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Kromek Group PLC
14 July 2021

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

Final Results

Kromek (AIM: KMK), a worldwide supplier of detection technology focusing on the medical, security screening and nuclear markets, announces its final results for the year ended 30 April 2021.

Financial Summary

- Revenue of £10.4m (2020: £13.1m)
- Gross margin was 48.4% (2020: 47.3%)
- Adjusted EBITDA* loss of £1.7m (2020: £0.4m loss)
- Loss before tax was £6.3m (2020: £18.3m loss)
- Cash and cash equivalents at 30 April 2021 were £15.6m (30 April 2020: £9.4m)

**Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, exceptional items, early settlement discounts and share-based payments. For further details, see the Financial Review below.*

Operational Summary

- Resumption of orders and shipments across all segments in final two months of the first half, following the impact of COVID-19, with increased commercial activity in the second half, resulting in revenue for H2 2021 being 26% higher than H1 2021
- Medical imaging segment returned to growth trajectory in the second half of the year
  - Ramp up in delivery under medical imaging contract expected to be worth $58.1m as the customer began installing its scanner in multiple countries
  - Received a $600,000 order from an OEM customer for detectors to be used in niche SPECT applications
  - Progressed development programme for ultra-low dose MBI technology and entered the new area of improving outcomes from cancer surgery
- Continuing commercial traction and development of nuclear security products, with sales in Europe, the US and Asia
  - Expansion of global footprint with sales commencing in 9 new countries and engagement of 9 new distributors
  - Continued to supply products to government agencies in the US and UK; the Irish Civil Defence; and the European Commission
  - Completion of development project with the Defense Threat Reduction Agency ("DTRA"), an agency of the US Department of Defense, for a ruggedised small form factor nuclear radiation detector for military applications
  - Launch of next-generation D3 PRD and D5 RIID high-performance radiation detectors
- 24 new customers won in the civil nuclear segment and widening interest for drone-based radiation mapping system, including sales to the civil emergency services sector
- Significant progress in fast-growing bio-security market
  - Awarded $5.2m contract extension in the year and a further $6m post period by the Defense Advanced Research Projects Agency ("DARPA"), an agency of the US

Department of Defense, to advance the development of a mobile wide-area bio-security system capable of detecting and identifying airborne pathogens

- Commenced field trials in an airport and, post period, in schools, airports and other locations of an airborne COVID-19 detection system under a £1.25m project with funding from Innovate UK
- Received first commercial order from security screening OEM customer that achieved highest level of European liquid explosive detection certification for cabin baggage for its scanner
- Continued improvement in CZT manufacturing processes in the UK and US facilities, including introduction of further process automation
- 3 new patents were filed and 10 were granted during the year

Dr Arnab Basu, CEO of Kromek, said: "Against a backdrop of significant global uncertainty, Kromek has emerged from the 2021 financial year in a stronger position than when we entered. While the disruption across our markets in the early part of the year impacted our sales, our revenue for the second half was 26% above the first half, with the strong momentum continuing post year end. In particular, we are seeing continued traction in the medical imaging segment as our customers increasingly roll out their products incorporating our technology. We are extremely encouraged by the results that we are receiving from the piloting of our biological-threat detection solution. We also believe that we are well-positioned to benefit from the increase in government defence and security spending globally, including in the UK, as evidenced by our announcement today of the receipt of our first major order for our D5 RIID.

As a result, and with excellent visibility over full year forecasts, we are on track to deliver our highest ever annual revenue for the full year to 30 April 2022, representing significant growth over 2021. Consequently, and combined with the successful fundraising completed in the year under review, we are well-placed to capitalise on the substantial opportunities across our business and the Board continues to look to the future with increased confidence."

This announcement contains inside information.

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Analyst Presentation

Arnab Basu, CEO, and Paul Farquhar, CFO, will be hosting a presentation for analysts and investors at 9.30am BST today via webinar. To register to participate, please contact elsadarlington@luther.co.uk at Luther Pendragon.

About Kromek Group plc

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

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

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

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

Currently, the Group has over 150 full-time employees across its global operations. Further information on Kromek Group is available at www.kromek.com and https://twitter.com/kromekgroup.

