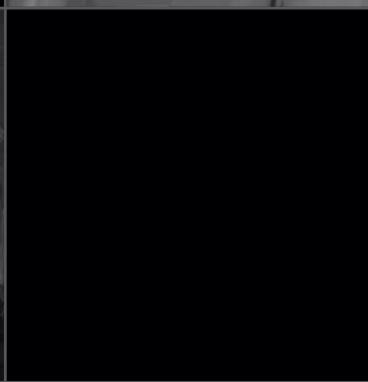


kromek

Kromek Group plc
Annual report and accounts
for the year ended 30 April 2015

Detect
Image
Identify



Advancing CZT manufacture to target significant growth opportunities in CT, SPECT and networked nuclear detection applications



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Directors, Secretary & Advisers

Directors

Dr. Arnab Basu MBE
Chief Executive Officer

Mr. Derek Bulmer
Chief Financial Officer

Mr. Lawrence Kinet
Chairman

Mr. Peter Bains
Non-Executive Director

Ms. Charlotta Ginman
Non-Executive Director

Prof. Max Robinson
Non-Executive Director

Dr. Graeme Speirs
Non-Executive Director

Prof. Brian Tanner
Non-Executive Director

Mr. Jerel Whittingham
Non-Executive Director

Company Secretary

Mr. Derek Bulmer

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County Durham
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NE1 2HF

Registrar

Capita Asset Services
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Leeds
LS11 5DR

K&L Gates LLP
One New Change
London
EC4M 9AF

As to US law:

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Chicago
IL 60601
USA

Public Relations Adviser

Luther Pendragon Ltd
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London
EC4V 6DE

Financial Highlights

- Revenue increased 36% to £8.1m (2013/14: £6.0m)
- Gross margin* was 69% (2013/14: 65%)
- Adjusted EBITDA**-breakeven/positive for the second half of the year, resulting in an adjusted EBITDA improvement to £1.6m loss (2013/14: £3.0m loss)
- Loss before tax was reduced to £3.1m (2013/14: £4.3m loss)
- Loss per share was 2p (2013/14: 5p loss)
- Cash and cash equivalents at 30 April 2015 were £1.2m (31 October 2014 were £2.9m; 30 April 2014: £6.6m)
- £3.0m revolving credit facility announced in April 2015
- The Group entered into an agreement to raise £9m through a Firm Placing and up to a further £2m through an Open Offer

* As with prior periods, gross margin is calculated before labour and overhead recovery.

** Adjusted EBITDA eliminates non-recurring other income and share-based payment expenses. See the 'Chief Financial Officer's Review' below for a reconciliation of adjusted EBITDA.

Operational Highlights

- Achieved growth through winning significant contracts across all three target segments and in multiple geographies
- Nuclear Detection segment experienced significant growth and represented the largest segment by revenues
 - Key contract won from U.S. Department of Defense agency, the Defense Advanced Research Projects Agency ("DARPA")
 - Other significant contracts in US and UK with U.S. Defense Threat Reduction Agency ("DTRA") and Innovate UK
- Medical Imaging segment represented the second largest contributor to revenues as it strengthened its relationship with OEMs globally
 - Exclusive development programme in medical CT extended to a second year
 - Secured multiple orders from leading OEMs, both new and existing customers, for dual energy x-ray bone mineral densitometry (DEXA BMD) applications
 - Post period, launched eVance™, a new generation of SPECT cameras based on CZT
- Significant progress made in providing products and components for Security Screening at airports
 - Increased sales of bottle scanners, including first contract in Asia – now deployed in 46 airports across 10 countries (2013/14: six airports in four countries)
 - Commenced supplying OEM components for baggage screening
- Doubled manufacturing capacity by expanding in the UK. Demonstrated ability to rapidly scale up production by successfully replicating the manufacturing process which was previously being conducted only in the US
- 23 new patents were granted and 18 new patent applications were filed during the period

Business Review & Strategic Report

Lawrence Kinet,
Chairman, July 2015



Chairman's Statement

I am pleased to present our Annual Report for the year ended 30 April 2015, following being appointed to the role of Chairman in April and having been a Non-Executive Director of the Company since August 2013. Whilst it was a mixed year for Kromek, it was characterised by good progress as we achieved our operational targets, resulting in good revenue growth, albeit not as strong growth as we had anticipated at the start of the year.

It is increasingly evident that CZT-based detectors are set to replace the well-established scintillator-based detectors (scintillators are based on a material that fluoresces when struck by a charged particle or high-energy photon). CZT is a semiconductor that directly converts x-ray or gamma-ray photons into electrons, at room temperature, creating a spectroscopic resolution that clearly outperforms any commercially-available scintillator. This unique combination of spectroscopy and very high-count rate capability at room temperature renders CZT an ideal detector solution for medical, industrial and homeland security applications – the markets that Kromek focuses on. The key breakthrough that Kromek has achieved is to produce CZT into a stable material in economically viable quantities.

Achieved four key operational targets

At the beginning of the year, we set ourselves four primary operational targets:

- Replicate the US manufacturing process in the UK to enable the scale up of our business
- Achieve attractive economic costs for the manufacture of CZT
- Increase our number of customers
- Penetrate the US market with our cutting-edge nuclear imaging detectors

I am pleased to say that we succeeded in meeting all four of these targets. Arnab Basu, our Chief Executive Officer, provides details on how we achieved this on pages 7-8.

Progress towards mass adoption

I am particularly pleased about the replication of the manufacturing process as this will enable

us to scale our business and enhance security of supply as well as benefit from efficiencies in production, which supports our efforts to drive down the price point of CZT-based detectors. The market is moving towards mass adoption of CZT-based detectors as customers are demanding the extra functionality and economics from CZT products. As such, whilst CZT will remain more expensive than scintillators in the short term, the growing demand for colour and digital detection of x-rays and gamma rays – for applications such as the earlier and more accurate detection of cancer or protection against 'dirty bombs' – is driving the utilisation of CZT. That Kromek is making significant progress in driving down the cost, through improving yield levels, increases the competitiveness of our offering and means that we are well-positioned to benefit from the trend towards mass adoption of CZT-based detectors.

Timing of revenues difficult to predict

Whilst we have seen our order book increasing, and a strong pipeline provides Kromek with improved visibility going forward, dealing with government agencies and OEMs renders it difficult to predict the exact timing and magnitude of some of the contracts. Hence we have received orders but then had delivery postponed to the next financial year. Consequently, our growth in revenues in 2014/15 was less than we expected at the beginning of the financial year. However, there is no doubt in my mind that we are at the cusp of a new adoption cycle where CZT-based products will replace scintillators, presenting Kromek with material revenue opportunities over the next two to three years. Because a majority of our contracts are with government agencies and OEMs, we have also learned to be cautious with our revenue forecasting models.

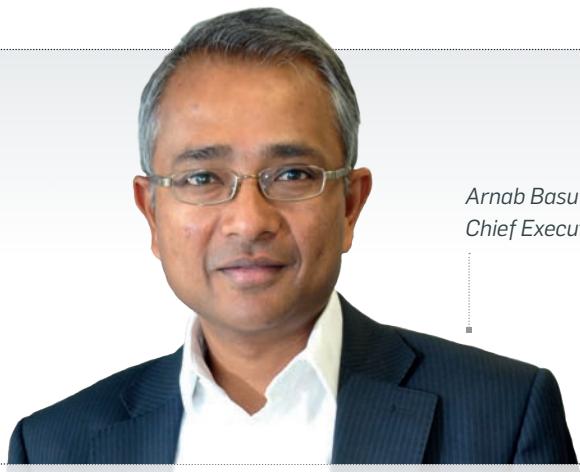
Well positioned in high-growth markets

During the year, Kromek won a significant contract with the U.S. Defense Advanced Research Projects Agency (DARPA) who have already extended the contract twice since the initial contract was

awarded early in the year. We believe that DARPA represents a significant radiation detection opportunity that will gain momentum over the next 12 to 18 months. DARPA is concerned, as are other government agencies around the world, by the threat of a "dirty" bomb placement. Kromek's products for the nuclear medical Single Photon Emission Computed Tomography ("SPECT") market are likely to mature over the next two-year period. A third large growth opportunity of computerised tomography ("CT") components, also in medical imaging equipment, is likely to see Kromek's products delivered from 2017/18. In these areas of CT and SPECT, we believe our addressable opportunity stands at \$900m and \$100m p.a. respectively. In the area of portable advanced radiation detectors for nuclear safeguarding, we believe our market opportunity is more than a billion dollars. We have already made significant progress within all three of these markets, particularly within the last six months. As such, we continue to develop our portfolio of end-use products whilst advancing our longer-term strategy of becoming the preferred component supplier to major OEMs in CT and SPECT and in the supply of network sensors in nuclear markets through existing and new relationships. The other distinct competitive advantage that Kromek possesses, in all three markets, is the capability to develop and supply the electronics to convert the signals, with proprietary algorithms, into meaningful detection alerts.

Employees and Partners

As we look to the future, I would also like to express gratitude to those who have enabled us to reach this point. In particular, on behalf of the Board, I would like to thank all of our staff and shareholders for their on-going support. With the strengthening of Kromek's foundations and the long-term growth drivers showing no sign of abating, we look forward to leveraging our technical expertise and ability to innovate to grow our business and deliver shareholder value. Kromek is, today, a stronger and better company than the day we went public. We have the market opportunities, we have the products and technology, and we have the cost position. The next two to three years will be exciting as we deliver on these strong foundations.



Arnab Basu
Chief Executive Officer, July 2015

Chief Executive Officer's Review

Kromek is pleased to report another period of revenue growth. For the full year 2014/15, revenue increased by 36% to £8.1m (FY 2013/14: £6.0m) as we continued to establish our position as a key supplier of CZT detection systems both to commercial and government customers globally. From H1 to H2, the revenues increased by 56% through expansion in the number and scope of customer-funded development projects as well as direct sales of both end-user and component-level products for OEMs. Notably, we won contracts across all three of our target segments and in multiple geographies.

Medical Imaging

We made good progress this year with our mutually exclusive contract 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. In September 2014, based on sustained progress towards meeting the aims of the development programme, the OEM confirmed its decision to progress to the second year of the programme and awarded Kromek a \$1m exclusivity payment for this next stage.

Kromek gained further traction during the year in our other significant market opportunity in the medical imaging segment, SPECT where it has been demonstrated that use of CZT provides more specificity due to higher resolution, which enhances detection capabilities. We commenced initial supply of our CZT-based modules to an established SME manufacturer of x-ray diagnostics and analysis equipment in China, under our long-term contract that we signed last year, for application in China and Chinese territories.

