19 December 2017

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

Interim Results

Kromek (AIM: KMK), a radiation detection technology company focusing on the medical, security screening and nuclear markets, announces its interim results for the six months ended 31 October 2017.

Financial Highlights

- Revenue increased 27% to £4.8m (H1 2016/17: £3.8m)
- Gross margin improved to 63% (H1 2016/17: 53%)
- Loss before tax was £1.8m (H1 2016/17: £1.8m)
- EBITDA* improved to £0.3m loss (H1 2016/17: £0.6m loss)
- Gross cash and cash equivalents at 31 October 2017 were £15m** (30 April 2017: £20.3m; 31 October 2016: £3.8m).

**EBITDA defined as earnings before interest, taxation, depreciation, amortisation and share-based payments as detailed below.*
***This excludes £1.3m that has been invested into a money market account that is classified as an investment rather than cash and cash equivalents.*

Operational Highlights

Another period of good progress and upscaling in commercial activities with revenue growth driven by higher product sales in Kromek's key markets.

Medical Imaging

The medical imaging detection systems significantly advance the early identification of disease, such as cancer, dementia and osteoporosis, by producing superior quality and higher resolution colour digital images from its SPECT cameras.

- Won a five-year contract, worth a minimum of $5.38m, to provide detector modules for a new product offering for an existing BMD customer
- Progressed the development of CZT-based SPECT cameras for a key customer and significantly advanced towards achieving a full clinical validation
- Won a four-year contract, post period end, worth a minimum of $1.5m, from a new OEM customer to provide customised CZT-based gamma cameras

Nuclear Detection

The D3S is the world's most advanced, portable, nuclear radiation detection device used by counter-terrorist agencies to protect civilians, key infrastructure in cities including ports, borders and transport hubs.

- D3S sensors continued to be field-tested in major areas of strategic importance to the US by DARPA, and by other public administrations across the globe
- Named as a qualified contractor under the recently-announced $8.2bn U.S. Department of Defense IDIQ for the Joint Enterprise – Research, Development, Acquisition, and Production/Procurement contract award vehicle following extensive due diligence

Security Screening

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

- Won a five-year, $2m contract, from a new OEM customer to upgrade its baggage security screening systems to enable enhanced detection of threat materials
- Commenced work on the Group's first long-term Security Screening contact: a five-year agreement with an existing US-based customer to provide OEM components

Five new patents were filed and 18 granted during the period.

Dr Arnab Basu, CEO of Kromek, said: "During the period, Kromek continued to deliver significant revenue growth and took meaningful steps towards our stated aim of achieving EBITDA breakeven this year. In the first half, we saw growth in sales through executing on our previously-signed agreements while, at the same time, continuing to win new high-value contracts.

"We also succeeded in enhancing our reputation in our key target markets. Our D3S product was successfully deployed in high-profile situations for safeguarding against nuclear terrorism; and we achieved a significant milestone in SPECT by finalising the development of a system capable of producing clinical grade images that will improve early stage diagnosis of diseases such as cancer and dementia.

"We have entered the second half of 2017/18 well-positioned to deliver revenue growth for the full year and achieve EBITDA breakeven, in-line with market expectations. This position is underpinned by good visibility of revenues, with a significant proportion under signed contract. With our increasing traction with existing and potential customers, and with a strengthened order book, the Board looks to the future with confidence."

Enquiries

Kromek Group plc	
Arnab Basu, CEO Derek Bulmer, CFO	+44 (0)1740 626 060
Cenkos Securities plc	
Bobbie Hilliam (NOMAD) Julian Morse (Sales)	+44 (0)20 7397 8900
Luther Pendragon Ltd	
Harry Chathli, Claire Norbury, Alexis Gore	+44 (0)20 7618 9100

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

About Kromek Group plc

Kromek Group plc is a UK technology Group (global HQ in County Durham) and a leading developer of high performance radiation detection products based on cadmium zinc telluride ("CZT") and other advanced technologies. Using its core technology platforms, Kromek designs, develops and produces x-ray and gamma ray imaging and radiation detection products for the medical, security screening and nuclear markets.

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

The Group's business model provides a vertically integrated technology offering to customers, from radiation detector materials to finished products or detectors, including software, electronics and application specific integrated circuits ("ASICs").