Operational Review

During a period of significant global uncertainty, Kromek emerged from the year to 30 April 2021 in a stronger position than when it entered. Whilst disruption across the Group's markets at the beginning of the year, due to COVID-19, had a detrimental impact on full year revenue the Board was pleased to note that from the end of the first half and through the second half, normal trading patterns increasingly resumed with progress being made with all of the Group's business units delivering on previously awarded contracts and winning new orders and customers. As a result, and combined with the contribution from the Group's bio-security development projects, revenue for the second half was 26% above H1 2021, with the strong momentum continuing post year end. In addition, the Group successfully maintained tight cost control, took action to support cash flow and the balance sheet was significantly strengthened with a fundraise of £13m (net funds received after costs of £12.2m). Consequently, the Board believes that Kromek exited the year better positioned to capitalise on the significant opportunities across the business.

Medical Imaging

In recent years, leading OEMs in medical imaging have been increasingly adopting CZT detector platforms as the enabling technology for their product roadmaps. CZT detector platforms enable OEMs to significantly improve the quality of imaging, which leads to earlier and more reliable diagnosis of diseases such as cancer. Kromek's CZT detector solutions are increasingly being adopted for single photon emission computed tomography ("SPECT"), molecular breast imaging ("MBI") and bone mineral densitometry ("BMD") applications. These are key target areas for future growth as they address diseases particularly associated with an ageing population such as cancer, Parkinson's, cardiovascular illnesses and osteoporosis.

While the outbreak of COVID-19 necessitated a temporary redirection of resources in healthcare settings away from routine scans and elective surgeries, shipments of the Group's detector modules for medical imaging began to resume from the final two months of the first half and business patterns started to normalise. This momentum was sustained through the second half as customers increasingly rolled out their high-performance medical imaging products based on Kromek

technology. In particular, in the second half of the year the Group received an order, worth $600,000, from an existing OEM customer for the supply of detectors to be used in niche SPECT applications. Kromek commenced delivery during the period and this will be completed by the end of this calendar year.

Kromek continued to work with its significant OEM customer that in H2 2019 awarded the Group a contract expected to be worth a minimum of $58.1m over an approximately seven-year period. The customer began installing its medical imaging scanners in multiple countries towards the end of the first half, with installation ramping up in the second half of the year. Delivery to this customer of the Group's CZT detectors and associated advanced electronics has continued to increase post year end and the Group has full visibility over this contract for the remainder of the current financial year.

The Group progressed the development of an ultra-low dose MBI technology based on CZT-based SPECT detectors under its project with partners in the Newcastle-upon-Tyne Hospitals NHS Foundation Trust in the UK and an OEM partner. This technology can significantly improve the early detection of breast cancer in women with dense breast tissues, which is particularly prevalent among younger women. The project entered the prototype, build and validation stage following a successful proof-of-feasibility for the target reduction of dose and scan time.

This year Kromek also entered a new area of medical application for its CZT-based detectors: improving patient outcomes from cancer surgery. In partnership with Adaptix Ltd and the University of Manchester, the Group is developing a new system that will distinguish between healthy and non-healthy tissue, enabling surgeons to confidently remove the minimum amount of healthy tissue and reducing the risks of multiple surgeries and of the cancer spreading. The system is being developed under a three-year programme with funding from Innovate UK.

Nuclear Detection

In nuclear detection, Kromek's nuclear security platforms - D3S and newly launched D5 - consist of a family of products designed to cater for the varying demands of homeland security and defence markets. In particular, the D3S platform is widely deployed as a networked solution to protect cities, buildings or critical infrastructure against the threat of use of 'nuclear dirty bombs' by terrorists. Defence and security spending is on the rise around the world and Kromek's products meet a demand for technology-led solutions to some of the most pressing global security challenges. In November 2020, for example, the UK Government announced a £329m spend programme on radiation and nuclear detectors over the next four years and an increase of £24.1bn in defence spending over the same period as part of the biggest programme of investment in British defence since the end of the Cold War. In the nuclear markets, Kromek's portfolio also includes a range of high-resolution detectors and measurement systems used for civil nuclear applications, primarily in nuclear power plants and research.

Nuclear Security

The Group expanded its commercial footprint with the D3S platform now having been sold in over 26 countries, and during the year 9 new distributors were appointed across 9 countries. In addition, new online platforms were developed for product training and support activities for nuclear detector products, which allowed the Group to support its customers globally at a time when travel was restricted.