Another significant development for Kromek was the continued growth of sales attributable to the dual energy x-ray bone mineral densitometry (DEXA BMD) segment. DEXA BMD is the most accurate imaging technique

to diagnose the strength and health of bones, allowing clinicians to accurately detect, monitor and treat Osteoporosis in patients. We started a new programme with a leading global healthcare and diagnostics company for adopting our detectors in their machines. In addition, we received further contracts from two of our existing OEM customers for CZT-based detector modules for BMD applications. In the second half, we received new orders to supply radiation detectors and integrated electronic components to a leading global OEM of dual energy x-ray bone mineral density ("DEXA BMD") systems.

During the year, we received contracts worth £150,000 to develop an enhanced detection system for breast imaging in conjunction with the UK's Centre for Process Innovation. The contracts were awarded by Innovate UK (formerly the Technology Strategy Board), an executive non-departmental public body sponsored by the UK Government's Department for Business, Innovation & Skills. Following the successful collaboration on these, and other projects, Innovate UK awarded us a further contract worth approximately £200,000 for an 18-month programme for the development of a novel radiation detector for the medical and nuclear markets. We are pleased with the progress we are making on these programmes.

Market opportunity in Medical Imaging

- SPECT – ongoing discussions with several OEMs following recent launch of eVance™ family of products for Thyroid, Breast, Cardiac and General Purpose imaging
- CT – we have developed our CT capability with a major OEM over the last two years under an exclusive joint development agreement
- BMD – recurring revenue with good margin with existing customers and developing new customer relationships

Nuclear Detection

We continued to grow our sales in the nuclear segment, being awarded contracts across multiple partners in the US and worldwide to supply innovative nuclear detection products for civil nuclear and safeguarding applications following the increased threat of 'dirty bombs'. Of particular importance, however, was the signing, during the year, of four new and extension contracts for a total value of \$5.8m with the U.S. Department of Defense. In August 2014, we were awarded up to \$1.2m for a 12-month programme with DARPA to develop an advanced portable detection system for gamma and neutron radiation that can be combined in large networks, providing information on radiation signatures over an extended area. This contract was extended by a further \$1.1m by DARPA in January 2015 following strong progress on the first phase, which signifies the customer's confidence in Kromek as a strong solution provider. In April 2015, DARPA further modified the contract for volume supply of radiation network detectors, worth another \$2.02m, bringing the total value of the contract to \$4.4m. Kromek's solution is based on its 'Discreet Dual Detector' – the D3 – a handheld hybrid gamma/neutron detector that can be networked with other such devices. Kromek also secured a two-year \$1.5m contract with DTRA for the design, manufacture and optimisation of high sensitivity, next generation, solid state detectors for the homeland security radiation detection market. The project has progressed well and we are delivering on all of the target milestones.

We continued to work under, and successfully completed, the first phase of a contract with a leading global security company, which provides innovative systems, products and solutions to government and commercial customers worldwide, to design CZT-based detectors and ASICs for nuclear safeguard markets. This resulted in Kromek being awarded a \$1.0m contract extension to focus on the delivery of the new ASICs and detectors as well as the testing and characterisation of detector modules.

Continued on page 8

Business Review & Strategic Report

Chief Executive Officer's Review *continued*

Market opportunity in Nuclear Detection

- Continuing to penetrate civil nuclear markets with our own branded products
- Ongoing discussions for partnerships with two OEMs in civil nuclear market
- Further implementation of second generation D3 – the small form factor D3S – in homeland security applications post heightened threat of 'dirty bombs'
- Total value of market opportunity is expected to be \$1bn+

Security Screening

In the security screening market, Kromek was awarded a significant contract to provide its advanced bottle scanner technology to a number of airports in Asia. This initial contract, worth \$620,000, represents entry into a new geographical market that we believe offers considerable scope for future growth. Kromek's bottle scanner is now installed in 46 airports in 10 countries in Asia, Europe and Australia.

Kromek has also expanded its customer base during the year with new contracts from additional global security technology groups for the supply of OEM components for baggage screening products, including a new contract worth approximately \$0.3m for the supply of OEM components for a baggage screening product for aviation security. We also received a repeat order from a recognised OEM in the US to supply our patented detection modules to enhance the OEM's radiation detection capabilities for its security applications.

Market opportunity in Security Screening

- Discussion with global OEM on licensing liquid detection technology and development of OEM module for baggage screening
- Further sales of bottle scanner product
- Total value of market opportunity is expected to be \$450m+

Doubling of Manufacturing Capacity and Driving Down Cost

During the period, Kromek reached an important milestone as it successfully replicated in the UK the CZT manufacturing processes that had previously been utilised in the US, which enabled a doubling of the Company's production capacity.

Specifically, 24 new CZT growth systems were installed and qualified for production at our Sedgefield, UK manufacturing site. Additionally, four new CZT systems were installed and qualified for production and R&D purposes at our Saxonburg, US manufacturing site. We also made significant yield improvements in materials for SPECT detectors through a new CZT sensor assembly technique, which has led to a lowering of the cost of detector production. Long-term supply agreements were negotiated with critical suppliers to secure pricing and supply of raw materials.

In addition to improvements in the production of CZT material, we were able to further improve the fabrication process for detectors resulting in higher fabrication yields at the Saxonburg plant. At the Sedgefield plant we qualified production processes for silicon photomultiplier-based gamma and neutron detectors.

There were significant efficiencies made in the assembly and testing for our nuclear products. Multiple electronic component subassembly suppliers were qualified in Eastern Europe and Asia to improve costs. Advanced automated testing for nuclear detection instruments were developed, with multiple resources trained and qualified to carryout procedures at the Sedgefield plant. Both manufacturing sites at Sedgefield and Saxonburg were re-certified for ISO9001:2008 through ISO audits and successfully passed several key customer audits.

Outlook

The doubling in manufacturing capacity, increased customer base, and significant progress with new OEMs and U.S. Department of Defense, provides a strong base for growing the business over the medium to long term. We believe that Kromek has the market-leading technology, products and personnel that will enable us to win further contracts across the three transformational market opportunities of CT, SPECT and portable advanced radiation detectors. We have entered the new financial year with a significantly higher backlog than at the equivalent period last year with contracts signed in the previous year providing 60% visibility on the Directors' expectations for the year ahead. We are continuing to make progress and receive increasing interest across all three of our segments. In Security Screening, we have numerous revenue opportunities from the sale of bottle scanners in Europe and RoW. In Medical Imaging and Nuclear Detection, we are especially excited about the increasing traction, with both new and existing customers, we are making in the three key growth opportunities of CT, SPECT and portable advanced radiation detection. In particular, the Directors expect the recently-launched eVance™ family of SPECT cameras and OEM units to gain traction and be a significant contributor to revenues over the next 12-18 months. We are making significant progress with our projects with the U.S. Department of Defense, and continue to penetrate civil nuclear markets with Kromek-branded products and through white labelling channels. Kromek's management team is committed to maintaining tight cost control whilst continuing to invest in sales & marketing and targeted product development. The business has operational leverage reflected in a rise in revenue year-on-year of 36% but a rise in the administrative costs (including operating costs) of only 4% year-on-year. This is further demonstrated by revenue growing by £2.1m year-on-year and adjusted EBITDA improving by £1.4m to a loss of £1.6m from a loss of £3.0m for the prior year. As a result, the Board is confident in the prospects of the business and delivering significant shareholder value.



Derek Bulmer
Chief Financial Officer, July 2015

Chief Financial Officer's Review

The financial performance for the year ended 30 April 2015 was characterised by growth in revenue whilst tight control was maintained over the cost base. Revenue increased by 36% to £8.1m (2013/14: £6.0m) due to significant progress on government contracts, especially in development of products for homeland security through the D3 product, supplemented by sales to OEMs in the medical imaging sector and sales of bottle scanners in Asia.

Gross margin, before labour and overhead recovery, increased to 69% (2013/14: 65%) due to the increase in government contracts, plus yield efficiencies and product mix.

Year-on-year, administration expenses (including operational expenses) grew by only 4% to £8.5m (2013/14: £8.2m) despite a 36% increase in revenue. The slight increase was largely due to a full year of costs associated with being a listed entity compared with only six months in the prior period. Additionally, employee numbers grew to 107 (2013/14: 101), primarily due to the expansion of the sales & marketing team, increasing employment costs (excluding Non-Executive Director costs) by 3%.

Summary of results

As a result of increased revenue, improved margin and tight cost control, the loss before interest, tax, depreciation and amortisation (EBITDA), excluding non-recurring other income and share-based payment expenses, fell to £1.6m compared with a loss of £3.0m for the prior year. Loss before tax was reduced by 28% to £3.1m (2013/14: £4.3m loss).

The results for the year, including reconciliation to adjusted EBITDA (which eliminates non-recurring other income and share-based payment expenses), are as follows:

Year	2014/15	2013/14
	£'000	£'000
Revenue	8,101	5,972
Gross margin (%)	69%	65%
LBT	(3,135)	(4,295)
<i>EBITDA</i> Adjustments:-		
Net interest	71	515
Depreciation	673	737
Amortisation	711	560
EBITDA	(1,680)	(2,483)
Share-based payments	181	125
Other income	(58)	(649)
Adjusted EBITDA	(1,557)	(3,007)

Cash and cash equivalents at 30 April 2015 were £1.2m (31 October 2014: £2.9m; 30 April 2014: £6.6m). During the second half of the year, the Company secured a £3.0m revolving credit facility with HSBC Bank plc. The funds available will be used for working capital to support the growth of the business, and facilitate the Company in capitalising on the large and increasing opportunities that it continues to develop across its target markets. As at 30 April 2015, £1.0m had been drawn down under the credit facility.

Tax

The Company benefits from the UK Research and Development Tax Credit and recorded a credit of £1.0m for the year (2013/14: £0.7m). In addition, the Company saw a movement in the deferred tax provision of £nil (2013/14: £0.4m), resulting in an overall tax credit to the income statement of £1.0m (2013/14: £1.1m).

Earnings per share ("EPS")

EPS is recorded in the year on a basic and diluted basis producing a loss of 2p per share (2013/14: loss of 5p per share) and an adjusted basic and diluted loss of 2p per share (2013/14: loss of 5p per share). Due to the Company having losses in each of the two years, the diluted EPS for disclosure purposes is the same as the basic EPS.

R&D

As noted above, the Company continues to invest in the development of products and its technology platform to advance its commercial advantage and increase margin on sales. Total expenditure on research and development was £4.4m (2013/14: £3.1m), comprising £2.6m in the UK (2013/14: £1.9m) and £1.8m in the US (2013/14: £1.2m). This consists of £1.8m (2013/14: £1.1m) attributable to near-term product development and £2.6m (2013/14: £2.0m) reflecting investment in Kromek's core technology, platform and manufacturing capabilities.

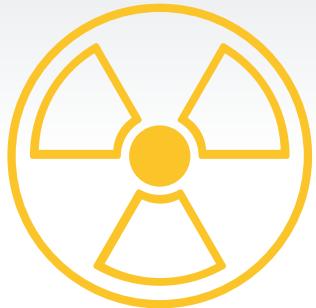
The expenditure on commercial near-term product development, which has been capitalised, resulted in new and further development of existing products. This provides further short- and medium-term sales opportunities, and reflects Kromek's ability to draw from its technology platform to rapidly develop bespoke and need-specific products.