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

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

Overview

Kromek's vision is to enable its customers and users to take more timely decisions based on superior information – whether this is to combat terrorism or treat cancer – and the Group took important strides towards reaching this goal during the first half of the 2017/18 financial year. The Group continued to execute on contracts that it had previously been awarded as well as to enter into several new high-value agreements. The shift in the Group's sales mix from R&D to products sales was sustained, with product sales accounting for 87% of total revenue compared with 74% in H1 2016/17. This transition reflects the increasing value of the contracts being awarded, alongside a growing number of customers moving from R&D programmes to full commercialisation.

The Group also enhanced its engagement and reputation with leading organisations within its target markets. Key products were deployed in significant trials and the Group reached performance milestones, which contributed to the satisfaction of due diligence conducted by customers ahead of potential order placement. As a result, the Group strengthened its market position as a key supplier of CZT detection systems to both commercial and government customers globally, and is better positioned to capture the opportunities that exist across all its target markets.

Medical Imaging

Kromek's Medical Imaging solutions are capable of producing high resolution, digital images with superior specificity to standard medical cameras currently available in the market. This is providing clinicians with the necessary equipment to accurately detect and monitor medical disorders, resulting in more efficient treatment of patients.

Kromek made good progress in Medical Imaging during the period. A key driver of revenue growth in the period was delivery on contracts won over the last two years. The Group continued to win new contracts, including a new five-year contract, worth a minimum value of $5.38m, from an existing customer in the bone mineral densitometry ("BMD") sector, for the incorporation of its CZT-based detector modules into a new medical diagnostics product.

The Group also continued to make significant progress under its contract, which was signed in 2014, for the development and delivery of CZT-based single-photon emission computed tomography ("SPECT") modules, for an established manufacturer of x-ray diagnostics and analysis equipment. The Group significantly advanced towards achieving full clinical validation of its newly-developed product for this market. This achievement is the culmination of several years of intensive R&D. The Group's management believe that the Kromek CZT-based SPECT camera will significantly enhance the identification and management of diseases such as cancer and dementia.

Post period end, the Group was awarded a four-year contract by a new OEM customer to provide superior imaging and diagnostic capability to the customer's existing imaging systems. Kromek will leverage its expertise to customise its existing CZT-based gamma camera product platform to meet the customer's requirements. Under the terms of the agreement, which has already commenced, the Group will receive a minimum of $1.5m.

Nuclear Detection

Kromek's state-of-the-art D3S gamma neutron spectroscopic personal radiation detector, linked to a central server, produces a detailed map of radiation levels across large urban areas. This enables threats and non-threats to be clearly differentiated. The data collected will subsequently trigger alarms if there is an unexpected detection of radiation. The D3S can be worn by front line security workers as part of a larger network, contributing to the identification of unexplained build-ups of radioactive isotopes. As a result, it offers an extensive and effective safeguard against the threat of nuclear terrorism.

Kromek continued to advance in the Nuclear Detection market during period. Its key product offerings underwent several high-profile deployments and trials, resulting in the Group enhancing its reputation with government agencies and global OEMs.

The Group's standalone radiation detector, the D3S, for intelligent radiation-detection networks continued to be field-tested in major areas in the US by the Defense Advanced Research Projects Agency ("DARPA"), an agency of the U.S. Department of Defense. It was also used by European authorities to protect the President of the United States during his visit to Brussels in May 2017 and by other public administrations across the globe for protection of government, parliamentary and defence buildings. It is being well-received by these parties and Kromek expects this to materialise into product purchase orders in due course.

In further progress with the U.S. Department of Defense, Kromek was named as a qualified contractor under the department's $8.2bn Indefinite Delivery Indefinite Quantity ("IDIQ") Joint Enterprise – Research, Development, Acquisition, and Production/Procurement (JE-RDAP) contract award vehicle. This followed an extensive process of due diligence conducted on Kromek by the U.S. Department of Defense. The JE-RDAP vehicle has been allocated $8.2 billion to invest over a ten-year period in a number of programmes. These programmes will be conducted jointly with companies selected from the list of qualified contractors. While there is no certainty that the Group will be awarded a contract under the JE-RDAP, the Group's management believes that Kromek is well-placed to be selected under the programme for the research, development, acquisition and production/procurement of a 'Man-portable Radiological Detector System (MRDS)', which is designed to 'provide the Army with a capability to detect and identify a Weapons of Mass Destruction threat'.