During 2021, the Group signed contracts and received orders across the US, Europe and Asia for its nuclear security products, reflecting the global nature of demand. This included gaining a new government agency customer in the US for the Group's D3S-ID product. Kromek also received and delivered a repeat order from an existing US-based customer, worth $150,000, for the supply of specialised CZT detectors for a nuclear security application.

In Europe, the Group was awarded two contract extensions by a UK government-related company to provide network solutions of its D3S-related technologies. The contract extensions, worth a total of £460,000 and delivered during the year, are a further step towards providing a full wide-area system rollout for this customer to protect critical infrastructure and public spaces. The Group also supplied further products to the Irish Civil Defence Agency and received orders from the European Commission's Directorate-General for Migration and Home Affairs for its D3S Drone radiation detectors.

Kromek was awarded a significant contract in Asia, worth a minimum of $960,000 over the approximate four-year term of the project for both nuclear security and civil nuclear applications. The first phase is to customise the Group's CZT detector platform for integration into a new radiation detection product that will be available in Asia. The Group will receive $260,000 for this development work, which is due to be completed by the end of this calendar year. Kromek will then supply the customised platform under a three-year contract, worth a minimum of $700,000.

During the year, Kromek completed the delivery of a project with the US Defense Threat Reduction Agency, an agency of the US Department of Defense, to build out the technicality of the D3S platform to develop a next-generation, ruggedised small form factor device for use in the military field. By using advanced detector materials, the device will generate higher resolution detection and superior localisation and identification of radioactive material for use by the US military in combat environments. This resulted in the development of the D5 product range, which expands the Group's portfolio to encompass devices specifically designed for more challenging use cases and harsh environments.

Kromek launched two new nuclear security products this year: the D3 PRD and the D5 RIID, with orders received from government agencies in the US and UK for these products. The D3 PRD is an all-in-one, high-accuracy personal radiation detector ("PRD") for first responders, armed forces, border security and CBRNE experts. This product meets a growing market demand for a standalone gamma-only device, while offering market-leading dose accuracy, speed to alarm and an ultra-low false positive number. The D5 RIID, the world's smallest high-performance radioisotope identification device ("RIID"), is a ruggedised device, with ultra-low false alarm rate that is designed for military, homeland security and industrial use. The D5 RIID is the first device to be launched in the new D5 product range and the Group was honoured that it was a winner at the R&D 100 Awards, held by R&D Magazine. In addition, post period, as also announced today, we have received our first major order for the D5 RIID, which is from our UK government-related customer.

Civil Nuclear

In the civil nuclear segment, the pipeline of enquiries and orders remained robust throughout the year. Kromek won 24 new customers and continued to win repeat business from existing customers. As noted above, the Group was awarded a significant contract in Asia, worth a minimum of $960,000, which is for both nuclear security and civil nuclear applications. Following a successful online product demonstration of its drone-based radiation mapping system, the Group has also seen widening interest for this product from a range of new sectors, including sales to a company operating in the civil emergency services sector.

Security Screening

In security screening, Kromek provides OEM and government customers with components and systems for cabin and hold luggage scanning as well as industrial applications. In travel settings, Kromek's technologies enable customers to meet the high-performance standards they require, and

as demanded by regulatory bodies, to ensure passenger safety while increasing the convenience and efficiency of the security process.

There was a slowdown in security screening activity during the year as a result of the impact of the COVID-19 pandemic on the travel industry. However, the Group continued to make some progress in this segment. In particular, the Group received its first commercial order, and subsequent follow up orders, from an OEM customer whose next-generation scanner, based on Kromek technologies, achieved the highest level of European liquid explosive detection certification for cabin baggage. The Group also expanded its customer base, receiving orders for CZT modules to be designed into an advanced baggage screening system of a new US-based customer.

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

In security screening for industrial applications, the Group secured a development agreement, worth up to $660,000, with a US-based, sector-leading OEM with a global customer base. This contract was for the customisation of one of its CZT detector platforms for incorporation into the customer's systems for identifying contaminations during production processes. Delivery of this programme was completed post period, and the Group expects it to transition to a multi-year supply contract in due course. In addition, post period, as also announced today, the Group was awarded a $250,000 repeat order from a US-based customer that is a global leader in aerospace and defence technologies and which has incorporated Kromek detectors into its system that is used for ammunition scanning.

