £nil). Management have considered various sensitivity analyses in order to appropriately evaluate the carrying value of goodwill.

Having assessed the anticipated future cash flows the Directors do not consider there to be any reasonably possible changes in assumptions that would lead to such an impairment charge in the year ended 30 April 2017. For illustrative purposes, a compound reduction in revenue of 10% in each of years 1-5 whilst holding overheads constant would not affect the conclusion of the review.

The Directors have reviewed the recoverable amount of the CGU and do not consider there to be any indication of impairment in 2017 or 2016.

16. Other intangible assets

	Development costs £'000	Patents, trademarks & other intangibles £'000	Total £'000
Cost			
At 1 May 2016	8,377	5,660	14,037
Additions	4,187	320	4,507
Transfer to property, plant and equipment	(20)	-	(20)
Exchange differences	396	305	701
At 30 April 2017	**12,940**	**6,285**	**19,225**
Amortisation			
At 1 May 2016	485	2,330	2,815
Charge for the year	748	669	1,417
Exchange differences	84	85	169
At 30 April 2017	**1,317**	**3,084**	**4,401**
Carrying amount			
At 30 April 2017	**11,623**	**3,201**	**14,824**
At 30 April 2016	7,892	3,330	11,222

Following the Amended Clarification of Acceptable Methods of Amortisation effective for annual accounting periods beginning on or after 1 January 2016, the Group now amortise the capitalised development costs on a straight-line basis over a period of 2-15 years rather than against product sales directly relating to the development expenditure. Provision is made for any impairment.

Patents and trademarks are amortised over their estimated useful lives, which is on average 10 years.

Other intangible assets with indefinite useful lives arose as part of the acquisitions of Nova R&D, Inc. in June 2010 and eV Products, Inc. in February 2013. The recoverable amounts of these assets have been calculated on a value in use basis at both 30 April 2017 and 30 April 2016. These calculations use cash flow projections based on financial forecasts and appropriate long-term growth rates. To prepare value in use calculations, the cash flow forecasts are discounted back to present value using a pre-tax discount rate of 11.5% (2016: 15%) and a flat terminal value growth from 2021. The Directors have reviewed the recoverable amount of these indefinite useful life assets and do not consider there to be any indication of impairment.

The carrying amounts of the acquired intangible assets arising on the acquisitions of Nova R&D, Inc. and eV Products, Inc. as at the 30 April 2017 was £1,521k (2016: £1,681k), with amortisation to be charged over the remaining useful lives of these assets which is between 3 and 13 years.

The amortisation charge on intangible assets is included in administrative expenses in the consolidated income statement.

17. Property, plant and equipment

	Computer Equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 May 2016	765	7,358	198	8,321
Additions	63	161	17	241
Transfer from development costs	-	20	-	20
Exchange differences	20	358	7	385
At 30 April 2017	**848**	**7,897**	**222**	**8,967**
Accumulated depreciation and impairment				
At 1 May 2016	548	3,660	139	4,347
Charge for the year	62	680	20	762
Exchange differences	7	148	5	160
At 30 April 2017	**617**	**4,488**	**164**	**5,269**
Carrying amount				
At 30 April 2017	**231**	**3,409**	**58**	**3,698**
At 30 April 2016	217	3,698	59	3,974

Assets held under finance leases with a net book value of £40k (2016: £39k) are included in the above table within plant and machinery.

18. Subsidiaries

A list of the subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given in note 3 to the Company's separate financial statements.

19. Inventories

	2017 £'000	2016 £'000
Raw materials	**1,846**	1,208
Work-in-progress	**1,132**	1,142
Finished goods	**226**	460
	3,204	2,810

The cost of inventories recognised as an expense during the year in respect of continuing operations was £4,534k (2016: £3,780k).

The write-down of inventories to net realisable value amounted to nil (2016: £17k). The reversal of write-downs amounted to £2k (2016: £138k). The partial release of the write-downs was because of a revised estimate of the net realisable value of certain inventory lines based upon actual sales made of the inventory during the period.

20. Amounts recoverable on contracts

	2017 £'000	2016 £'000
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	**3,139**	1,240
	3,139	1,240
Contract costs incurred plus recognised profits less recognised losses to date	**3,139**	1,907
Less: progress billings	**-**	(667)
	3,139	1,240

21. Trade and other receivables

	2017 £'000	2016 £'000
Amount receivable for the sale of goods	**2,304**	3,386
Amounts recoverable on contracts (see note 20)	**3,139**	1,240
Other receivables	**183**	275
Prepayments	**379**	258
Current tax assets	**596**	811
	6,601	5,970

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period taken on sales of goods is 41 days. The Group initially recognises an allowance for doubtful debts of 100% against receivables over 120 days. However, this is subject to management override where there is evidence of recoverability, most notably, where specific support is being provided to strategic partners in the marketing of new products.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables, with the exception of stock recovered from customers in respect of the doubtful debts disclosed below.