The investment in Kromek's core materials technology, platform developments and improved manufacturing and engineering processes, was expensed through the income statement. This provides a strong and enhanced basis for efficiency and profitability in future years, and strengthens the market position of Kromek's technology.

During the period, Kromek was awarded 23 new patents and filed 18 new patent applications.

Capital expenditure

Capital expenditure for the year amounted to £2.6m (2013/14: £0.2m), of which £0.8m (2013/14: £0.1m) was supported by awards from the Regional Growth Fund. This increase substantially relates to the expansion of furnace capacity in UK, which involved an investment of £2.0m. This investment is an important step for the business in demonstrating scalability and transferability of the requisite materials growth technologies, processes and know-how.

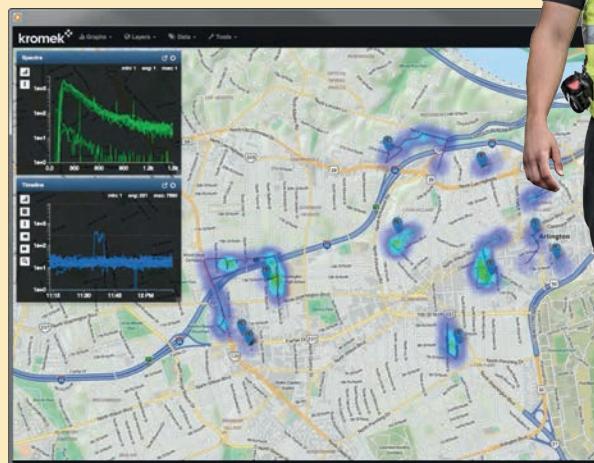


Nuclear Detection

Nuclear Safeguard - D3 a portable combined gamma neutron detector which is networked via mobile phone linked to a central server. Prevention against nuclear terrorism threat.



D3S combined wireless gamma-neutron detector



Stateless terrorists with a dirty bomb now real threat



\$1bn+

Kromek opportunity

Portable radiation detection

► **6m**

is the total potential number of units that could be exceeded

► **\$400**

is the price point objective of deployment

► **\$1bn**

total opportunity value even if 50% of potential users are equipped with D3

► **NEW**

market driven by 'bottom-up' organisations for building crowd-sourced radiation networks

CUSTOMER FOCUS: **DARPA**

\$400

Initial programme with DARPA to reach \$400 per D3 unit cost target – commenced August 2014 and extended January 2015

1,000

Awarded second contract in April 2015 to provide accelerated trial to deliver 1,000 units of small form factor D3 (D3S)

\$4.3m

Total value of contracts to date: up to \$4.3m

Key needs

Volumes for use in extensive networks – fixed and mobile

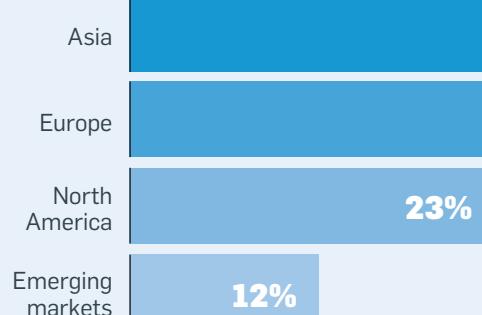


CT – Medical Imaging

CT - (photon counting) is an x-ray based diagnostic imaging technique where slices of images are taken and then can be rendered into a 3D image - for detection of cancers, cardiac and other pathologies.



► **Improved image quality enables more accurate diagnosis and greater efficiency of treatment – and so lower cost of care**



Source: BCC Research

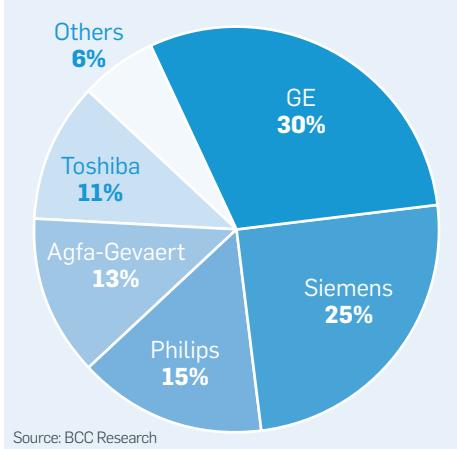
Total Global Market Shares for CT Revenue by Region, 2012

\$900m+

Kromek opportunity over 8 years from commercial adoption

\$5.3m

Currently working under an exclusive contract, worth up to \$5.3m, with a top four global OEM for developing and supplying CZT-based multispectral (colour) detectors



Source: BCC Research

Summary

- GE remains the overall leader
- CT systems will continue to be the fastest growing modality in medical imaging
- Rapid upgrades of technology will drive further growth
- US, Europe & Japan are the largest market
- Asia will see the strongest growth

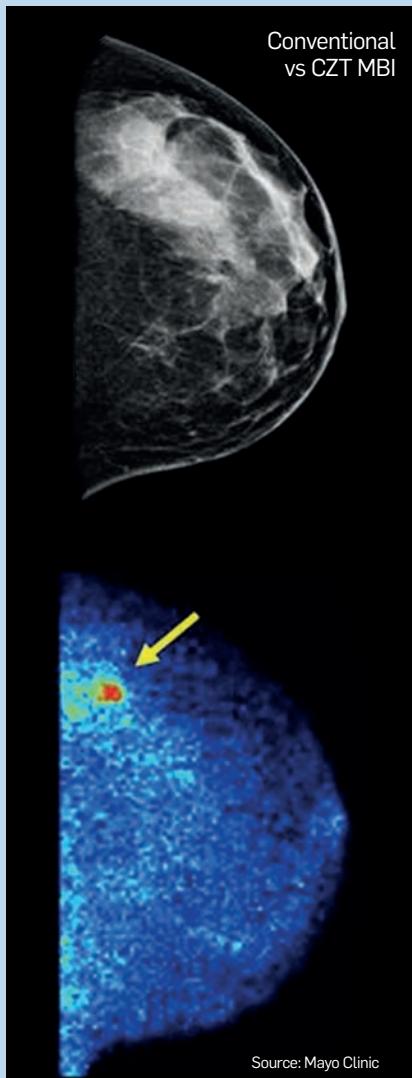
Advantages of using CZT

- Dose reduction and higher patient throughput
- High specificity providing better tissue contrast
- Accurate imaging for blood flow and drug take-up

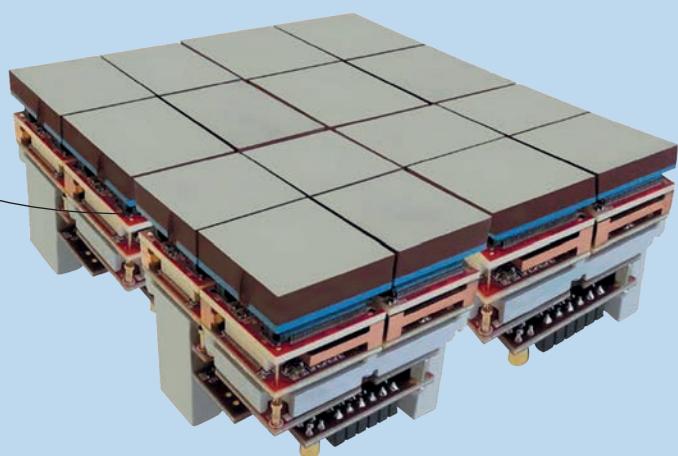


SPECT – Medical Imaging

SPECT - Nuclear Medicine diagnostic imaging where the patient is injected with a radio-pharmaceutical. The pharmaceutical then congregates at tumour sites.



Configurable detector module

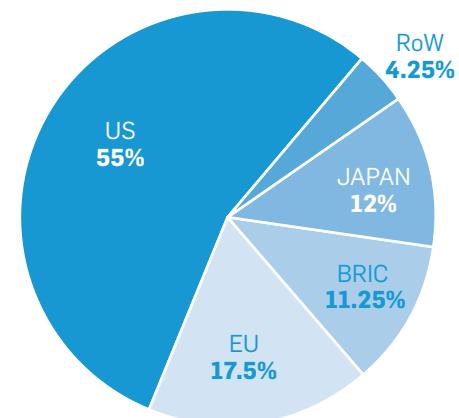


Advantages of using CZT

- Reduced dose rate
- Reduced scan time
- Higher resolution and specificity
- Improved image quality enables more accurate and earlier detection of cancer, and faster treatment cycle so lower cost of care, with lower overall radiation exposure

\$100m+
Kromek opportunity per year

Geographic Markets



► **3 current customers** for detectors in the niche SPECT market

► In April 2014, Kromek announced a long-term contract with a Chinese manufacturer who was given **exclusive rights** over Chinese territories

► Launched, in June 2015, **eVance™** family of CZT-based SPECT cameras: combining eV-CZT™ detectors with advanced ASICs and microelectronics technology to produce turnkey solution to simplify market adoption curve for OEMs



Manufacturing Capabilities

Kromek reached an important milestone as it successfully replicated in the UK the CZT manufacturing processes that had previously been utilised in the US, which enabled a doubling of the Company's production capacity.

► **Driving Down Costs while Doubling our Manufacturing Capacity**



New CZT sensor assembly technique, has led to a lowering of the cost of detector production

COST OF DETECTOR PRODUCTION

IMPROVED FABRICATION YIELDS

Improvements material production and fabrication processing for detectors has resulted in higher yields at the Saxonburg plant.

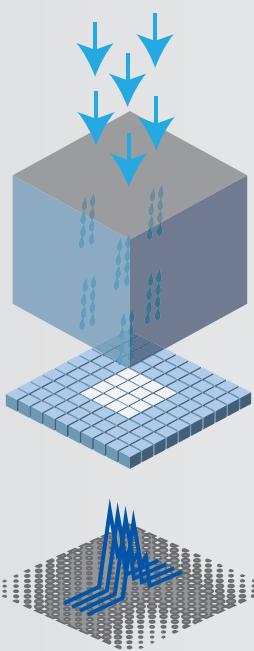
CZT: Direct Conversion Detector

High energy radiation

CZT directly converts radiation to electrical signals

ASIC signal readout

High resolution spectra and images



- Long-term agreements negotiated with critical suppliers.
- Sedgefield qualified production processes for silicon photomultiplier-based gamma and neutron detectors.

- Significant efficiencies made in assembly and testing for nuclear products. Multiple electronic component subassembly suppliers were qualified in Eastern Europe and Asia to improve costs.