Biological-Threat Detection

The outbreak of COVID-19 has exposed the world to the severity of biological threats and their potential impact on public health and the global economy, demonstrating the need to rapidly evolve bio-security systems and associated technologies. Kromek had already commenced development work on a biological-threat detection solution prior to the outbreak of the pandemic and significantly progressed its activities in this market during the year. This development has continued post period.

Since H2 2019, Kromek has been working with the Defense Advanced Research Projects Agency ("DARPA"), an agency of the US Department of Defense, to develop a biological threat detection system that senses, analyses and identifies airborne pathogens under a programme that was established to combat bioterrorism. This activity was accelerated during the year and Kromek was awarded a contract extension worth up to $5.2m.

Over the past two years, milestones achieved under this DARPA programme have included the development of a vehicle-mounted biological-threat identifier that can be deployed as a mobile wide-area bio-surveillance system. Post period, the Group received a $6m contract from DAPRA for the next phase of the programme that will seek to deliver a completely automated wide spectrum airborne pathogen detection system that is fully mobile and runs autonomously. This system is being designed to be networkable and provide wide-area monitoring capability in near real time.

With the onset of the pandemic, Kromek also focused on the development of its technology for applications specifically related to COVID-19 detection. This included working under a programme funded by Innovate UK to customise the Group's biological threat-detection solution to support end-use cases for COVID-19 detection and mitigation, and to then undergo piloting with those user groups. The Group engaged with potential customers for the system to develop deployment models and identify how it can best fit their needs ahead of customisation. In the second half of the year,

the Group commenced piloting the system for the detection of airborne COVID-19 at an airport. Post period, the piloting has been expanded to include schools, a second airport, being Teesside International Airport, and other locations. The Group has also engaged in validation of the technology in third party laboratories and the results are very positive on both the detection levels, sensitivity and false alarm rates, making the technology performance comparable to existing RT PCR test protocols.

Manufacturing

Although the year was defined by the COVID-19 pandemic, Kromek took that situation as an opportunity and used the time when demand was lower than expected to substantially improve its CZT manufacturing capabilities. The CZT growth facility in the UK has developed a fully trained production group staffed by skilled production operators supported by key equipment technicians and experienced engineers. The US operations have used 2021 to continue to install and improve the core CZT production process that ensures Kromek CZT is of the highest quality for Kromek products shipped to its customers. The Group continues to seek opportunities to enhance product quality through its people and processes and is continuously challenging itself to find better ways to manufacture CZT and non-CZT products through a culture of continuous improvement where data speaks and an openness to challenge each other drives the Group forward. Both the UK and US manufacturing sites continue to be certified to ISO9001:2015 with both sites successfully completing annual audits with exemplary feedback from the audit process. In the fourth quarter to 30 April 2021, the Group has seen the demand for CZT based detectors recovering and growing ever since. The manufacturing facilities for CZT products are currently running at about 60% of installed capacity and growing through 2021. Several capacity expansion projects are ramping their resources to make ready additional capacity as CZT demand grows through calendar year 2021 and into 2022. These projects are focused on increased use of automated methods to improve throughput and processing quality. It is expected that these automation and process improvements will further improve products yields, lowering cost of manufacturing and improving margin.

R&D, Product and IP

Kromek is focused on developing the next generation of products for commercial application in its core markets. As noted, during the year the Group continued to advance development programmes with a number of partners in the nuclear security and medical imaging markets and, in particular, significantly progressed the development of its biological-threat detection solution. The Group also launched a number of new products in its D3S portfolio. In 2021, Kromek applied for 3 new patents and had 10 patents granted across 9 patent families, bringing the total number of patents held to in excess of 250. The new applications cover innovations in all of the Group's segments, including biological-threat detection, covering its specific product developments, but also providing value beyond these fields. In particular, the biological applications cover components that the Group believes will have uses beyond terrorist threat detection.

Financial Review

As a result of the disruption caused by COVID-19, revenue for the year was £10.4m (2020: £13.1m) and gross profit was £5.0m (2020: £6.2m). Due to the lower gross profit and a small increase in administration costs, adjusted EBITDA loss was £1.7m compared with a loss of £0.4m for the prior year. A reconciliation between adjusted EBITDA and results from operations is detailed on page 7.