Security Screening

In the Security Screening market, Kromek's solutions for baggage screening and for identifying the presence of hazardous material within a container enhance national security and improve the safety of passengers while minimising the inconvenience of the security process at airports and other ports of entry and exit.

Kromek continued to deliver on contracts secured during previous periods with global security groups for the supply of OEM components for baggage screening products used in aviation security. In particular, the Group commenced work under its first long-term contract in the Security Screening market, a five-year agreement, which was awarded in H2 2016/17 by an existing US-based customer that is an emerging leader and global company in the homeland security marketplace. In addition, during the period, Kromek received its second long-term contract in this market with the award of another five-year contract, worth $2.0m, by a new OEM customer that is a leading company in x-ray imaging systems. This customer will incorporate Kromek's technology into its baggage security screening systems to enhance detection of an extensive range of threat materials.

These developments represent the growing traction that Kromek continues to gain through the increasing adoption of its technology in the Security Screening market. This applies both to the provision of OEM components and the use of Kromek's bottle scanners, which are installed in over 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 form important elements of its future product roadmap. In particular, the Group's investment in product development increased slightly as it sought to capture the market opportunity with new and enhanced products at a commercial price point. The Group expects investment in R&D to remain at a steady level over the next few years. During the period, five new patents were filed and 18 patents were granted.

Financial Review

During the six-month period to 31 October 2017 revenue increased by 27% to £4.8m (H1 2016/17: £3.8m) with product sales across Nuclear Detection and Medical Imaging being key contributors to the growth in the period. Product sales grew by 24% over the six-month period ended 31 October 2016 and also continued to expand as a proportion of total revenue, accounting for 87% of H1 2017/18 revenue compared with 74% in H1 2016/17 as summarised in the table below:

Revenue Mix	H1 2017/18		H1 2016/17		Full year 2016/17	
	£'000	**% share**	**£'000**	**% share**	**£'000**	**% share**
Product	4,179	*87%*	2,782	*74%*	6,671	*74%*
R&D	623	*13%*	991	*26%*	2,297	*26%*
Total	**4,802**		**3,773**		**8,968**	

Gross margin for H1 2017/18 improved to 63% compared with 57% for FY 2016/17 and is an increase of 10 percentage points over the 53% gross margin for the comparative six-month period to 31 October 2016. This increase in gross margin was due to product mix and production efficiencies. However, the gross margin is expected to normalise in the second half of 2017/18, resulting in the FY 2017/18 gross margin being at a similar level to that of FY 2016/17.

On an underlying basis, excluding the impact of foreign exchange movements, the Group's administrative cost base reduced by £0.4m to £4.5m for H1 2017/18 compared with £4.9m in H1 2016/17. This reduction in costs for the period has been achieved through a net increase in the capitalised development costs, less the higher amortisation charge in the period. However, on a reported basis, the Group's administrative expenses (including operating expenses) increased by £1.0m (27%) to £4.7m for the period (H1 2016/17: £3.7m) due to the negative impact of foreign currency exchange movements on current assets held in foreign currencies as detailed in the table below:

	£'m
Balance sheet and working capital conversion six months end 31 October 2016 (Net gain in the P&L)	1.2
Balance sheet and working capital conversion six months end 31 October 2017 (Net loss in the P&L)	(0.2)
Net movement in foreign exchange impact to 31 October 2017	**1.4**

The EBITDA loss reduced during the period to £0.3m (H1 2016/17: £0.6m loss), due to the higher margin but partially offset by the foreign exchange movement on current assets noted above. The loss before tax remained static at £1.8m (H1 2016/17: £1.8m loss) due to the offset of higher product and intangible amortisation of £1.0m in the period (H1 2016/17: £0.7m).

