16 December 2015

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

Interim Results

Kromek (AIM: KMK), a radiation detection technology Group focusing on the medical, security and nuclear markets, announces its interim results for the six months ended 31 October 2015.

Financial Highlights

- Revenue of £3.2m (H1 2014/15: £3.2m)
- Underlying revenue* increased 26% to £3.2m (H1 2014/15: £2.6m*)
- Gross margin** was 53% (H1 2014/15: 70%), in line with management expectations
- Loss before tax was £3.0m (H1 2014/15: £2.3m)
- Adjusted EBITDA*** £2.2m loss (H1 2014/15: £1.6m loss)
- The Group raised £10.3m (net) through a Firm Placing and an Open Offer
- Cash and cash equivalents at 31 October 2015 were £7.5m (30 April 2015: £1.2m; 31 October 2014: £2.9m)

*Underlying revenue reflects the absence of £0.6m payment received in the equivalent period last year from a top four OEM in the CT market, which represented the second of two payments made for a two year fixed exclusivity term.
**The above noted £0.6m exclusivity payment was also substantially responsible for the high gross margin reported in H1 2014/15.
***Adjusted EBITDA eliminates non-recurring other income and share-based payment expenses.

Operational Highlights

- New contracts totalling $7.0m were booked in the Medical and Nuclear markets
- Significant contract wins
  - *Nuclear Detection and Security:* secured two new contracts from global Original Equipment Manufacturers (OEMs), with orders totalling $452,000
    - Kromek to provide a portfolio of patented nuclear detectors to enhance radiation detection capabilities for security applications
  - *Medical Imaging:* secured two new contracts, totalling $530,000, from existing customers
    - The first contract is a repeat order for the supply of its Cadmium Zinc Telluride ("CZT") detectors to a long standing OEM customer in the Single Photon Emission Computed Tomography ("SPECT") market
    - The second order is for the delivery of Kromek's ASIC, based on unique intellectual property, to a global player in the medical imaging market
- Successful delivery of 1,000 units of D3S to DARPA following the expanded agreement announced in April 2015
- Notified of DARPA's intention to award a sole source contract to Kromek to supply spectroscopic personal radiation detectors in support of DARPA's SIGMA program
- Launched eVance™, a new generation of CZT SPECT Cameras that OEMs can configure into virtually any SPECT imaging system being sold
- Signed a cross licensing agreement with one of the world's leading manufacturers of medical equipment
- 32 new patents were granted and 9 new patent applications were filed during the period
- Appointed Sir Peter Williams CBE as Chairman

Post-Period Developments

- Entered into two agreements with CANBERRA Industries, Inc. ("CANBERRA"), a worldwide provider of nuclear measurement solutions headquartered in the US, for R&D collaboration, worth $900k, and product distribution
- Announced today, simplification of Board structure to reflect the size of the Group

Dr Arnab Basu, CEO of Kromek, said: “We are pleased to report significant progress made in all three key target areas of CT, SPECT and portable advanced radiation detectors, where our proprietary technologies bring important and differentiated performance advantages. Particularly pleasing is that we report an increase in underlying revenues which more than offset the absence of income we had received last year as part of the exclusivity payment by an OEM, demonstrating the advances made in the underlying business.

“Looking ahead, we have entered the second half with a significantly better visibility of revenue compared to last year. With an increased and diversified customer base, continued progress with global OEM customers, and the doubling of our manufacturing capacity, the Board believes that the Group is well positioned for future growth in the medium and long term.”

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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”). Using its core CZT technology, Kromek designs develops and produces x-ray and gamma ray imaging and radiation detection products for the medical, security screening and nuclear markets.

The Group’s products provide high resolution information on material composition and structure and are used in multiple applications, ranging from the identification of cancerous tissues to hazardous materials, such as explosives, and the analysis of radioactive materials.

The Group’s business model provides a vertically integrated technology offering to customers, from the growth of CZT crystals to finished products or detectors, including software, electronics and application specific integrated circuits (“ASICs”).