In response to the pandemic, the Board took swift action early in the 2020 calendar year to protect the business through the activation of its business continuity plan. This included the reduction of

costs and overheads, the conservation of cash through curtailing all non-essential spend as well as raising £1.4m of additional loan funds with HSBC in the UK and £1.4m of loans via the US Paycheck Protection Program loan scheme.

Revenue

The Group generated total revenue of £10.4m (2020: £13.1m). The split between product sales and revenue from R&D contracts is detailed in the table below. The significant increase in revenue from R&D contracts primarily reflects the Group's biological-threat detection activities.

Revenue Mix	**2021**		**2020**	
	£'000	**% share**		**% share**
Product	5,836	56%	**10,314**	79%
R&D	4,516	44%	**2,806**	21%
Total	**10,352**		**13,120**	

Revenue in the first four months of the year was disrupted as a result of the initial impact of COVID-19 and the resultant lockdown that significantly slowed economic activity, and particularly impacted the markets in which the Group operates. However, there was a resumption of orders and shipments across all segments in the final two months of the first half with business patterns starting to return to normal and increased commercial activity. Accordingly, the Group entered the second half of 2021 with an extensive commercial pipeline and achieved revenue of £5.8m for the six-month period, an increase of 26% over the first half revenue.

Gross Margin

Gross profit at £5.0m (2020: £6.2m) represented a margin of 48.4% (2020: 47.3%). The increase in gross margin is attributable to improvements in yields and efficiencies achieved through production ramp up. This is as a result of the investment in capital expenditure that was commissioned in the previous year.

Administration Costs

Administration costs and operating expenses increased by £0.3m to £10.9m (2020: £10.6m). This increase is substantially the net result of:

- £0.3m of depreciation largely relating to the capital expenditure on furnace and fabrication expansion;
- £0.2m of amortisation due to continued investment in the technology platform and product applications;
- a £0.7m adverse movement in foreign exchange (in 2020, there was a large foreign exchange gain due to the settlement surplus realised on the Group's US$ overdraft facility);
- a saving of £0.5m on travel and subsistence due to COVID-19 and the associated travel restrictions; and
- additional savings of £0.3m relating to facility and general office expenses.

Adjusted EBITDA* and Result from Operations

Due to the impact of COVID-19 on the operations of the Group and, consequently, the financial performance, adjusted EBITDA for 2021 was a loss of £1.7m compared with and a loss of £0.4m for the prior year as set out in the table below:

	2021	**2020**
	£'000	**£'000**
Revenue	10,352	**13,120**
Gross profit	5,006	**6,208**
Gross margin (%)	*48.4%*	**47.3%**

Loss before Tax	(6,331)	**(18,345)**
***EBITDA* Adjustments:**		
Non-COVID-19 Related Items:		
Net interest	546	**544**
Depreciation of PPE and Right-of-Use assets	1,685	**1,185**
Amortisation	2,359	**2,142**
Share-based payments	106	**225**
COVID-19 Related Items:		
Early settlement discount	**-**	**746**
Exceptional Item	**(52)**	**13,062**
Adjusted EBITDA*	**(1,687)**	**(441)**

**Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, exceptional items, early settlement discounts and share-based payments. In 2020, the impact of COVID-19 resulted in an exceptional item of £13.1m relating to receivables and AROC and a specific airport security customer early settlement discount of £0.7m, as neither were in the normal course of events and were significant in their size, practice and nature. Share-based payments are added back when calculating the Group's adjusted EBITDA as this is currently an expense with no direct cash impact on financial performance. Adjusted EBITDA is considered a key metric to the users of the financial statements as it represents a useful milestone that is reflective of the performance of the business resulting from movements in revenue, gross margin and the costs of the business.*

The increase in adjusted EBITDA loss in 2021 compared with 2020 is substantially as a result of the lower gross profit due to the reduced revenue.

Loss before tax was £6.3m compared with £18.3m for the prior year, which primarily reflects the impact of the exceptional £13.1m relating to receivables and AROC in 2020. Loss before tax for the year before any exceptional items was £6.4m (2020: £5.3m loss before exceptional items), with the increase largely due to the reduction in gross profit and additional administration costs (including distribution) of £0.3m, partially offset by other operating income of £0.4m.