Both EBITDA and loss before tax were negatively impacted by the £1.4m net movement in foreign exchange. EBITDA is calculated as per the following table:

	H1 2017/18 (Unaudited)	**H1 2016/17 (Unaudited)**	**Full Year 2016/17 (Audited)**
	£'000	**£'000**	**£'000**
Loss before tax	**(1,847)**	**(1,810)**	**(3,794)**
Adjustments:-			
Net interest	124	7	40
Depreciation	409	379	762
Amortisation	957	692	1,417
Share-based payments	46	96	99
Other income	-	-	15
EBITDA	(311)	(636)	(1,461)
Foreign exchange on working capital	170	(1,233)	(792)
Adjusted EBITDA	**(141)**	**(1,869)**	**(2,253)**

EBITDA is a non-GAAP measure that the Group uses internally as a key measure of profit and cash generation. Share-based payments are also added back in the measure of EBITDA because it is a non-cash charge that, at this stage in the Group's development, represents a disproportionate share of the Group's operating expenses. Adjusted EBITDA is a further non-GAAP measure that further excludes from EBITDA the impact of foreign exchange movements, and the Group considers this measure to best reflect the underlying profitability.

Investment in product development was £1.9m (H1 2016/17: £1.7m) reflecting the commitment to invest for future growth of the business, capture the market opportunity with new and enhanced products, and to meet the demands of accelerated customer programmes.

Cash and cash equivalents at:

- 31 October 2017 were £15m (including £3.0m utilised on the revolving credit facility (RCF) and excluding £1.3m invested into a money market account that is classified as an investment rather than cash and cash equivalents)
- 30 April 2017 were £20.3m (including £3.0m utilised on the RCF)
- 31 October 2016 were £3.8m (including £1.5m utilised on the RCF)

The net decrease in cash and cash equivalents in the six months to 31 October 2017 was £5.3m. This consists largely of the EBITDA loss of £0.3m; investment in development costs of £1.9m; net movement in working capital of £1.8m; and investment of £1.3m into a long-term money market account that is classified as non-current asset investment.

During the period the Group secured new premises for its US operations in Pittsburgh. The new building, under a 20-year lease, has been purpose-built and provides the Group with a significantly more efficient and cost-effective office and manufacturing space. The building is at a location that is more suitable for attracting talent, has better connectivity and is closer to the growing high-tech hub in Pittsburgh. The new facility also allows for further expansion of the manufacturing facility and provides security to the business as the previous lease was coming to an end. An estimated capital investment of $3m in the facilities element of the building, including new clean rooms and HVAC, will be covered by a $3m loan from the landlord secured up to 50% through a letter of credit. The Group deposited £1.3m into a long-term money market account to operate as security.

Auditors

Kromek would like to welcome KPMG LLP as the newly appointed Group auditors replacing the former Group auditors, Deloitte. Kromek would like to extend its thanks to Deloitte for the past 11 years of engagement. However, as a form of best practice in Corporate Governance, the Group has formally appointed KPMG. KPMG has a significant presence in the North East of England, based in Newcastle upon Tyne, and has an extensive portfolio of AIM-listed clients.

Outlook

Kromek entered the second half of 2017/18 well-positioned to deliver revenue growth for the full year and achieving EBITDA breakeven in-line with market expectations. This expectation is underpinned by good visibility of revenues with a significant proportion under signed contract.

The Group continues to benefit from its customers commercially launching next-generation CZT-based products and from the increasing adoption of CZT-based technology across its target markets. The Group's products continue to gain traction in all its business segments and Kromek is strengthening its relationships with existing customers as well as enhancing its reputation among potential customers. As a result of this, combined with a strengthened order book and improved revenue visibility, the Board looks to the future with confidence.

Kromek Group plc
Consolidated condensed income statement
For the six months ended 31 October 2017

	Note	Six months ended 31 October 2017 £'000 (Unaudited)	Six months ended 31 October 2016 £'000 (Unaudited)	Year ended 30 April 2017 £'000 (Audited)
Continuing operations				
Revenue	4	4,802	3,773	8,968
Cost of sales		(1,758)	(1,786)	(3,851)
Gross profit		3,044	1,987	5,117
Other operating income		-	-	(15)
Distribution costs		(107)	(106)	(194)
Administrative expenses (including operating expenses)		(4,659)	(3,684)	(8,662)
Operating loss		(1,722)	(1,803)	(3,754)
Finance income		9	-	5
Finance costs		(134)	(7)	(45)
Loss before tax		(1,847)	(1,810)	(3,794)
Tax	5	691	317	710
Loss from continuing operations		(1,156)	(1,493)	(3,084)
Losses per share				
-basic (p)	7	(0.4)	(1.0)	(1.8)
-diluted (p)		(0.4)	(1.0)	(1.8)