24

New **CZT growth systems** were installed and qualified for production at our **Sedgefield**, UK manufacturing site

65+

Kromek now has over 65 CZT furnaces worldwide

x4 NEW CZT

Additionally, four new CZT systems were installed and qualified for production and R&D purposes at our Saxonburg, US manufacturing site

Directors' Biographies

1 Lawrence Kinet Chairman

Mr. Kinet has 40 years' experience in the medical device and bio-pharmaceutical industry in leadership positions, most recently as Group Chief Executive of LMA International NV and, President of Smiths Medical, London. Lawrence has raised more than \$100m in funding for early stage companies, taking one through an IPO, and made over \$1bn worth of acquisitions. His career began at Baxter International, running a number of overseas operations eventually becoming President of Baxter's International Division. He holds a BSc from the University of Birmingham (UK) and an MBA from the University of Chicago.

2 Arnab Basu Chief Executive Officer

Dr. Basu has a PhD in physics from Durham University, specialising in semiconducting sensor materials. Arnab held senior management positions in his family business, which manufactured materials for the electronics industry serving over 250 major telecommunications and consumer electronics manufacturers, including Siemens and GEC. He worked in commercial product development for Elmwood Sensors Ltd, (Honeywell Group, UK). A prominent figure within the business community, he was awarded Ernst and Young 'Entrepreneur of the Year' (2009) and received an MBE for services to regional development and international trade (2014).

3 Derek Bulmer Chief Financial Officer and In-House Counsel

A qualified Chartered Accountant and Barrister, Mr. Bulmer has worked with KPMG and undertaken a number of senior management roles with blue chip plc's including Bass plc, AWG plc and Ibstock plc. Additionally, and more recently, a number of roles as Finance Director of privately owned groups in both the IT and oil and gas industries have provided a wealth of experience in executing and managing business acquisitions plus significant aspects of the commercial and legal disciplines of corporate management.

4 Peter Bains Non-Executive Director

During a 23-year career at GlaxoSmithKline, Mr. Bains held senior strategic and operational roles including General Manager of China, Head of Global Marketing and Senior VP of International Commercial Operations. A consultant since 2009, he specialises in supporting strategic growth opportunities in small/medium-sized innovation-based life science companies serving as Non-Executive Director for Tokyo listed biotech company, Sosei; Biocon subsidiary, Syngene, and as Non-Executive Chairman of Fermenta Biotech Ltd. Peter holds a BSc Combined Honours in Physiology/Zoology from Sheffield University.

5 Charlotta Ginman Non-Executive Director & Audit Committee Chair

Ms. Ginman brings substantial experience in financial and operational management gained during her career in investment banking and global telecommunications. Joining Ernst & Young, she was later appointed to senior roles with JP Morgan, Deutsche Bank, UBS and Nokia Corporation. Charlotta is a Non-Executive Director of Consort Medical plc, Polar Capital Technology Trust plc, Pacific Assets Trust plc and Motif Bio plc. Additionally, she is Audit Committee Chair for the latter two companies. A chartered accountant, Charlotta also holds an MSc in Economics from the Swedish School of Economics and Business Administration in Helsinki.

6 Max Robinson Founder & Non-Executive Director

Prof. Robinson provided business angel finance in order to establish Kromek. He is a highly respected academic and a pioneer, inventor and visionary in the field of 3-D x-ray imaging. He has been involved in the management of the interface between academic research and the commercialisation of its findings for 35 years. Professor Robinson has been named as one of the top 100 academic entrepreneurs by the Times Higher Education Supplement and currently holds the position of Entrepreneur in Residence at Newcastle University.

7 Graeme Speirs Non-Executive Director

Dr. Speirs is an experienced entrepreneur and owner of the Polymer Holdings Group and Polymer N2, an investment company focused on UK start-ups in the technology, life sciences and energy sectors. Graeme graduated with first class honours in chemistry and a PhD in molecular physics from Aberdeen University, and holds a masters degree in Technology and Economics from Birmingham University. Involved in the oil and gas industry, Graeme is an expert in the design and manufacture of polymer composite products.

8 Brian Tanner Non-Executive Director

Prof. Tanner is Dean for University Enterprise and Professor of Physics at Durham University. With an international reputation in x-ray characterisation of materials, and in particular semiconductors, he has published over 375 papers in international peer-reviewed journals and is the author or co-author of 4 books. He received the Queen's Award for Enterprise Promotion (2012) and the Barrett Award of the International Center for Diffraction Data (2005). Brian holds, or has held, several directorships in addition to Kromek. He was a member of the governing council of Durham University for 15 years.

9 Jerel Whittingham Non-Executive Director & Remuneration Committee Chair

Mr. Whittingham has extensive experience in investor, operational and strategy roles with technology rich companies including Incuvest LLC, Generics Group plc, Durlacher plc, Amphion Innovations plc, INMARSAT and a number of start-ups. He was appointed to the Board of Kromek Group plc in September 2013 and also served on the Board of DSC Ltd, a predecessor company of the group. Currently he combines NED and operational roles in technology growth companies. He also served as CEO and later Executive chairman of Myconostica Ltd, a medical technology company spun out from a leading UK university.



Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 30 April 2015.

Principal activities

Kromek Group plc is the leading developer of radiation detectors based on cadmium zinc telluride, providing improved detection and characterisation capabilities within the medical imaging, nuclear detection and security screening markets.

Business and strategic review

The information that fulfils the requirements of the business review, including details of the results for the year ended 30 April 2015, principal risks and uncertainties and the outlook for future years, are set out in the Chairman's and Chief Executive Officer's Statements and the Business and Financial Review, on pages 5-8.

Future development

Our development objectives for 2015-16 are disclosed in the Overview on pages 10-13.

Capital structure

The capital structure is intended to ensure and maintain strong credit ratings and healthy capital ratios in order to support the Group's business and maximise shareholder value. It includes the monitoring of cash balances, available bank facilities and cash flows.

No changes were made to these objectives, policies or processes during the year ended 30 April 2015.

Results and dividends

The consolidated income statement is set out on page 25. The Group's loss after taxation amounted to £2.1m (2014: £3.2m).

The Directors do not recommend the payment of a dividend for the year ended 30 April 2015.

During the year ended 30 April 2015, the Group made political donations of £nil (2014: £nil) and charitable donations of £nil (2014: £nil).

Directors

The Directors of the Group are shown on pages 14-15. All of the Directors were Directors for the whole of the year, with the exception of the following: Richard Morgan, who was Chairman, resigned from the Board on 27 March 2015.

The emoluments and interests of the Directors' in the shares of the Group are set out in the Remuneration report.

Details of significant events since the balance sheet date are contained in note 36 to the financial statements.

Information about the use of financial instruments by the Group and its subsidiaries is given in note 35 to the financial statements.

The Directors, who served throughout the year except as noted, were as follows:

Dr A Basu MBE

Mr D Bulmer

Mr R C E Morgan (resigned 27 March 2015)

Mr P Bains

Ms C Ginman

Mr L Kinet

Professor M Robinson

Dr G K Speirs

Professor B K Tanner

Mr J H Whittingham

Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Group law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare Group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Under Group law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group and the parent company for the period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM. In preparing these financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cashflows of the Group;
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's

transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditors are not aware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for ensuring the annual report and the financial statements are made available on the corporate website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should

be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Dr Arnab Basu MBE

Chief Executive Officer

29 July 2015

Corporate Governance Report

As an AIM listed company, Kromek Group plc is not obliged to comply with the UK Corporate Governance Code published in September 2012 (the "Code"). However, the Board follows, as far as practicable, the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares traded on AIM.

The Board

The Board normally meets at least four times per year in person and four times per year telephonically. Its direct responsibilities include setting annual budgets, reviewing trading performance, approving significant capital expenditure, ensuring adequate funding, setting and monitoring strategy and reporting to shareholders. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered.

Audit committee

The audit committee is chaired by Charlotte Ginman, an Independent Non-Executive Director. The other members are Peter Bains, an Independent Non-Executive Director, and Graeme Speirs, a large shareholder and Director of the Board. The committee meets at least four times a year.

The audit committee is responsible for reviewing the half-year and annual financial statements, interim management statements, preliminary results announcements and any other formal announcement or presentation relating to the Group's financial performance. The audit committee also reviews significant financial returns to regulators and any financial information covered in certain other documents such as announcements of a price sensitive nature.

The audit committee advises the Board on the appointment of external auditors and on their remuneration (both for audit and non-audit work) and discusses the nature, scope

and results of the audit with the auditors. The audit committee reviews the extent of the non-audit services provided by the auditors and reviews with them their independence and objectivity. The Chairman of the audit committee reports the outcome of audit committee meetings to the Board and the Board receives minutes of the meetings.

Remuneration committee

The remuneration committee is chaired by Jerel Whittingham, an Independent Non-Executive Director. The other members are Brian Tanner and Lawrence Kinet, Independent Non-Executive Directors. The committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Group's framework of executive remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes and pension rights. Further details of the Group's policies on remuneration and service contracts are given in the Directors' remuneration report on pages 20-22.

Relations with shareholders

Communication with shareholders is given high priority. There is regular dialogue with major and institutional shareholders including presentations after the Group's announcements of the half-year and full-year results. Presentations are also made to analysts at those times to present the Group's results and report on developments. This assists with the promotion of knowledge of the Group in the investment marketplace and with shareholders.

The Board uses both the annual report and financial statements and the Annual General Meeting to communicate directly

with private and institutional investors and welcomes their participation.

The Chairman aims to ensure that the Chairs of the audit and remuneration committees are available at the Annual General Meeting to answer questions.

Internal control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. As an AIM listed company, the Group does not need to comply with Code provision C2.1 regarding the Directors giving a summary of the process applied by the Board in reviewing the effectiveness of the system of internal control. Instead, the Directors have set out below some of the key aspects of the Group's internal control procedures.

An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group. The process has been in place for the full year under review and up to the date of approval of the annual report and financial statements. The Board regularly reviews this process as part of its review of such risks within its meetings. Where any weaknesses are identified, an action plan is prepared to address the issues and is then implemented.

Each year the Board approves the annual budget. Key risk areas are identified, reviewed and monitored. Performance is monitored against budget, relevant action is taken throughout the year and updated forecasts are prepared as appropriate.

Capital and development expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond

specified levels, detailed written proposals have to be submitted to the Board for approval. Reviews are carried out after the purchase is complete. The Board requires management to explain any major deviations from authorised capital proposals and to seek further sanction from the Board.

The Board has reviewed the need for an internal audit function and concluded that this is not currently necessary in view of the small size of the Group and the close supervision by the senior leadership team of its day-to-day operations. The Board will continue to keep this under review.

The Group has a whistle-blowing policy and procedures to encourage staff to contact the audit committee if they need to raise matters of concerns other than via the Executive Directors and senior leadership team.