The Group has operations in the UK, Germany and US (California and Pennsylvania), and is selling internationally through a combination of distributors and direct OEM sales.

Currently, the Group has over one hundred full time employees across its global operations. Further information on Kromek Group is available at www.kromek.com.

Overview

Kromek is pleased to report another period of strong operational progress as it continued to invest in the business in preparation for the expected ramp up in sales. Kromek is benefitting from management's long term strategic decision to align itself with some of the largest global OEMs in its target three markets offering the largest growth opportunities: CT and SPECT in medical imaging and advanced portable networked nuclear detection. The Group continued to establish its position as a key supplier of CZT detection systems both to commercial and government customers globally, winning multiple contracts across all three of its target segments.

In the first half of 2015/16 revenue remained unchanged from the previous interim period at £3.2m (H1 2014/15: £3.2m). However, underlying revenue grew 26%, more than offsetting the absence of a £0.6m contribution (during the equivalent period last year) from a top four OEM in the CT market, made as part of a two year exclusivity arrangement. Gross margin was in line with management expectations at 53% (H1 2014/15: 70%) reflecting the absence of the payment for exclusivity, as well as impact of changing revenue mix.

The underlying sales growth was driven by the Nuclear Detection and the Medical Imaging divisions. In Nuclear Detection, Kromek benefitted from the acceleration and successful delivery of the first high volume production order from the US defense agency, DARPA, for its networked radiation detectors. In Medical Imaging, the Group secured multiple new contracts and continued to progress its contract with a top four global OEM in the CT market.

In addition, Kromek saw the benefits of its continued investment in the business, strengthening its sales channels, its manufacturing capabilities, and doubling the Group's production capacity. The efficiencies achieved in the manufacturing and engineering processes resulted in significant yield improvements and, consequently, a reduction in the cost of production of detector materials and products, in particular the D3 and SPECT platforms. Tight control was maintained over the cost base with administration expenses (including operating expenses) growing by only 3.9% despite the continuing planned investment in sales & marketing and targeted product development.

Operational Review

Medical Imaging

In the Medical Imaging sector, Kromek continued to make excellent progress in the first half securing a number of new contracts, totalling approximately $5.8m, from existing and new customers. This among other contracts includes repeat and new orders for the supply of its CZT detectors in the SPECT and the BMD market. Another was for the delivery of Kromek's ASIC, based on unique intellectual property, to a global player in the medical imaging market. The Group expects to deliver both contracts over the next 36 months. Additionally, the Group gained eight other contracts from UK based and international companies and organisations to be delivered over the next 6 to 36 months.

The Group continued to work with a top four global OEM in the CT market for developing and supplying CZT-based multispectral (colour) detectors for producing high resolution colour X-Ray images by CT scanners. During the period Kromek launched eVance™, a new family of CZT SPECT Cameras that OEMs can configure into virtually any SPECT imaging system. This enables OEMs to integrate turn-key CZT cameras into almost all nuclear medical imaging systems being sold today, for the diagnosis of disease based on the detection of radiation emitting from within the body. The Group has continued to receive significant traction for this product from multiple new customers.

Nuclear Detection

In Nuclear Detection the Group took a significant step forward by securing multiple new contracts from new global OEMs and accelerating its programme with DARPA.

During the period Kromek successfully delivered on its first high volume production order from DARPA for 1,000 of its networked D3S radiation detectors. The expanded contract announced in April 2015 increased the total contracted revenues awarded under this programme to $4.35m to date representing an approximate quadrupling of the contract value since it commenced in August 2014, reflecting the strength of the Group's offer and scalable nature of its projects. Following the successful

delivery, DARPA issued a Sole Source Notice announcing its intention to appoint Kromek as sole source supplier under the DARPA SIGMA program. The program with DARPA is to develop an advanced personal detection system for gamma and neutron radiation that can be combined with other such systems to form large networks that can provide information on radiation signatures over an extended area.