Kromek Group plc
Consolidated condensed statement of comprehensive income
For the six months ended 31 October 2017

	Six months ended 31 October 2017 £'000 (Unaudited)	Six months ended 31 October 2016 £'000 (Unaudited)	Year ended 30 April 2017 £'000 (Audited)
Loss for the period	(1,156)	(1,493)	(3,084)
Items that may be recycled to the income statement			
Exchange (losses)/gains on translation of foreign operations	(56)	770	685
Total comprehensive loss for the period	(1,212)	(723)	(2,399)

Kromek Group plc
Consolidated condensed statement of financial position
For the six months ended 31 October 2017

	Note	31 October 2017 £'000 (Unaudited)	31 October 2016 £'000 (Unaudited)	30 April 2017 £'000 (Audited)
Non-current assets				
Goodwill		**1,275**	1,275	1,275
Investments – Long term cash deposits		**1,250**	-	-
Other intangible assets		**15,706**	13,201	14,824
Property, plant and equipment	8	**3,357**	4,050	3,698
		21,588	18,526	19,797
Current assets				
Inventories		**2,697**	3,174	3,204
Trade and other receivables		**7,652**	3,868	6,005
Current tax assets		**429**	210	596
Cash and bank balances		**15,045**	3,803	20,343
		25,823	11,055	30,148
Total assets		**47,411**	29,581	49,945
Current liabilities				
Trade and other payables		**(3,153)**	(4,028)	(4,567)
Finance lease liabilities		**-**	-	-
Borrowings		**(3,000)**	(1,500)	(3,000)
Provisions for liabilities		**(169)**	-	(169)
		(6,322)	(5,528)	(7,736)
Net current assets		**20,751**	5,527	22,412
Non-current liabilities				
Finance lease liabilities		**-**	-	-
Deferred tax liabilities		**-**	-	-
Total liabilities		**(6,322)**	(5,528)	(7,736)
Net assets		**41,089**	24,053	42,209
Equity				
Share capital	10	**2,604**	1,539	2,591
Share premium account		**63,303**	44,493	63,270
Capital redemption reserve		**1,175**	1,175	1,175
Translation reserve		**701**	842	757
Retained earnings		**(26,694)**	(23,996)	(25,584)
Total equity		**41,089**	24,053	42,209

Kromek Group plc
Consolidated condensed statement of changes in equity
For the six months ended 31 October 2017

	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 2017	**2,591**	**63,270**	**1,175**	**757**	**(25,584)**	**42,209**
Loss for the period	-	-	-	-	(1,156)	**(1,156)**
Other comprehensive income for the period	-	-	-	(56)	-	**(56)**
Total comprehensive loss for the period	-	-	-	(56)	(1,156)	**(1,212)**
Transactions with shareholders recorded in equity						
Issue of share capital net of expenses	13	-	-	-	-	**13**
Premium on shares issued less expenses	-	33	-	-	-	**33**
Credit to equity for equity-settled share based payments	-	-	-	-	46	**46**
Balance at 31 October 2017	**2,604**	**63,303**	**1,175**	**701**	**(26,694)**	**41,089**
Balance at 1 May 2016	1,522	44,484	1,175	72	(22,599)	**24,654**
Loss for the period	-	-	-	-	(1,493)	**(1,493)**
Other comprehensive income for the period	-	-	-	770	-	**770**
Total comprehensive loss for the period	-	-	-	770	(1,493)	**(723)**
Transactions with shareholders recorded in equity						
Issue of share capital net of expenses	17	-	-	-	-	**17**
Premium on shares issued less expenses	-	9	-	-	-	**9**
Credit to equity for equity-settled share based payments	-	-	-	-	96	**96**
Balance at 31 October 2016	**1,539**	**44,493**	**1,175**	**842**	**(23,996)**	**24,053**
Balance at 1 May 2016	1,522	44,484	1,175	72	(22,599)	**24,654**
Loss for the year	-	-	-	-	(3,084)	**(3,084)**
Other comprehensive income for the period	-	-	-	685	-	**685**
Total comprehensive loss for the year	-	-	-	685	(3,084)	**(2,399)**
Transactions with shareholders recorded in equity						
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 six months ended 31 October 2017