Ageing of past due but not impaired receivables at the statement of financial position date was:

	2017 £'000	2016 £'000
31-60 days	**50**	75
61-90 days	**12**	102
91-120 days	**15**	33
121+ days	**48**	737
Total	**125**	947

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Ageing of impaired receivables at the statement of financial position date was:

	2017 £'000	2016 £'000
31-60 days	**-**	-
61-90 days	**-**	-
91-120 days	**-**	-
121+ days	**667**	793
Total	**667**	793

Of the £667k of debtors at 121+ days a cumulative provision totalling £435k for doubtful debts has been made at 30 April 2017 as noted below.

At 30 April 2017, trade receivables are shown net of an allowance for doubtful debts of £435k (2016: £408k) arising from the ordinary course of business, as follows:

	2017 £'000	2016 £'000
Balance at 1 May 2016	**408**	252
Provided during the year	**-**	156
Impact of foreign exchange	**28**	-
Balance at 30 April 2017	**435**	408

	2017 £'000	2016 £'000
Doubtful debt exposure	**232**	385

The doubtful debt provision records impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at which point the amounts considered irrecoverable are written off against the trade receivables directly. During the year the Group received £180k in respect of the trade debtors that are shown net of an allowance for doubtful debts. In effect, the net exposure of doubtful debts has fallen by £153k (net of foreign exchange) with the vast majority of the doubtful debts covered by stock held at the Group's premises until the full amount is settled. The stock was initially delivered to the customers but taken back by the Group after late payment of the debt. Despite the improved position and positive developments in the year, the Directors have prudently decided not to release any of the doubtful debt provision in the year. Further to this, Kromek has a commitment of £100k from one of the doubtful debtors, of which the first £25k tranche was received on 21 June 2017.

22. Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £'000	Minimum lease payments 2016 £'000
Amounts payable under finance leases:		
Within one year	-	9
In the second to fifth years inclusive	-	-
	-	9
Less: future finance charges	-	-
Present value of lease obligations	-	9
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	-	9
Amounts due for settlement after 12 months	-	-
	-	9

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 2 years. For the year ended 30 April 2017, the average effective borrowing rate was 0.82% (2016: 0.82%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

23. Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Revaluation of intangibles £'000	Accelerated capital allowances £'000	Short term timing differences £'000	Tax losses £'000	Total £000
At 1 May 2016	1,220	680	(17)	(1,883)	-
(Credit)/charge to profit or loss	(147)	193	1	(47)	-
At 30 April 2017	1,073	873	(16)	(1,930)	-

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017 £'000	2016 £'000
Deferred tax liabilities	**1,930**	1,883
Deferred tax assets	**(1,930)**	(1,883)
	-	-

At the statement of financial position date, the Group has unused tax losses of £20,991k (2016: £15,722k) available for offset against future profits. A deferred tax asset has been recognised in respect of £6,763k (2016: £6,717k) of such losses. The asset is considered recoverable because it can be offset to reduce future tax liabilities arising in the Group. No deferred tax asset has been recognised in respect of the remaining £14,228k (2016: £9,005k) as it is not considered probable that there will be future taxable profits available. All losses may be carried forward indefinitely subject to a significant change in the nature of the Group's trade with US losses having a maximum life of 20 years.

24. Trade and other payables

	2017 £'000	2016 £'000
Trade payables and accruals	**3,557**	3,582
Deferred income	**1,010**	863
	4,567	4,445

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 64 days. For all suppliers, no interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Deferred income relates to government grants received which have been deferred until the conditions attached to the grants are met.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

25. Provisions for liabilities

	2017 £'000	2016 £'000
At 1 May 2016	**-**	-
Charge to profit or loss	**169**	-
At 30 April 2017	**169**	-

During the year, the company was given notice on one of its sites. A provision has been made based upon management's best estimates and ability to measure the likely costs that may be incurred restoring the building back to its original state. However, due to uncertainty around timing or precise amount, the transaction satisfies the criteria of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

26. Borrowings

	2017 £'000	2016 £'000
Secured borrowing at amortised cost		
Revolving credit facility	**3,000**	-
Finance lease liabilities (see note 22)	**-**	9
	3,000	9
Total borrowings		
Amount due for settlement within 12 months	**3,000**	9
Amount due for settlement after 12 months	**-**	-

In February 2017, the Group agreed a 24-month facility with its bank for a £3m revolving credit facility. This facility is secured by a debenture and a composite guarantee across the Group. The terms of the revolving credit facility are a nominal interest rate of LIBOR+2.5% and a repayment term of six months from date of drawdown. The fair value equates to the carrying value.