As well as accelerating its DARPA program, Kromek secured two new global OEMs as customers in the period, with orders worth a combined $452,000. Kromek will provide the US-based clients with a portfolio of patented nuclear detectors to enhance their radiation detection capabilities for security applications. The majority of the orders for both new contracts are expected to be completed and delivered in the current fiscal year.

Post period, the Group entered into two agreements with CANBERRA Industries, Inc., a worldwide provider of nuclear measurement solutions headquartered in the US, for product distribution and R&D collaboration.

Under the distribution agreement, CANBERRA will be the exclusive global distributor for four product families from Kromek's nuclear portfolio (excluding a limited number of territories where Kromek has pre-existing distributor networks). As an established provider and market leader in nuclear instrumentation, CANBERRA has a wide range of products, strong customer relationships and extensive channels to market that Kromek expects to leverage.

Kromek also entered into a three-year, collaborative R&D program with CANBERRA. The program, which is expected to be worth at least $900k over the life of the contract, will see the two organisations work closely together on new product development and customisation of existing products by utilising Kromek's expertise and IP.

Security Screening

In security screening Kromek continued to benefit from its broadening customer base following its multiple contract wins in 2014/2015. Kromek's bottle scanners are installed in 46 airports and is globally in 10 countries in Asia, Europe and Australia. In addition the Group continues to work with global security groups for the supply of OEM components for a baggage screening product for aviation security. Kromek is also now developing a service revenue from the current installed base.

R&D and Doubling of Manufacturing Capacity

During the period Kromek saw the benefits of the investment in its manufacturing capacity during the year to 30 April 2015 when it successfully replicated in the UK the manufacturing processes that had previously been utilised in the US. This effectively enabled a doubling of the Group's then production capacity and during the period the new manufacturing processes have been running smoothly with improvements in efficiency and yield. This development has enabled the Group to rapidly scale up manufacturing in more than one site with the further benefit of significantly reducing the supply chain risk for its customers.

Kromek continued to invest in R&D to maintain its position as a leader in the provision of CZT-based radiation detection solutions with regards to both technology and cost and to ensure it could deliver on accelerated customer programs such as the DARPA SIGMA program. During the period, the Group was awarded 32 new patents and filed 9 new patent applications, with an additional nine patents being granted post-period.

Financial Review

In the first half of 2015/16 revenue remained unchanged from the previous interim period at £3.2m (H1 2014/15: £3.2m). However, underlying revenue grew 26% despite the lack of the £0.6m exclusivity contribution from a top four OEM in the CT market during the equivalent period last year for exclusivity.

Gross margin, was in line with management expectations at 53% (H1 2014/15: 70%) reflecting the absence of the £0.6m payment for exclusivity as noted above, as well as the impact of increased product sales.

Distribution costs and Administrative expenses (including Operating Expenses) increased 3.9% at £4.7m (H1 2014/15: £4.5m) due to the full six month period effect of the expansion of the sales and marketing expenses, plus expansion of the Group's manufacturing capacity as it seeks to maximise its market opportunity. Due to phasing of expenditure and cost rationalisations, the Group expects to see a reduction of costs during the second half.

Adjusted EBITDA was a loss of £2.2m (H1 2014/15: £1.6m loss). Loss before tax was £3.0m compared with a loss of £2.3m in the same period of the previous year.

Adjusted EBITDA is calculated as per the following table:

	H1 2015-16	**H1 2014-15**	**Full Year 2014/15**
	£'000	**£'000**	**£'000**
PBT	**(3,044)**	**(2,289)**	**(3,135)**
Adjustments:-			
Net interest	26	(16)	71
Depreciation	335	355	673
Amortisation	365	296	711
EBITDA	(2,318)	(1,654)	(1,680)
Share-based payments	91	92	181
Other income	(5)	-	(58)
Adjusted EBITDA	**(2,232)**	**(1,562)**	**(1,557)**

Investment in product R&D was £1.3m (H1 2014/15: £0.7m) reflecting the commitment to invest for future growth of the business, capture the market opportunity, and to meet the demands of accelerated customer programmes.