	Note	Six months ended 31 October 2017 £'000 (Unaudited)	Six months ended 31 October 2016 £'000 (Unaudited)	Year ended 30 April 2017 £'000 (Audited)
Net cash generated (used in)/from operating activities	9	**(2,009)**	799	(1,500)
Investing activities				
Investment in long term cash deposits		**(1,250)**		
Interest received		**9**	-	5
Purchases of property, plant and equipment		**(100)**	(128)	(261)
Purchases of patents and trademarks		**(122)**	(115)	(320)
Capitalisation of research and development costs		**(1,884)**	(1,665)	(4,187)
Net cash used in investing activities		**(3,347)**	(1,908)	(4,763)
Financing activities				
Loans paid		**-**	-	-
Loans received		**-**	1,500	3,000
Proceeds on issue of shares		**46**	26	19,855
Interest paid		**(133)**	(7)	(45)
Net cash generated from financing activities		**(87)**	1,519	22,810
Net increase in cash and cash equivalents		**(5,443)**	410	16,547
Cash and cash equivalents at beginning of period		**20,343**	3,857	3,857
Effect of foreign exchange rate changes		**145**	(464)	(61)
Cash and cash equivalents at end of period		**15,045**	3,803	20,343

Kromek Group plc
Notes to the unaudited interim statements
For the six months ended 31 October 2017

1. Basis of preparation

This interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditors reported on the Kromek Group plc financial statements for the year ended 30 April 2017; 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 2017 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. Except for the amortisation of capitalised development expenditure, 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 2017 and were adopted by the Group. These have had no significant impact on the Group's result for the period or its equity.

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 3-15 years rather than against product sales directly relating to the development expenditure. Provision is made for any impairment.

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 2017 was approved by the Board of Directors on 18 December 2017.

2. Going concern

The directors are satisfied that the Group has sufficient resources and facilities 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

This interim financial report 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, operating profit and EBITDA. The amounts provided to the Board with respect to assets and liabilities are measured in a way consistent with the Financial Statements.

The turnover, profit on ordinary activities and net assets of the Group are attributable to one business segment, i.e. the development of digital colour x-ray imaging enabling direct materials identification, as well as developing a number of detection products in the industrial and consumer markets. Whilst results are not measured by end market, the Group currently categorises its customers as belonging to the Nuclear, Medical or Security sectors.

Analysis by geographical area

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

	Six months ended 31 October 2017 £'000 (Unaudited)	Six months ended 31 October 2016 £'000 (Unaudited)	Year ended 30 April 2017 £'000 (Audited)
United Kingdom	**172**	425	931
North America	**1,622**	2,202	4,455
Asia	**2,891**	991	3,276
Europe	**112**	144	296
Australasia	**5**	11	10
Total revenue	**4,802**	3,773	8,968

4. Business and geographical segments (continued)

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

Six months ended 31 October 2017

	UK Operations £'000	USA Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	1,029	1,735	2,764
-Revenue from grants	32	-	32
-Revenue from contract customers	103	2,644	2,746
Total sales by segment	1,163	4,379	5,542
Removal of inter-segment sales	(245)	(495)	(740)
Total external sales	918	3,884	4,802
Segment result – operating (loss)/profit	(2,120)	397	(1,723)
Net interest	(124)	-	(124)
(Loss)/profit before tax	(2,244)	397	(1,847)
Tax credit	691	-	691
(Loss)/profit for the year	(1,553)	397	(1,156)
Other information			
Property, plant and equipment additions	17	83	100
Depreciation of property, plant and equipment	149	260	409
Intangible asset additions	790	1,216	2,006
Amortisation of intangible assets	563	394	957
Balance Sheet			
Total assets	31,059	16,352	47,411
Total liabilities	(5,315)	(1,007)	(6,322)