Going concern

As at 30 April 2015, the Group had net assets of £16.2m (2014: £17.7m) 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 5 years, which includes the £9.0m firm placing and open offer of up to £2.0m which was raised subsequent to the financial statements being approved and disclosed in note 36. 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 obligations. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

Directors' Remuneration Report

As the Group is AIM listed, the Directors are not required, under Section 420(1) of the Companies Act 2006, to prepare a Directors' remuneration report for each financial year of the Group and so Kromek Group plc makes the following disclosures voluntarily, which are not intended to, and indeed do not, comply with the requirements of the Companies Act 2006.

The remuneration committee is responsible for recommending the remuneration and other terms of employment for the Executive Directors of Kromek Group plc.

In determining remuneration for the year, the committee has given consideration to the requirements of the UK Corporate Governance Code.

Remuneration policy

The remuneration of Executive Directors is determined by the committee and the remuneration of Non-Executive Directors is approved by the full Board of Directors. The remuneration of the Chairman is determined by the Independent Non-Executive Directors.

The remuneration packages of Executive Directors comprise the following elements:

Basic salary and benefits

Basic salaries for Executive Directors are reviewed annually having regard to individual performance and market practice. In most cases benefits provided to Executive Directors comprise the provision

of a Group car, or appropriate allowance, health insurance and contributions to a Group personal pension scheme.

Annual bonus

A bonus may be awarded at the end of each financial year, at the discretion of the Board, having considered the recommendations of the remuneration committee, currently ranging from a maximum of 25–75% of basic salary to reward for Executives' contribution to the growth in revenue, and specific targeted or strategic objectives.

Long-Term Incentive Plan ("LTIP")

The Group believes that share ownership by Executive Directors and employees strengthens the link between their personal interests and those of the Group and the shareholders.

The Group has executive share option and incentive schemes, which are designed to promote long-term improvement in the performance of the Group, sustained increase in shareholder value and clear linkage between executive reward and the Group's performance.

The LTIP is based on total shareholder return ("TSR") relative to an AIM peer group. Any awards made vest only after three years.

Service contracts

Arnab Basu and Derek Bulmer each have a service contract with a notice period (to the Company) of nine

and six months respectively. The committee considers the Directors' notice periods to be appropriate as they are in line with the market and take account of the Directors' knowledge and experience.

Non-Executive Directors

The fees of the Non-Executive Directors are determined by the full Board within the limits set out in the Memorandum and Articles of Association. The Non-Executive Directors are not eligible for bonuses, pension benefits or share options.

Directors' emoluments

Emoluments of the Directors for the year ended 30 April 2015 are shown below.

Pension contributions

During the year, the Group made annual pension contributions for Arnab Basu and Derek Bulmer to a personal pension scheme (i.e. a defined contribution scheme). Neither benefits in kind nor bonuses are pensionable.

Details of contributions payable by the Group are:

Director	30 April 2015 £'000	30 April 2014 £'000
Arnab Basu	16	30
Derek Bulmer	10	4

Directors' shareholdings

Beneficial interests of the Directors in the shares of the Group are shown below:

	30 April 2015		30 April 2014	
	Number	%	Number	%
Arnab Basu	2,000,000	1.8	2,000,000	1.9
Charlotta Ginman	37,527	–	–	–
Lawrence Kinet	30,000	–	30,000	–
Richard Morgan*	332,310	0.3	12,782,730	11.8
Max Robinson	9,500,000	8.8	9,500,000	8.8
Graeme Speirs**	14,792,730	13.7	14,792,730	13.8
Brian Tanner	750,000	0.7	750,000	0.7
Jerel Whittingham	110,450	0.1	110,450	0.1

*Richard Morgan resigned from the Board on 27 March 2015.** Graeme Speirs is interested in Kromek Group plc through Polymer Holdings Ltd which owns 11,377,790 ordinary shares amounting to 10.5% of the issued share capital.

Directors' emoluments for the year ended 30 April 2015

	Salary £'000	Fees £'000	Benefits £'000	Bonus £'000	Pension contributions £'000	Total emoluments 2015 £'000	Total emoluments 2014 £'000
Former non-executive Chairman							
Richard Morgan*	–	64	–	–	–	64	39
Executive							
Arnab Basu	165	–	7	–	16	188	211
Derek Bulmer	117	–	–	–	10	127	52
Non-executive							
Peter Bains	–	33	–	–	–	33	28
Charlotta Ginman	–	36	–	–	–	36	8
Lawrence Kinet	–	35	–	–	–	35	28
Max Robinson	–	30	–	–	–	30	20
Graeme Speirs	–	33	–	–	–	33	22
Brian Tanner	–	33	–	–	–	33	22
Jerel Whittingham	–	36	–	–	–	36	24

*Richard Morgan resigned from the Board on 27 March 2015.

Payments for loss of office

Richard Morgan left the company on 27 March 2015. On the cessation of his employment, he was entitled to receive the value of his fees which would have accrued to him during his three months' notice period. These amounts totalled £13k.

Directors' Remuneration Report *continued*

Executive Directors' share incentive scheme

Share incentive scheme for Arnab Basu, Chief Executive Officer, and Derek Bulmer, Chief Financial Officer

The remuneration committee agreed, in June 2014, an incentive award scheme for Arnab Basu and Derek Bulmer, to offer them shares up to 425,859 and 181,182 respectively, at a price of 1p per share to vest based on specified performance criteria.

In October 2013, an incentive scheme was made to Arnab Basu and Derek Bulmer, to offer them shares up to 372,057 and 158,292 respectively, at a price of 1p per share to vest based on specified performance criteria.

These share incentives noted above are measured by a TSR condition, calculated as the average total return in comparison to a peer group. The Board receives specialist advice from the Group's accountants.

As at 30 April 2015 and 30 April 2014, no shares had vested under these incentive schemes.

Share price during the year

During the year to 30 April 2015, the highest share price was 55.5p (2014: 81.0p) and the lowest share price was 32.5p (2014: 36.0p). The market price of the shares at 30 April 2015 was 37.0p (2014: 41.5p).

Directors' interests in material contracts

No Director was materially interested either at the yearend or during the year in any contract of significance to the Group other than their employment or service contract.

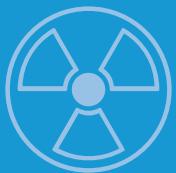
Executive Directors' share options

Director	Date of grant	Exercise price p	2014 number	Awarded during the year	Exercised during the year	At 30 April 2015 number	Expiry date
Arnab Basu	22 September 2006	1.5	720,000	–	–	720,000	22 September 2016
Arnab Basu	15 May 2007	1.5	160,000	–	–	160,000	15 May 2017
Arnab Basu	20 November 2011	20.5	1,000,000	–	–	1,000,000	22 September 2016
Derek Bulmer	13 September 2010	20.0	500,000	–	–	500,000	13 September 2020
Derek Bulmer	15 October 2012	20.0	125,000	–	–	125,000	15 October 2022
Derek Bulmer	31 May 2013	20.0	250,000	–	–	250,000	31 May 2023



Kromek Group plc

Consolidated Financial Statements
for the year ended 30 April 2015



Independent Auditor's Report

We have audited the financial statements of Kromek Group plc for the year ended 30 April 2015 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flow, the Group and Parent Statement of Changes in Equity and the related notes 1 to 53. The financial reporting framework that has been applied in their preparation is applicable Law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have

been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Business Review & Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Hughes BSc (Hons) ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Chartered Accountants and
Statutory Auditor
Newcastle upon Tyne, United Kingdom

Consolidated income statement

For the year ended 30 April 2015

	Note	2015 £'000	2014 £'000
Continuing operations			
Revenue	5	8,101	5,972
Cost of sales		(2,475)	(2,101)
Gross profit		5,626	3,871
Other operating income		60	719
Distribution costs		(226)	(144)
Administrative expenses (including operating expenses)		(8,524)	(8,226)
Operating loss		(3,064)	(3,780)
Finance income	10	31	15
Finance costs	11	(102)	(530)
Loss before tax		(3,135)	(4,295)
Tax	12	989	1,106
Loss for the year from continuing operations		(2,146)	(3,189)
Loss per share	14		
– basic and diluted (£)		(0.02)	(0.05)

Consolidated statement of comprehensive income

For the year ended 30 April 2015

Loss for the year

Exchange differences on translation of foreign operations

Total comprehensive losses for the year

	2015 £'000	2014 £'000
Loss for the year	(2,146)	(3,189)
Exchange differences on translation of foreign operations	398	(641)
Total comprehensive losses for the year	(1,748)	(3,830)

Consolidated statement of financial position

As at the year ended 30 April 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Goodwill	15	1,275	1,275
Other intangible assets	16	8,725	6,965
Property, plant and equipment	17	4,147	2,285
		14,147	10,525
Current assets			
Inventories	19	2,103	2,389
Trade and other receivables	21	4,089	1,907
Current tax assets	21	1,002	696
Cash and bank balances		1,183	6,563
		8,377	11,555
Total assets		22,524	22,080
Current liabilities			
Trade and other payables	24	(4,143)	(3,210)
Finance lease liabilities		(19)	–
Borrowings	25	(1,003)	–
		(5,165)	(3,210)
Net current assets		3,212	8,345
Non-current liabilities			
Finance lease liabilities		(10)	–
Deferred tax liabilities	23	(1,147)	(1,134)
Total liabilities		(6,322)	(4,344)
Net assets		16,202	17,736
Equity			
Share capital	27	1,082	1,080
Share premium account	28	34,643	34,612
Capital redemption reserve		1,175	1,175
Translation reserve	29	(84)	(482)
Accumulated losses	30	(20,614)	(18,649)
Total equity		16,202	17,736

The financial statements of Kromek Group plc (registered number 8661469) were approved by the board of directors and authorised for issue on 29 July 2015. They were signed on its behalf by:

Dr Arnab Basu MBE
Chief Executive Officer

Consolidated statement of changes in equity

For the year ended 30 April 2015

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Translation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 May 2013	1,175	22,278	—	159	(15,585)	8,027
Loss for the year	—	—	—	—	(3,189)	(3,189)
Other comprehensive income for the year	—	—	—	(641)	—	(641)
Total comprehensive losses for the year	—	—	—	(641)	(3,189)	(3,830)
Issue of share capital net of expenses	301	13,113	—	—	—	13,414
Share reorganisation	779	(779)	—	—	—	—
Share buyback	(1,175)	—	1,175	—	—	—
Credit to equity for equity-settled share based payments	—	—	—	—	125	125
Balance at 30 April 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 year	—	—	—	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

Consolidated statement of cash flows

For the year ended 30 April 2015

	Note	2015 £'000	2014 £'000
Net cash used in operating activities	31	(2,361)	(2,218)
Investing activities			
Interest received		31	15
Purchases of property, plant and equipment		(2,558)	(187)
Purchases of patents and trademarks		(368)	(567)
Capitalisation of research and development costs		(1,886)	(1,061)
Net cash used in investing activities		(4,781)	(1,800)
Financing activities			
Loans paid		–	(2,449)
Revolving credit facility		1,000	–
Government grants		857	69
Proceeds on issue of shares		33	13,414
Payment of finance lease liabilities		(12)	–
Interest paid		(102)	(530)
Net cash from financing activities		1,776	10,504
Net (decrease)/increase in cash and cash equivalents		(5,366)	6,486
Cash and cash equivalents at beginning of year		6,563	309
Effect of foreign exchange rate changes		(14)	(232)
Cash and cash equivalents at end of year		1,183	6,563

Notes to the consolidated financial statements

For the year ended 30 April 2015

1. GENERAL INFORMATION

Kromek Group plc is a company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on page 4. The nature of the Group's operations and its principal activities are set out in the business review on pages 5–9.