The borrowings are secured by a floating charge over the Group's assets.

Finance lease liabilities are secured by the assets leased. The borrowings are at a fixed interest rate with repayment periods not exceeding five years.

The weighted average interest rates paid during the year were as follows:

	2017 %	2016 %
Revolving credit facility	3.10	3.10
Finance lease liabilities	0.82	0.82

27. Derivatives financial instruments and hedge accounting

At 30 April 2017 and 30 April 2016 the Group had no derivatives in place for cash flow hedging purposes.

28. Share capital

	2017 £'000	2016 £'000
Authorised, allotted, called up and fully paid:		
152,211,082 (2016: 108,173,290) Ordinary shares of £0.01 each	**1,522**	1,082
106,884,536 (2016: 44,037,792) Ordinary shares issued at £0.01 each	**1,069**	440
Total 259,095,618 (2016: 152,211,082) Ordinary shares of £0.01 each	**2,591**	1,522

During the year 1,755,000 shares (2016: 567,200) were allotted under EMI share option schemes.

29. Share premium account

	£'000
Balance at 1 May 2016	44,484
Premium arising on issue of equity shares	19,983
Expenses on issue of equity shares	(1,197)
Balance at 30 April 2017	**63,270**

30. Translation reserve

	£'000
Balance at 1 May 2016	72
Exchange differences on translating the net assets of foreign operations	685
Balance at 30 April 2017	**757**

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being Sterling, are recognised directly in the translation reserve.

31. Accumulated losses

	£'000
Balance at 1 May 2016	(22,599)
Net loss for the year	(3,084)
Effect of share-based payment credit	99
Balance at 30 April 2017	(25,584)

32. Notes to the cash flow statement

	2017 £'000	2016 £'000
Loss for the year	**(3,084)**	(2,151)
Adjustments for:		
Finance income	**(5)**	(1)
Finance costs	**45**	84
Income tax credit	**(710)**	(1,992)
Government grants credit	**-**	(15)
Depreciation of property, plant and equipment	**762**	709
Amortisation of intangible assets	**1,417**	828
Share-based payment expense	**99**	166
Operating cash flows before movements in working capital	**(1,476)**	(2,372)
Increase in inventories	**(394)**	(707)
Increase in receivables	**(846)**	(1,070)
Increase in payables	**122**	302
Increase in provisions	**169**	-
Cash used in operations	**(2,425)**	(3,847)
Income taxes received	**925**	1,002
Net cash used in operating activities	**(1,500)**	(2,845)

Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and bank balances	**20,343**	3,857

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.

33. Operating lease arrangements

The Group as lessee

	2017 £'000	2016 £'000
Lease payments under operating leases recognised as an expense in the year	**532**	516

At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £'000	2016 £'000
Within one year	**528**	509
In the second to fifth years inclusive	**590**	595
	1,118	1,104

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5 years.

At 30 April 2017 and 2016, the Group had no capital commitments or contingencies.

34. Share based payments

Equity-settled share option scheme

The Company has a share option scheme (EMI scheme) for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The average vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows.

		2017		**2016**
	Number of share options	**Weighted average exercise price (£)**	**Number of share options**	**Weighted average exercise price (£)**
Outstanding at beginning of the year	**12,505,010**	**0.16**	12,788,016	0.16
Granted during the year	**142,400**	**0.30**	567,200	0.28
Exercised during the year	**(1,755,000)**	**0.015**	(25,000)	0.015
Forfeited during the year	**(377,540)**	**0.24**	(825,206)	0.26
Outstanding at the end of the year	**10,514,870**	**0.16**	12,505,010	0.16
Exercisable at the end of the year	**10,231,570**	**0.16**	11,412,010	0.16

The weighted average share price at the date of exercise for share options exercised during the year was £0.27 (2016: £0.31). The options outstanding at 30 April 2017 had a weighted average exercise price of £0.16 (2016: £0.16) and a weighted average remaining contractual life of five years (2016: six years). The range of exercise prices for outstanding share options at 30 April 2017 was 1.5p to 79p (2016: 1.5p to 79p). In 2017, the aggregate of the estimated fair values of the options granted is £15k (2016: £38k). The inputs into the Black-Scholes model are as follows:

	2017	2016
Weighted average share price	**31p**	32p
Weighted average exercise price	**30p**	12p
Expected volatility	**36.42%**	35.56%
Expected life	**6 years**	6 years
Risk-free rate	**0.46**	0.44
Expected dividend yields	**0%**	0%

Expected volatility was determined by calculating the historical volatility of similar listed businesses over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £99k (2016: £166k) related to equity-settled share-based payment transactions.