Cash and cash equivalents at 31 October 2015 were £7.5m (30 April 2015: £1.2m; 31 October 2014: £2.9m), supporting working capital movement towards the end of the half year and £1.1m of R&D tax credit receipts from 30 April 2015 which is expected early in 2016.

Outlook

Kromek is benefitting from its strategy to invest in the business to prepare for future growth and capture the large existing opportunities in its three key target areas of CT, SPECT and portable advanced radiation detectors where its proprietary technologies bring important and differentiated performance advantages.

Kromek's industry leading technology and products, an increased and diversified customer base, continued progress with new and existing global OEM customers, and the doubling of its manufacturing capacity, positions the Group well for future growth.

There has been increasing interest across all three of the Group's target segments as a result of its established positon, enhanced reputation, and as the benefits of its products gain increased traction and acceptance amongst governments and global OEMs.

Looking ahead, with the Group delivering on its contracts across all segments, an order book that is significantly higher than the equivalent period last year and high visibility of revenues for the financial year 2015/16, 19% higher than at this point last year, gives the Board confidence in continued growth year-on-year, in line with market expectations.

Kromek Group plc
Consolidated condensed income statement
For the six months ended 31 October 2015

	Note	Six months ended 31 October 2015 £'000 (Unaudited)	Six months ended 31 October 2014 £'000 (Unaudited)	Year ended 30 April 2015 £'000 (Audited)
Continuing operations				
Revenue	4	3,178	3,165	8,101
Cost of sales		(1,503)	(949)	(2,475)
Gross profit		1,675	2,216	5,626
Other operating income		5	-	60
Distribution costs		(84)	(119)	(226)
Administrative expenses (including operating expenses)		(4,614)	(4,402)	(8,524)
Operating loss		(3,018)	(2,305)	(3,064)
Finance income		1	16	31
Finance costs		(27)	-	(102)
Loss before tax		(3,044)	(2,289)	(3,135)
Tax	5	662	499	989
Loss from continuing operations		(2,382)	(1,790)	(2,146)
Losses per share				
-basic and diluted (£)	7	(0.02)	(0.01)	(0.02)

Kromek Group plc
Consolidated condensed statement of comprehensive income
For the six months ended 31 October 2015

	Six months ended 31 October 2015 £'000 (Unaudited)	Six months ended 31 October 2014 £'000 (Unaudited)	Year ended 30 April 2015 £'000 (Audited)
Loss for the period	(2,382)	(1,790)	(2,146)
Exchange (losses)/gains on translation of foreign operations	(22)	162	398
Total comprehensive losses for the period	(2,404)	(1,628)	(1,748)

Kromek Group plc
Consolidated condensed statement of financial position
For the six months ended 31 October 2015

	Note	Six months ended 31 October 2015 £'000 (Unaudited)	Six months ended 31 October 2014 £'000 (Unaudited)	Year ended 30 April 2015 £'000 (Audited)
Non-current assets				
Goodwill		**1,275**	1,275	1,275
Other intangible assets		**9,822**	7,686	8,725
Property, plant and equipment	8	**3,948**	3,467	4,147
		15,045	12,428	14,147
Current assets				
Inventories		**2,295**	2,330	2,103
Trade and other receivables		**4,046**	3,057	4,089
Current tax assets		**1,605**	449	1,002
Cash and bank balances		**7,485**	2,864	1,183
		15,431	8,700	8,377
Total assets		**30,476**	21,128	22,524
Current liabilities				
Trade and other payables		**(4,182)**	(3,802)	(4,143)
Finance lease liabilities		**(20)**		(19)
Borrowings		**(1,006)**	-	(1,003)
		(5,208)	(3,802)	(5,165)
Net current assets		**10,223**	4,898	3,212
Non-current liabilities				
Finance lease liabilities		**-**	-	(10)
Deferred tax liabilities		**(1,098)**	(1,093)	(1,147)
Total liabilities		**(6,306)**	(4,895)	(6,322)
Net assets		**24,170**	16,233	16,202
Equity				
Share capital	10	**1,522**	1,082	1,082
Share premium account		**44,484**	34,643	34,643
Capital redemption reserve		**1,175**	1,175	1,175
Translation reserve		**(106)**	(320)	(84)
Retained earnings		**(22,905)**	(20,347)	(20,614)
Total equity		**24,170**	16,233	16,202