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.

2. ADOPTION OF NEW AND REVISED STANDARDS

The following new standards and amendments to standards are mandatory for the financial year beginning on 1 May 2014:

- IFRS 13 "Impairment of Assets"
- IFRS 10 "Consolidated Financial Statements"
- AS 27 "Consolidated and Separate Financial Statements",
- IAS 36 "Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets"
- IFRS 12 "Disclosure of Interests in Other Entities".
- Amendments to IAS 32 "Financial Instruments: Presentation" Amendments to IAS 36 "Impairment of Assets"
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"
- IFRS 10, IFRS 11, IFRS 12 Transition Guidance

These standards and amendments to standards have not had a material impact on the consolidated financial statements.

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
- IFRS 13 Fair Value Measurement
- IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRSs 2012–2014 Cycle

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group, however they are currently considering the future impacts of IFRS 15.

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. 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 2015, the Group had net assets of £16.2m (2014: £17.7m) 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 5 years, which includes the £9.0m firm placing and open offer of up to £2.0m which was raised subsequent to the financial statements being approved and disclosed in note 36. 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 obligations. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

For the year ended 30 April 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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.

For the year ended 30 April 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Government grants towards job creation (GBI) costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to research and development (GRD) costs are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

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 currently payable 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 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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; and
- 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.

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. 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 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 pre-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.

For the year ended 30 April 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets excluding goodwill (continued)

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%. 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.

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 our 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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 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 3 years from grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

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 3 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.

For the year ended 30 April 2015

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 IAS38.

These capitalised assets are amortised on a straight-line basis over their useful lives. The useful life is determined by the expected future cash flows anticipated to be derived from these assets, based on management's revenue forecasts. Where no internally-generated intangible asset can be recognised, development expenditure is expensed in the period in which it is incurred.

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.

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.

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

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 confirmed, usually when a product development project has reached a defined milestone.

ii) Impairment of goodwill

The Group determines whether goodwill is impaired on at least an annual basis or more frequently when there are indications of possible impairment. The impairment review requires a value in use calculation of the cash-generating units to which the goodwill is allocated. In estimating the value in use, management is required to make an estimate of the expected future cash flows attributable to the cash-generating unit and to choose an appropriate discount rate to calculate the present value of those cash flows. The carrying amount of goodwill at 30 April 2015 was £1,275k (2014: £1,275k). Further details are given in note 15.

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

5. REVENUE

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

	2015 £'000	2014 £'000
Continuing operations		
Sales of goods and other services	5,879	4,351
Revenue from grants	913	978
Revenue from contract customers	1,309	643
Total revenue	8,101	5,972
Grant income	4	229
Other income	56	490
Total income	8,161	6,691

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:

	2015 £'000	2014 £'000
United Kingdom	387	385
North America	5,681	3,416
South America	11	-
Middle East	18	-
Asia	1,899	1,089
Europe	66	1,054
Australasia	39	28
Total revenue	8,101	5,972

For the year ended 30 April 2015**6. OPERATING SEGMENTS (CONTINUED)**

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

Year ended 30 April 2015

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
– Sales of goods and services	2,584	4,795	7,379
– Revenue from grants	218	695	913
– Revenue from contract customers	480	829	1,309
– Other revenue	–	638	638
Total sales by segment	3,282	6,957	10,239
Removal of inter-segment sales	(376)	(1,762)	(2,138)
Total external sales	2,906	5,195	8,101
Segment result – operating loss	(2,972)	(92)	(3,064)
Interest received	31	–	31
Interest expense	(95)	(7)	(102)
Loss before tax	(3,036)	(99)	(3,135)
Tax credit	989	–	989
Loss for the year	(2,047)	(99)	(2,146)
<i>Reconciliation to adjusted EBITDA:</i>			
Net interest	64	7	71
Tax	(989)	–	(989)
Depreciation	300	373	673
Amortisation	333	378	711
Non-recurring other income	–	(58)	(58)
Share-based payment charge	181	–	181
Adjusted EBITDA	(2,158)	601	(1,557)
Other segment information			
Property, plant and equipment additions	2,021	338	2,359
Depreciation of PPE	300	373	673
Intangible asset additions	1,244	1,013	2,257
Amortisation of intangible assets	333	378	711
Statement of financial position			
Total assets	11,500	11,024	22,524
Total liabilities	(2,829)	(3,493)	(6,322)

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

6. OPERATING SEGMENTS (CONTINUED)

Year ended 30 April 2014

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	1,597	3,021	4,618
-Revenue from grants	235	743	978
-Other revenue	-	643	643
Total sales by segment	1,832	4,407	6,239
Removal of inter-segment sales	(10)	(257)	(267)
Total external sales	1,822	4,150	5,972
Segment result – operating loss	(3,143)	(637)	(3,780)
Interest received	15	-	15
Interest expense	(530)	-	(530)
Loss before tax	(3,658)	(637)	(4,295)
Tax credit	1,106	-	1,106
Loss for the year	(2,552)	(637)	(3,189)
<i>Reconciliation to adjusted EBITDA:</i>			
Net interest	515	-	515
Tax	(1,106)	-	(1,106)
Depreciation	364	373	737
Amortisation	253	307	560
Non-recurring other income	(649)	-	(649)
Share-based payment charge	125	-	125
Adjusted EBITDA	(3,050)	43	(3,007)
Other segment information			
Property, plant and equipment additions	98	89	187
Depreciation of PPE	364	373	737
Intangible asset additions	1,230	398	1,628
Amortisation of intangible assets	253	307	560
Statement of financial position			
Total assets	15,290	6,790	22,080
Total liabilities	(3,649)	(695)	(4,344)

Inter-segment sales are charged on an arm's-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 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 incurred 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.

For the year ended 30 April 2015**6. OPERATING SEGMENTS (CONTINUED)****Revenues from major products and services**

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

	2015 £'000	2014 £'000
Product revenue	3,841	4,746
Research and development revenue	4,260	1,226
Consolidated revenue	8,101	5,972

Information about major customers

Included in revenues arising from USA operations are revenues of approximately £1,224k (2014: £1,249k) which arose from sales to the Group's largest customer. Included in revenues arising from UK operations are revenues of approximately £1,203k (2014: £nil) which arose from a major customer.

7. LOSS FOR THE YEAR

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

	2015 £'000	2014 £'000
Net foreign exchange losses/(gains)	226	(84)
Research and development costs recognised as an expense	2,669	2,020
Depreciation of property, plant and equipment	673	737
Amortisation of internally-generated intangible assets	711	560
Cost of inventories recognised as expense	1,266	1,911
Staff costs (see note 9)	5,620	5,104

8. AUDITOR'S REMUNERATION

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

	2015 £'000	2014 £'000
Fees payable to the company's auditor and their associates for other services to the group		
– The audit of the company's subsidiaries	25	25
Total audit fees	25	25
– Audit-related assurance services	10	10
– Taxation compliance services	11	6
– Other taxation advisory services	–	107
– Corporate finance transaction services	–	139
Total non-audit fees	21	262

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

9. STAFF COSTS

The average monthly number of employees (including executive directors) was:

Directors
Research and development, production
Sales and marketing
Administration

2015 Number	2014 Number
2	2
83	81
8	4
14	14
107	101

Their aggregate remuneration comprised:

Wages and salaries
Social security costs
Pension scheme contributions
Share based payments

Year ended 2015 £'000	Year ended 2014 £'000
4,667	4,177
423	439
349	363
181	125
5,620	5,104

The total Directors' emoluments (including non-executive directors) was £615k (2014: £454k). The aggregate value of contributions paid to money purchase pension schemes was £26k (2014: £34k) in respect of two directors (2014: two directors).

The highest paid director received emoluments of £172k (2014: £257k) and amounts paid to money purchase pension schemes was £16k (2014: £30k).

Key management compensation:

Wages and salaries and other short-term benefits
Social security costs
Pension scheme contributions
Share based payment expense

2015 £'000	2014 £'000
834	790
81	99
64	76
110	45
1,089	1,010

Key management comprise the Executive Directors and senior operational staff.

For the year ended 30 April 2015**10. FINANCE INCOME**

	2015 £'000	2014 £'000
Interest revenue	–	15
Bank deposits	31	–
 Total finance income	31	 15

Investment revenue earned on financial assets analysed by category of asset, is as follows:

	2015 £'000	2014 £'000
Loans and receivables (including cash and bank balances)	31	15
 Total interest income for financial assets not designated FVTPL	31	 15

11. FINANCE COSTS

	2015 £'000	2014 £'000
Interest on bank overdrafts, loans and borrowings	100	17
Interest expense on financial liabilities measured at amortised cost	2	–
Interest on loans due to related parties	–	513
 Total interest expense	102	 530

12. TAX**Recognised in the income statement**

	2015 £'000	2014 £'000
Current tax credit:		
UK corporation tax on losses in the year	1,002	696
Foreign taxes paid	–	(1)
 Total current tax	1,002	695
 Deferred tax:		
Origination and reversal of timing differences	(13)	411
 Total deferred tax	(13)	411
 Total tax credit in income statement	989	1,106

Corporation tax is calculated at 20.92% (2014: 22.83%) of estimated taxable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

12. TAX (CONTINUED)

Reconciliation of tax credit

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

	2015 £'000	2014 £'000
Loss before tax	3,135	4,295
Tax at the UK corporation tax rate of 20.92% (2014: 22.83%)	656	981
Expenses not deductible for tax purposes	(97)	(57)
Effect of R&D	804	791
Rate differences effect of R&D	(444)	(727)
Income not taxable	146	155
Unrecognised movement on deferred tax	80	(360)
Effects of overseas tax rates	(156)	323
 Total tax credit for the year	989	1,106
 <hr/>	<hr/>	<hr/>

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

The Finance Act 2013 enacted a rate reduction in the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The Government has subsequently announced in the Summer Budget, on 8 June 2015, that the rates of corporation tax will be further reduced to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. As the enabling legislation has not been substantively enacted these rates do not apply to the deferred tax position at 30 April 2015. As there is no UK deferred tax recognised there is no impact of the above on the tax provisions reported in these accounts.

There is a potential deferred tax asset on excess tax deductions arising from share based payments on exercise of share options of £1,366k (2014: £1,147k). 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 (2014: £nil).