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 2016

	UK Operations £'000	USA Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	2,611	1,288	3,899
-Revenue from grants	80	-	80
-Revenue from contract customers	32	530	562
Total sales by segment	2,723	1,818	4,541
Removal of inter-segment sales	(299)	(469)	(768)
Total external sales	2,424	1,349	3,773
Segment result – operating loss	(505)	(1,298)	(1,803)
Net interest	(7)	-	(7)
Loss before tax	(512)	(1,298)	(1,810)
Tax credit	317	-	317
Loss for the period	(195)	(1,298)	(1,493)
Other information			
Property, plant and equipment additions	74	55	128
Depreciation of property, plant and equipment	162	217	379
Intangible asset additions	787	993	1,780
Amortisation of intangible assets	448	244	692
Balance Sheet			
Total assets	19,197	10,384	29,581
Total liabilities	(5,348)	(180)	(5,528)

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 £429k (six months ended 31 October 2016: £317k) for the six months ended 31 October 2017.

Deferred tax liabilities were £nil (six months ended 31 October 2015: £59k) for the six months ended 31 October 2016.

6. Dividends

The directors do not recommend the payment of a dividend (six months ended 31 October 2016: £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 2017 £'000 (Unaudited)	**Six months ended 31 October 2016 £'000 (Unaudited)**	**Year ended 30 April 2017 £'000 (Audited)**
Losses for the purposes of basic earnings per share being net profit attributable to owners of the Group	**(1,156)**	(1,493)	(3,084)

	Six months ended 31 October 2017 '000 (Unaudited)	**Six months ended 31 October 2016 '000 (Unaudited)**	**Year ended 30 April 2017 '000 (Audited)**
Number of shares			
Weighted average number of ordinary shares for the purposes of basic losses per share	**259,745**	153,285	174,573
Effect of dilutive potential ordinary shares:			
Share options and warrants	**4,393**	3,746	3,565
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**264,138**	157,031	178,137
Basic (p)	**(0.4)**	(1.0)	(1.8)
Diluted (p)	**(0.4)**	(1.0)	(1.8)

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

8. Property, plant and equipment

During the six months ended 31 October 2017, the Group acquired property, plant and equipment with a cost of £100k (six months ended 31 October 2016: £129k).

9. Notes to the cash flow statement

	Six months ended 31 October 2017 £'000 (Unaudited)	Six months ended 31 October 2016 £'000 (Unaudited)	Year ended 30 April 2017 £'000 (Audited)
Loss for the period	**(1,156)**	(1,493)	(3,084)
Adjustments for:			
Finance income	**(9)**	-	(5)
Finance costs	**133**	7	45
Income tax credit	**(691)**	(317)	(710)
Depreciation of property, plant and equipment	**409**	379	762
Amortisation of intangible assets	**957**	692	1,417
Share-based payment expense	**46**	96	99
Operating cash flows before movements in working capital	**(311)**	(636)	(1,476)
Decrease/(increase) in inventories	**507**	(364)	(394)
(Increase)/decrease in receivables	**(1,648)**	1,291	(846)
(Decrease)/increase in payables	**(1,415)**	(417)	122
Increase in provisions	**-**	-	169
Cash used in operations	**(2,867)**	(126)	(2,425)
Income taxes received	**858**	925	925
Net cash (used in)/generated from operating activities	**(2,009)**	799	(1,500)

10. Share capital

During the period, 1,300,000 ordinary shares (six months ended 31 October 2016: 1,675,000) were issued because of the exercise of employee share options.

11. Related party transactions

During the period Arnab Basu, a director, purchased 80,000 (six months ended 31 October 2016: 800,000) ordinary shares of the Group through exercising some outstanding share options.

During the period Derek Bulmer, a director, purchased 36,066 (six months ended 31 October 2016: nil) ordinary shares of the Group in the open market.

During the period Sir Peter Williams, Chairman, purchased 20,000 (six months ended 31 October 2016: nil) ordinary shares of the Group in the open market.

11. Related party transactions (continued)

During the period Jerel Whittingham, a non-executive director, purchased 250,000 (six months ended 31 October 2016: nil) ordinary shares of the Group through exercising some outstanding options.

During the period Lawrence Kinet, a non-executive director, purchased 50,000 (six months ended 31 October 2016: nil) ordinary shares of the Group in the open market.

12. Events after the balance sheet date

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