Kromek Group plc
Consolidated condensed statement of changes in equity
For the six months ended 31 October 2015

	Equity attributable to equity holders of the Group					
	Share Capital £'000	**Share Premium Account £'000**	**Capital Redemption Reserve £'000**	**Translation Reserve £'000**	**Retained Earnings £'000**	**Total £'000**
Balance at 1 May 2015	**1,082**	**34,643**	**1,175**	**(84)**	**(20,614)**	**16,202**
Loss for the period	-	-	-	-	(2,382)	**(2,382)**
Other comprehensive income for the period	-	-	-	(22)	-	**(22)**
Total comprehensive losses for the period	-	-	-	(22)	(2,382)	**(2,404)**
Issue of share capital net of expenses	440	-	-	-	-	**440**
Premium on shares issued less expenses	-	9,841	-	-	-	**9,841**
Credit to equity for equity-settled share based payments	-	-	-	-	91	**91**
Balance at 31 October 2015	**1,522**	**44,484**	**1,175**	**(106)**	**(22,905)**	**24,170**
Balance at 1 May 2014	1,080	34,612	1,175	(482)	(18,649)	**17,736**
Loss for the period	-	-	-	-	(1,790)	**(1,790)**
Other comprehensive income for the period	-	-	-	162	-	**162**
Total comprehensive losses for the period	-	-	-	162	(1,790)	**(1,628)**
Issue of share capital net of expenses	2	-	-	-	-	**2**
Premium on shares issued less expenses	-	31	-	-	-	**31**
Credit to equity for equity-settled share based payments	-	-	-	-	92	**92**
Balance at 31 October 2014	**1,082**	**34,643**	**1,175**	**(320)**	**(20,347)**	**16,233**
Balance at 1 May 2014	1,080	34,612	1,175	(482)	(18,649)	**17,736**
Loss for the year	-	-	-	-	(2,146)	**(2,146)**
Other comprehensive income for the period	-	-	-	398	-	**398**
Total comprehensive losses for the year	-	-	-	398	(2,146)	**(1,748)**
Issue of share capital net of expenses	2	31	-	-	-	**33**
Credit to equity for equity-settled share based payments	-	-	-	-	181	**181**
Balance at 30 April 2015	**1,082**	**34,643**	**1,175**	**(84)**	**(20,614)**	**16,202**

Kromek Group plc
Consolidated condensed statement of cash flows
For the six months ended 31 October 2015

	Note	Six months ended 31 October 2015 £'000 (Unaudited)	Six months ended 31 October 2014 £'000 (Unaudited)	Year ended 30 April 2015 £'000 (Audited)
Net cash from operating activities	9	**(2,333)**	(1,384)	(2,361)
Investing activities				
Interest received		**1**	16	31
Purchases of property, plant and equipment		**(96)**	(1,396)	(2,558)
Purchases of patents and trademarks		**(171)**	(299)	(368)
Capitalisation of research and development costs		**(1,296)**	(744)	(1,886)
Net cash used in investing activities		**(1,562)**	(2,423)	(4,781)
Financing activities				
Revolving credit facility		**-**	-	1,000
Government grants		**-**	-	857
Proceeds on issue of shares		**10,280**	33	33
Payment of finance lease liabilities		**(9)**	-	(12)
Interest paid		**(27)**	-	(102)
Net cash from financing activities		**10,244**	33	1,776
Net increase/(decrease) in cash and cash equivalents		**6,349**	(3,774)	(5,366)
Cash and cash equivalents at beginning of period		**1,183**	6,563	6,563
Effect of foreign exchange rate changes		**(47)**	75	(14)
Cash and cash equivalents at end of period		**7,485**	2,864	1,183