The Kromek Group Plc 2013 Long Term Incentive Plan

On 10 October 2013 a new Long Term Incentive Plan was adopted. Under the plan, awards will be made annually to key employees. Subject to the satisfaction of the required TSR performance criteria, these grants will vest evenly over a three year reporting period, with the first having ended on 30 April 2014, and the remainder on subsequent year end dates.

On 07 January 2017 1,875,066 options were granted under the 2013 LTIP to a number of key employees, including two executive directors of the Group. The fair value of these options granted was £79k (2016: £140k). The amounts recognised as a share-based payment expense for the year ended 30 April 2017 was £71k (2016: £140k).

The 2013 Long Term Incentive Plan award was valued using the Monte Carlo pricing model. The inputs into the Monte Carlo pricing model are as follows:

	2017	2016
Weighted average share price	**22p**	35p
Weighted average exercise price	**1p**	1p
Expected volatility	**35.00%**	35.12%
Expected life	**3 years**	3 years
Risk-free rate	**0.32**	0.32
Expected dividend yields	**0%**	0%

35. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all employees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group's subsidiaries in the United States of America are members of a state-managed retirement benefit scheme operated by the government of the United States of America. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £421k (2016: £466k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 30 April 2017, contributions of £23k (2016: £30k) due in respect of the current reporting period had not been paid over to the scheme.

36. Financial Instruments

Financial Instruments

The Group's principal financial instruments are cash and trade receivables.

The Group has exposure to the following risks from its operations:

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy has remained unchanged between 2016 and 2017.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 26 after deducting cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses as disclosed in notes 27 to 31.

The Group is not subject to any externally imposed capital requirements.

The Group's primary source of capital is equity. By pricing products and services commensurately with the level of risk and focusing on the effective collection of cash from customers, the Group aims to maximise revenues and operating cash flows.

Cash flow is further controlled by ongoing justification, monitoring and reporting of capital investment expenditures and regular monitoring and reporting of operating costs. Working capital fluctuations are managed through employing the revolving credit facility available, which at the year end was £3,0m (2016: £nil). Details of the revolving credit facility have been included in note 26.

The Group considers that the current capital structure will provide sufficient flexibility to ensure that appropriate investment can be made, if required, to implement and achieve the longer term growth strategy of the Group.

Market risk

The Group may be affected by general market trends, which are unrelated to the performance of the Group itself. The Group's success will depend on market acceptance of the Group's products and there can be no guarantee that this acceptance will be forthcoming.

Market opportunities targeted by the Group may change and this could lead to an adverse effect upon its revenue and earnings.

Foreign currency risk

The Group's operations are split between the UK and the US, and as a result the Group incurs costs in currencies other than its presentational currency of pounds sterling. The Group also holds cash and cash equivalents in non-sterling denominated bank accounts.

The following table shows the denomination of the year end cash and cash equivalents balance:

	2017 **£'000**	**2016** **£'000**
£ sterling	**22,783**	4,180
US$ sterling equivalent	**(2,832)**	(657)
€ sterling equivalent	**393**	333

Had the foreign exchange rate between sterling, US$ and € changed by 11% (2016: 5%), this would affect the loss for the year and net assets of the Group by £208k (2016: £16k). 11% is considered a reasonable assessment of foreign exchange movement as this has been the movement noted between 2016 and 2017.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a small number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group's standard credit terms are 30 to 60 days from date of invoice. Invoices greater than 60 days old are assessed as overdue. The maximum exposure to credit risk is the carrying value of each financial asset included on the statement of financial position as summarised in note 21.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good quality.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
1 May 2016	-	-	-	-	-	-	-
Revolving credit facility	3.1	-	-	3,000	-	-	3,000
30 April 2017	**3.1**	**-**	**-**	**3,000**	-	-	**3,000**

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2017 £'000	2016 £'000
Financial assets		
Cash and bank balances	**20,343**	3,587
Loans and receivables	**5,626**	4,901
Financial liabilities		
Amortised cost	**(4,736)**	(4,455)

37. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its related parties are disclosed below.

During the year, the Group were charged a fee of £100k (2016: nil) from Polymer N2 Limited, as an equitable resolution relating to commitments at the time of the IPO in 2013. Polymer N2 Limited is a company under the control of the one of the Group's non-executive Directors and shareholder, Graeme Speirs. At 30 April 2017 the balance outstanding in respect of this fee was £100k (2016: nil) and was subsequently paid on 24 May 2017.

Director's transactions

Other than those disclosed within this note and the shareholding transaction with directors noted in the Directors Report, there have been no other transactions with related parties.