14. LOSSES PER SHARE

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

Losses	2015 £'000	2014 £'000
Losses for the purposes of basic and diluted losses per share being net losses attributable to owners of the Group	(2,146)	(3,189)
Number of shares	2015 Number	2014 Number
Weighted average number of ordinary shares for the purposes of basic losses per share	107,818,329	61,870,643
Effect of dilutive potential ordinary shares: Share options	6,223,395	5,080,789
Weighted average number of ordinary shares for the purposes of diluted losses per share	114,041,724	66,951,432
 <hr/>	<hr/>	<hr/>

For the year ended 30 April 2015**14. LOSSES PER SHARE (CONTINUED)**

Basic and diluted

2015
£
(0.02)

2014
£
(0.05)

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**Cost**

At 1 May 2014

£'000

1,275

At 30 April 2015

1,275**Accumulated impairment losses**

At 1 May 2014

-

At 30 April 2015

-

Carrying amount

At 30 April 2015

1,275

At 30 April 2014

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:

US operations

2015
£'000

1,275

2014
£'000

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 NOVA R&D, Inc as a cash generating unit (CGU) and is reported in note 6 within the segmental analysis of the US operations. Negative goodwill arose on the acquisition of eV Products, Inc which was released to the income statement in 2013.

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 remain flat in Year 2 as a result of the CGU continuing to develop its technical capabilities in the forthcoming year. Growth is then expected to increase to 7% in Year 3, 14% in Year 4 and remain flat thereafter in Year 5. These cash flows are then discounted at the Company's weighted average cost of capital of 15% (2014: 16%).

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 2015 (2014: £nil). Management have considered various sensitivity analyses in order to appropriately evaluate the carrying value of goodwill.

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015**15. GOODWILL (CONTINUED)**

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 2015. 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 2015 or 2014.

16. OTHER INTANGIBLE ASSETS

	Development costs £'000	Patents, Trademarks & other intangibles £'000	Total £'000
Cost			
At 1 May 2014	3,538	4,585	8,123
Additions	1,886	371	2,257
Exchange differences	33	237	270
At 30 April 2015	5,457	5,193	10,650
Amortisation			
At 1 May 2014	56	1,102	1,158
Charge for the year	177	534	711
Exchange differences	7	49	56
At 30 April 2015	240	1,685	1,925
Carrying amount			
At 30 April 2015	5,217	3,508	8,725
At 30 April 2014	3,482	3,483	6,965

The amortisation period for development costs incurred on the group's product development is over the period during which the company is expected to benefit and the amortisation will be based on the number of units sold over the expected product lifetime.

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 2015 and 30 April 2014. 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 15% (2014: 16%) and a terminal value growth rate of 2% 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 2015 was £1,858k (2014: £2,134k), 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.

For the year ended 30 April 2015**17. PROPERTY, PLANT AND EQUIPMENT**

	Computer equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 May 2014	586	4,426	144	5,156
Additions	34	2,306	19	2,359
Exchange differences	10	208	4	222
At 30 April 2015	630	6,940	167	7,737
Accumulated depreciation and impairment				
At 1 May 2014	398	2,389	84	2,871
Charge for the year	58	587	28	673
Exchange differences	19	23	4	46
At 30 April 2015	475	2,999	116	3,590
Carrying amount				
At 30 April 2015	155	3,941	51	4,147
At 1 May 2014	188	2,037	60	2,285

Assets held under finance leases with a net book value of £39k (2014: £nil) are included in the above table within plant and machinery.

18. SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given in note 40 to the company's separate financial statements.

19. INVENTORIES

	2015 £'000	2014 £'000
Raw materials	596	465
Work-in-progress	1,010	1,391
Finished goods	497	533
	2,103	2,389

The cost of inventories recognised as an expense during the year in respect of continuing operations was £1,266k (2014: £1,911k).

The write-down of inventories to net realisable value amounted to £43k (2014: £nil). The reversal of write-downs amounted to £30k (2014: £nil).

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

20. AMOUNTS RECOVERABLE ON CONTRACTS

Contracts in progress at the balance sheet date:

Amounts due from contract customers included in trade and other receivables

2015 £'000	2014 £'000
281	214
281	214
1,915 (1,634)	625 (411)
281	214

Contract costs incurred plus recognised losses to date
Less: progress billings

21. TRADE AND OTHER RECEIVABLES

2015 £'000	2014 £'000
3,458	1,501
281	214
288	90
62	102
4,089	1,907
1,002	696
5,091	2,603

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 60 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.

For the year ended 30 April 2015**21. TRADE AND OTHER RECEIVABLES (CONTINUED)**

At 30 April 2015, trade receivables are shown net of an allowance for bad debts of £252k (2014: £nil) arising from the ordinary course of business, as follows:

	2015 £'000	2014 £'000
Balance at 1 May 2014	-	-
Provided during the year	252	-
Balance at 30 April 2015	252	-

The bad 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.

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

	2015 £'000	2014 £'000
31–60 days	363	70
61–90 days	56	13
91–120 days	159	207
121+ days	593	343
Total	1,171	633

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:

	2015 £'000	2014 £'000
31–60 days	-	-
61–90 days	-	-
91–120 days	-	-
121+ days	466	-
Total	466	-

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

22. FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

Minimum lease payments

Amounts payable under finance leases:

Within one year	21
In the second to fifth years inclusive	11
	<hr/>
	32
	(3)
	<hr/>
Present value of lease obligations	29
	<hr/>

	2015 £'000	2014 £'000
	21	–
	11	–
	<hr/>	<hr/>
	32	–
	(3)	–
	<hr/>	<hr/>
Present value of lease obligations	29	–
	<hr/>	<hr/>

Analysed as:

Amounts due for settlement within 12 months
(shown under current liabilities)

Amounts due for settlement after 12 months

	19	–
	10	–
	<hr/>	<hr/>
	29	–
	<hr/>	<hr/>

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 2015, the average effective borrowing rate was 0.82% (2014: nil). 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.

For the year ended 30 April 2015**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 2014	1,458	627	(17)	(934)	1,134
(Credit)/charge to profit or loss	(41)	(54)	12	96	13
At 30 April 2015	1,417	573	(5)	(838)	1,147

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:

	2015 £'000	2014 £'000
Deferred tax liabilities	1,990	2,085
Deferred tax assets	(843)	(951)
	1,147	1,134

At the statement of financial position date, the group has unused tax losses of £13,418k (2014: £12,075k) available for offset against future profits. A deferred tax asset has been recognised in respect of £3,368K (2014: £3,845k) of such losses. No deferred tax asset has been recognised in respect of the remaining £10,050K (2014: £8,230k) 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

	2015 £'000	2014 £'000
Trade payables and accruals	3,359	3,210
Deferred income	784	–
	4,143	3,210

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 35 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

25. BORROWINGS

	2015 £'000	2014 £'000
Secured borrowing at amortised cost		
Revolving credit facility	1,003	–
Finance lease liabilities (see note 22)	29	–
	1,032	–
Total borrowings	1,022	–
Amount due for settlement within 12 months		
	10	–
Amount due for settlement after 12 months		
	1,022	–
	10	–
	1,032	–
Analysis of borrowings by currency: 30 April 2015		
Revolving credit facility	Sterling £'000	US dollars £'000
Finance lease liabilities	1,003	29
	1,003	29
	1,032	1,032

In February 2015 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 6 months from date of drawdown.

At the year ended 30 April 2015, the total undrawn amounts relating to the facility was £2m from funds available for the future working capital needs of the Group.

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:

	2015 %	2014 %
Revolving credit facility	3.10	–
Finance lease liabilities	0.82	–

For the year ended 30 April 2015**26. DERIVATIVES FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING**

At 30 April 2015 and 30 April 2014 the Group had no derivatives in place for cash flow hedging purposes.

27. SHARE CAPITAL

	2015 £'000	2014 £'000
Authorised, allotted, called up and fully paid: 108,173,290 Ordinary shares of £0.01 each	1,082	1,080

During the year 1,024,806 shares (2014: 532,000) were allotted under EMI share option schemes.

Unpaid share capital

At the year ended 30 April 2015, unpaid share capital amounted to £nil (2014: £nil).

28. SHARE PREMIUM ACCOUNT

	£'000
Balance at 1 May 2014	34,612
Premium arising on issue of equity shares	31
Balance at 30 April 2015	34,643

29. TRANSLATION RESERVE

	£'000
Balance at 1 May 2014	(482)
Exchange differences on translating the net assets of foreign operations	398
Balance at 30 April 2015	(84)

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.

30. ACCUMULATED LOSSES

	£'000
Balance at 1 May 2014	(18,649)
Net loss for the year	(2,146)
Effect of share-based payment credit	181
Balance at 30 April 2015	(20,614)

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

31. NOTES TO THE CASH FLOW STATEMENT

	2015 £'000	2014 £'000
Loss for the year	(2,146)	(3,189)
Adjustments for:		
Finance income	(31)	(15)
Finance costs	102	530
Income tax credit	(989)	(1,106)
Government grants credit	(4)	–
Depreciation of property, plant and equipment	673	737
Amortisation of intangible assets	711	560
Share-based payment expense	181	125
Operating cash flows before movements in working capital	(1,503)	(2,358)
Decrease/(increase) in inventories	183	(291)
Increase in receivables	(2,099)	(455)
Increase in payables	354	120
Cash used in operations	(3,065)	(2,984)
Income taxes received	704	766
Net cash used in operating activities	(2,361)	(2,218)
Cash and cash equivalents		
	2015 £'000	2014 £'000
Cash and bank balances	1,183	6,563

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.

32. OPERATING LEASE ARRANGEMENTS

The group as lessee

Lease payments under operating leases recognised as an expense in the year

	2015 £'000	2014 £'000
	392	577

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:

	2015 £'000	2014 £'000
Within one year	561	310
In the second to fifth years inclusive	1,182	68
	1,743	378

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 2015 and 2014, the Group had no capital commitments or contingencies.

For the year ended 30 April 2015

33. 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.

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

	Number of share options	2015 Weighted average exercise price (£)	Number of share options	2014 Weighted average exercise price (£)
Outstanding at beginning of the year	12,065,710	0.16	3,556,656	1.13
Effect of share reorganisation	—	—	8,499,554	1.13
Granted during the year	1,024,806	0.42	532,000	0.24
Exercised during the year	(162,500)	0.20	(522,500)	0.07
Forfeited during the year	(140,000)	0.20	—	—
Outstanding at the end of the year	12,788,016	0.29	12,065,710	0.16
Exercisable at the end of the year	8,725,990	0.16	7,360,160	0.18

The weighted average share price at the date of exercise for share options exercised during the year was £0.49 (2014: £0.20). The options outstanding at 30 April 2015 had a weighted average exercise price of £0.29 (2014: £0.18) and a weighted average remaining contractual life of seven years (2014: six years). The range of exercise prices for outstanding share options at 30 April 2015 was 1.5p to 79p (2014: 1.5p to 79p). In 2015, the aggregate of the estimated fair values of the options granted is £107k (2014: £37k). The inputs into the Black-Scholes model are as follows:

	2015	2014
Weighted average share price	42p	39p
Weighted average exercise price	42p	16p
Expected volatility	37.75%	55.33%
Expected life	7 years	6 years
Risk-free rate	0.37	0.37%
Expected dividend yields	0%	0%

Expected volatility was determined by calculating the historical volatility of similar listed businesses over the previous 3 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 £181k (2014: £125k) 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 at the end of a 3 year reporting period.