Kromek Group plc
Notes to the unaudited interim statements
For the six months ended 31 October 2015

1. Basis of preparation

This interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditors reported on the Kromek Group plc accounts for the year ended 30 April 2015; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Group's consolidated annual financial statements for the year ended 30 April 2015 have been filed with the Registrar of Companies and are available on the Group's website www.kromek.com.

The accounting policies used in this interim financial report are consistent with International Financial Reporting Standards. The same accounting policies, presentation and methods of computation are followed in this condensed set of financial statements as applied in the Group's latest annual audited financial statements other than standards, amendments and interpretations which became effective after 1 May 2015 and were adopted by the Group. These have had no significant impact on the Group's result for the period or its equity.

The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

This interim report for the period ending 31 October 2015 was approved by the Board of Directors on 15 December 2015.

2. Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

3. Interim report

The interim report and the interim announcement will be available from the Group's website at www.kromek.com.

4. Business and geographical segments

Products and services from which reportable segments derive their revenues

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

The chief operating decision maker is the Board of Directors who assess performance of the segments using the following key performance indicators; revenues, gross profit and operating profit. The amounts provided to the Board with respect to assets and liabilities are measured in a way consistent with the Financial Statements.

The turnover, profit on ordinary activities and net assets of the Group are attributable to one business segment, i.e. the development of digital colour x-ray imaging enabling direct materials identification, as well as developing a number of detection products in the industrial and consumer markets.

Analysis by geographical area

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

	Six months ended 31 October 2015 £'000 (Unaudited)	**Six months ended 31 October 2014 £'000 (Unaudited)**	**Year ended 30 April 2015 £'000 (Audited)**
United Kingdom	**201**	165	387
North America	**2,379**	2,221	5,681
South America	**-**	-	11
Middle East	**-**	-	18
Asia	**447**	723	1,899
Europe	**151**	35	66
Australasia	**-**	21	39
Total revenue	**3,178**	3,165	8,101

4. Business and geographical segments (continued)

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

Six months ended 31 October 2015

	UK Operations	USA Operations	Total for Group
	£'000	£'000	£'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	1,817	884	2,701
-Revenue from grants	148	-	148
-Revenue from contract customers	357	213	570
Total sales by segment	2,322	1,097	3,419
Removal of inter-segment sales	(151)	(90)	(241)
Total external sales	2,171	1,007	3,178
Segment result – operating loss	(1,221)	(1,797)	(3,018)
Net interest	(25)	(1)	(26)
Loss before tax	(1,246)	(1,798)	(3,044)
Tax credit	662	-	662
Loss for the year	(584)	(1,798)	(2,382)
Other information			
Property, plant and equipment additions	122	14	136
Depreciation of PPE	148	187	335
Intangible asset additions	860	602	1,462
Amortisation of intangible assets	187	178	365
Balance Sheet			
Total assets	24,214	6,262	30,476
Total liabilities	(3,984)	(2,322)	(6,306)

Inter-segment sales are charged at prevailing market prices.

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

4. Business and geographical segments (continued)

Six months ended 31 October 2014

	UK Operations	USA Operations	Total for Group
	£'000	£'000	£'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	855	2,579	3,434
-Revenue from grants	55	-	55
-Revenue from contract customers	285	574	859
-Other revenue	-	608	608
Total sales by segment	1,195	3,761	4,956
Removal of inter-segment sales	(197)	(1,594)	(1,791)
Total external sales	998	2,167	3,165
Segment result – operating loss	(2,159)	(146)	(2,305)
Net interest	16	-	16
Loss before tax	(2,143)	(146)	(2,289)
Tax credit	499	-	499
Loss for the period	(1,644)	(146)	(1,790)
Other information			
Property, plant and equipment additions	1,278	118	1,396
Depreciation of PPE	154	201	355
Intangible asset additions	665	300	965
Amortisation of intangible assets	134	162	296
Balance Sheet			
Total assets	14,127	7,001	21,128
Total liabilities	(3,781)	(1,114)	(4,895)

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

5. Tax

The Group has recognised R&D tax credits of £603k (six months ended 31 October 2014: £457k) for the six months ended 31 October 2015.