On 24 June 2014 1,022,931 (2014: 735,093) 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 £125k (2014: £70k). The amounts recognised as a share-based payment expense for the year ended 30 April 2015 was £110k (2014: £8k).

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

33. SHARE BASED PAYMENTS (CONTINUED)

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:

	2015	2014
Weighted average share price	47p	20p
Weighted average exercise price	1p	1p
Expected volatility	38.76%	53.13%
Expected life	3 years	3 years
Risk-free rate	0.32%	0.42%
Expected dividend yields	0%	0%

34. 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 £349k (2014: £363k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 30 April 2015, contributions of £29k (2014: £27k) due in respect of the current reporting period had not been paid over to the scheme.

35. 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 2014 and 2015.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 25 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 30.

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 overdraft facility available, which at the year-end was £nil (2014: £nil).

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.

For the year ended 30 April 2015

35. FINANCIAL INSTRUMENTS (CONTINUED)**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:

	2015 £'000	2014 £'000
£ sterling	1,751	7,958
US\$ sterling equivalent	(903)	(1,674)
€ sterling equivalent	335	279

Had the foreign exchange rate between sterling, US\$ and € changed by 5%, this would affect the loss for the year and net assets of the Group by £28k (2014: £34k).

Credit risk

Credit risk refers to the risk that 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 £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
1 May 2014	–	–	–	–	–	–	–
Revolving credit facility	3.1	–	–	1,003	–	–	1,003
30 April 2015	3.1	–	–	1,003	–	–	1,003

Notes to the consolidated financial statements (continued)

For the year ended 30 April 2015

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2015 £'000	2014 £'000
Financial assets		
Cash and bank balances (including cash and bank balances in a disposal group held for sale)	1,183	6,563
Loans and receivables	4,089	1,907
Financial liabilities		
Amortised cost (including trade payables balance in a disposal group held for sale)	(5,165)	(3,210)

36. EVENTS AFTER THE BALANCE SHEET DATE

On 29 July 2015, the Group entered into a placing agreement to raise up to £11.0m gross, or up to £10.4m net of expenses, by a conditional non pre-emptive firm placing of 36,000,000 new ordinary shares of 1p each in the ordinary share capital of the Group ("Ordinary Shares") and an open offer of up to 8,012,836 Ordinary Shares at a price of 25p per share. The firm placing and open offer are conditional, inter alia, upon the passing of certain resolutions by the shareholders of the Group.

On 17 August 2015, a general meeting of the Group will be held where the Directors expect the shareholders of the Company to approve the firm placing and open offer. On 18 August 2015, subject, inter alia, to shareholder approval the firm placing and open offer shares will be admitted and dealings will commence. As a result of the firm placing and open offer the Directors expect to raise a minimum of £8.4m cash.

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, Amphion Innovations, a shareholder and company under the control of Richard Morgan, the former Chairman, charged the Group £nil (2014: £154k) in relation to management fees. At the year end the Group owed Amphion Innovations £nil (2014: £nil).

During the year, AIPOLAS Limited, a company under the control of Jerel Whittingham, a non-executive director, charged the Group £15k (2014: £77k) in relation to consultancy charges. At the year end the Group owed AIPOLAS Limited £nil (2014: £nil).

Directors' transactions

During the year Professor M Robinson, a director, charged the Group £72k (2014: £72k) for consultancy fees. At the year end the Group owed Professor M Robinson £7k (2014: £7k). This amount was included within trade payables.

There have been no other transactions with related parties other than what has been disclosed within this note.

Company statement of financial position

For the year ended 30 April 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Investment in subsidiaries	40	–	–
		–	–
		–	–
Current assets			
Trade and other receivables	41	14,795	14,765
Cash and cash equivalents		1,028	257
		15,823	15,022
Total assets		15,823	15,022
Current liabilities			
Trade and other payables	42	(33)	(66)
Borrowings	43	(1,003)	–
		(1,036)	(66)
Total liabilities		14,787	14,956
Net assets		14,787	14,956
Equity			
Share capital	47	1,082	1,080
Share premium account	48	13,965	13,934
Accumulated losses	49	(260)	(58)
		14,787	14,956

The financial statements of Kromek Group plc (registered number 8661469) were approved by the Board of Directors and authorised for issue on 29 July 2015. They were signed on its behalf by:

Dr Arnab Basu MBE
Chief Executive Officer

Company statement of changes in equity

For the year ended 30 April 2015

Equity attributable to equity holders of the Company

	Share capital £'000	Share premium account £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 May 2013	–	–	–	–
Total comprehensive losses for the year	–	–	(58)	(58)
Share reorganisation	779	–	–	779
Shares issued on IPO	294	14,706	–	15,000
Issue of ordinary shares	7	34	–	41
IPO costs recognised in equity	–	(806)	–	(806)
Balance at 30 April 2014	1,080	13,934	(58)	14,956
Total comprehensive loss for the year	–	–	(202)	(202)
Issue of share capital net of expenses	2	31	–	33
Balance at 30 April 2015	1,082	13,965	(260)	14,787

Company statement of cash flows

For the year ended 30 April 2015

	Note	2015 £'000	2014 £'000
Net cash used in operating activities	46	(259)	(14,743)
Financing activities			
Proceeds from issue of share capital		33	15,000
Revolving credit facility		1,000	–
Interest paid		(3)	–
Net cash from financing activities		1,030	15,000
Net increase in cash and cash equivalents		771	257
Cash and cash equivalents at beginning of period		257	–
Cash and cash equivalents at end of period		1,028	257

Notes to the company financial statements

For the year ended 30 April 2015

38. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union.

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below. Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The Company's financial statements are included in the consolidated financial statements of Kromek Group plc. Accordingly, the Company has taken advantage of the exemption from publishing an income statement, and the losses for the Company are shown within the Company Statement Changes of Equity, being equal to the total comprehensive losses for the year.

39. AUDITORS REMUNERATION

The auditor's remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements.

40. SUBSIDIARIES

Details of the Company's direct and indirect subsidiaries as at 30 April 2015 are as follows:

Name	Place of incorporation (or registration) and operation	Class of shares held	Proportion of ownership interest %	Activity
Kromek Limited	United Kingdom	Ordinary	100	Scientific research and development
Kromek Germany Limited	United Kingdom	Ordinary	100	Sales and marketing
Kromek, Inc	United States of America	Ordinary	100	Scientific research and development
NOVA R&D, Inc	United States of America	Ordinary	100	Holding company
eV Products, Inc	United States of America	Ordinary	100	Scientific research and development
Durham Scientific Crystals Limited	United Kingdom	Ordinary	100	Dormant company

The investments in subsidiaries are all stated at cost.

41. TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Amounts due from subsidiary undertakings	14,749	14,749
Prepayments	10	16
Other receivables	36	–
	14,795	14,765

Amounts due from subsidiary undertakings are due in more than 1 year.

42. TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Trade payables and accruals	(33)	(66)

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 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.

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

For the year ended 30 April 2015**43. BORROWINGS**

Details regarding the borrowings of the Company are disclosed in note 25.

44. FINANCIAL ASSETS**Intercompany balances**

The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances.

Cash and cash equivalents

These comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

45. FINANCIAL LIABILITIES**Trade and other payables**

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

The carrying amount of trade payables approximates to their fair value.

46. NOTES TO THE STATEMENT OF CASH FLOWS

	2015 £'000	2014 £'000
Loss for the year	(202)	(58)
Adjustments for:		
Finance costs	3	–
Operating cash flows before movements in working capital	(199)	(58)
Decrease/(increase) in receivables	6	(14,751)
(Decrease)/increase in payables	(66)	66
Net cash from operating activities	(259)	(14,743)

47. SHARE CAPITAL

	2015 £'000	2014 £'000
Allotted, called up and fully paid:		
108,173,290 Ordinary shares of £0.01 each	1,082	1,080

48. SHARE PREMIUM ACCOUNT

	£'000
Balance at 1 May 2014	13,934
Premium arising on issue of equity shares	31
Balance at 30 April 2015	13,965

Notes to the company financial statements (continued)

For the year ended 30 April 2015

49. ACCUMULATED LOSSES

	£'000
Balance at 1 May 2014	(58)
Net loss for the year	(202)
Balance at 30 April 2015	(260)

50. FINANCIAL INSTRUMENTS

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

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

Capital risk

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of equity attributable to equity holders of the company, comprising issued capital, reserves and accumulated losses as disclosed in notes 27 to 30.

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

Cash flow is controlled by ongoing justification, monitoring and reporting of capital investment expenditures and regular monitoring and reporting of operating costs.

The Company 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 Company.

Market risk

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

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

Foreign currency risk

The Company currently does not undertake transactions denominated in foreign currencies.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company 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 Company 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 Company uses other publicly available financial information and its own trading records to rate its major customers. The Company'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.

The Company'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 Company's short, medium and long-term funding and liquidity management requirements. The Company 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 Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

For the year ended 30 April 2015**50. FINANCIAL INSTRUMENTS (CONTINUED)**

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 £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
1 May 2014	—	—	—	—	—	—	—
Revolving credit facility	3.1	—	—	1,003	—	—	1,003
30 April 2015	3.1	—	—	1,003	—	—	1,003

51. ULTIMATE CONTROLLING PARENT AND PARTY

In the opinion of the directors, there is no ultimate controlling parent or party.

52. EVENTS AFTER THE BALANCE SHEET DATE

On 29 July 2015, the Group entered into a placing agreement to raise up to £11.0m gross, or up to £10.4m net of expenses, by a conditional non pre-emptive firm placing of 36,000,000 new ordinary shares of 1p each in the ordinary share capital of the Group ("Ordinary Shares") and an open offer of up to 8,012,836 Ordinary Shares at a price of 25p per share. The firm placing and open offer are conditional, inter alia, upon the passing of certain resolutions by the shareholders of the Group.

On 17 August 2015, a general meeting of the Group will be held where the Directors expect the shareholders of the Company to approve the firm placing and open offer. On 18 August 2015, subject, inter alia, to shareholder approval the firm placing and open offer shares will be admitted and dealings will commence. As a result of the firm placing and open offer the Directors expect to raise a minimum of £8.4m cash.

53. RELATED PARTY TRANSACTIONS

No transactions have been noted with Directors during the period ended 30 April 2015.

No dividends were paid in the period in respect of ordinary shares held by the Company's directors.



Notes



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