Deferred tax liabilities have been reduced by £59k (six months ended 31 October 2014: £41k) for the six months ended 31 October 2015 as a result of fair value amortisation of Group entities.

6. Dividends

The directors do not recommend the payment of a dividend (six months ended 31 October 2014: £nil).

7. Losses per share

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

Losses

	Six months ended 31 October 2015 £'000 (Unaudited)	Six months ended 31 October 2014 £'000 (Unaudited)	Year ended 30 April 2015 £'000 (Audited)
Losses for the purposes of basic earnings per share being net profit attributable to owners of the Group	**(2,382)**	(1,790)	(2,146)

	Six months ended 31 October 2015 '000 (Unaudited)	Six months ended 31 October 2014 '000 (Unaudited)	Year ended 30 April 2015 '000 (Audited)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	**125,525**	108,056	107,818
Effect of dilutive potential ordinary shares:			
Share options and warrants	**5,489**	5,822	6,223
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**131,014**	113,878	114,041
Basic and diluted (£)	**(0.02)**	(0.01)	(0.02)

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

8. Property, plant and equipment

During the six months ended 31 October 2015, the Group acquired property, plant and equipment with a cost of £136k (six months ended 31 October 2014: £1,396k).

9. Notes to the cash flow statement

	Six months ended 31 October 2015 £'000 (Unaudited)	Six months ended 31 October 2014 £'000 (Unaudited)	Year ended 30 April 2015 £'000 (Audited)
Loss for the period	**(2,382)**	(1,790)	(2,146)
Adjustments for:			
Finance income	**(1)**	(16)	(31)
Finance costs	**27**	-	102
Income tax credit	**(662)**	(499)	(989)
Government grants credit	**-**	-	(4)
Depreciation of property, plant and equipment	**335**	355	673
Amortisation of intangible assets	**365**	296	711
Share-based payment expense	**91**	92	181
Operating cash flows before movements in working capital	**(2,227)**	(1,562)	(1,503)
(Increase)/decrease in inventories	**(192)**	58	183
Decrease/(Increase) in receivables	**43**	(665)	(2,099)
Increase in payables	**43**	81	354
Cash used in operations	**(2,333)**	(2,088)	(3,065)
Income taxes received	**-**	704	704
Net cash used in operating activities	**(2,333)**	(1,384)	(2,361)

10. Share capital

During the period 44,012,792 ordinary shares were issued as a result of the successful placing agreement of 36,000,000 new ordinary shares, and open offer of 8,012,792 new ordinary shares, which raised £10.3m net proceeds.

The value of transaction costs charged directly to equity in relation to the placing agreement and open offer was £722k.

During the period nil ordinary shares (six months ended 31 October 2014: 293,455 shares) were issued as a result of the exercise of employee share options.

11. Related party transactions

During the period M Robinson, a director, charged the Group £44k (six months ended 31 October 2014: £36k) for consultancy fees. At the period end the Group owed M Robinson £7k (six months ended 31 October 2014: £7k). This amount was included within trade payables at the period end.

During the period Derek Bulmer, a director, purchased 40,000 ordinary shares of the company in the open market.

Through the open offer, the following directors purchased ordinary shares of the company: A Basu 72,000; B Tanner 50,000; M Robinson 60,000; G Speirs through Polymer Holdings Limited 1,395,685.

12. Events after the balance sheet date

There are no significant or disclosable post-balance sheet event