During 2021, the Group recognised a loss of £2.0m (2020: £1.0m income) as other comprehensive loss that arose from foreign exchange rate differences on a net investment in a foreign operation as described in note 2 to the financial statements. Unlike the £0.1m loss resulting from foreign exchange on consolidation and revaluations and realisation of working capital balances noted above that were expensed to the profit and loss account, this gain has been treated as a reserve movement, consistent with the prior year.

Tax

The Group continues to benefit from the UK Research and Development Tax Credit regime as it invests in developments of technology. The Group recorded an R&D credit of £1.0m for the year (2020: £0.9m credit) arising from the option of surrendering tax losses in the year that qualify for cash credit, rather than carrying forward the tax losses to set against future taxable profits. The Group's deferred tax provision for the year remained static at £nil (2020: £0.9m credit) due to the distribution of losses between the UK and US operations, and accordingly there was a total tax credit to the income statement for the Group of £1.0m (2020: £1.8m credit).

Earnings per Share ("EPS")

Due to the £1.9m increase in loss for the period, the EPS is recorded in the year on a basic and diluted basis as 1.5p loss per share (2020: 1.0p loss per share after excluding exceptional items).

R&D

The Group invested £5.5m in the year (2020: £5.3m) in technology and product developments that were capitalised on the balance sheet, reflecting the continuing investment in new products, applications and platforms for the future growth of the business. This expenditure was capitalised in accordance with IAS38 to the extent that it related to projects in the later stage (development phase) of the project life-cycle. In addition, the Group expensed £5.5m of R&D in the year (2020: £5.5m) to the extent that it related to projects at the research phase of the project life cycle.

During the year, the Group continued to advance its development roadmap in relation to the automated wide-area detection of biological and viral pathogens, involving portable DNA sequencing. It is the Board's belief that this technology platform, which enables the identification of COVID-19 and other biological pathogens, offers significant medium-term opportunities for the Group in this critical market. This view is endorsed by the US government with DARPA awarding Kromek a major contract extension amounting to $6m in May 2021 as part of the continuing development of this technology platform.

The other key areas of development continue to be the expansion of the D5 suite of products and the SPECT platforms. All such investments in research and development are linked to contract deliverables and, in the Board's belief, add to the significant future revenue opportunities that the Group's technology offers. The Group continues to undertake this investment to strengthen its commercial advantage.

During the year, the Group undertook expenditure on patents and trademarks of £0.2m (2020: £0.2m) with 3 new patents filed and 10 patents granted across 9 patent families.

Other Income

Other Income comprises grants of £0.1m (2020: £nil) received from the Coronavirus Job Retention Scheme (CJRS) provided by the UK Government in response to COVID-19's economic impact on businesses. In addition, the Group received funding of £0.3m (2020: £nil) from the Innovate UK COVID-19 Continuity Fund.

Capital Expenditure

Capital expenditure in the year amounted to £0.5m (2020: £7.0m), which primarily relates to modest capital expenditure across lab and computer equipment and manufacturing projects.

Financing Activities

During the year, the Group successfully announced a Firm Placing, Director's Subscription and Open Offer to raise £13.0m before expenses. The net proceeds of the transaction will be used to de-risk and commercialise bio-security/pathogen detectors and increase the rate of commercialisation, to expand sales and marketing for the Group's nuclear detection and medical imaging activities and to strengthen the balance sheet. This will provide the Group with flexibility to address and capitalise on current and emerging opportunities.

In addition to the fundraise completed in March 2021, during the year, the Group secured a £1.4m Term Loan with HSBC UK for investment in capital projects. The Group also secured £1.4m of US government funding issued through the Paycheck Protection Program (PPP) Loan scheme. Post year end, the Group applied for full forgiveness on the first round of PPP loans, equating to £0.8m, and the Group was successful in its application.

Cash Balance

Cash and cash equivalents were £15.6m as of 30 April 2021 (30 April 2020: £9.4m). The £6.2m increase in cash during 2021 primarily reflects net proceeds raised from the issue of new equity shares of £12.2m partly offset by investment in product development and other intangibles, with capitalised development costs of £5.5m and IP additions of £0.1m.

Working capital increased by £0.8m as a result of a £0.2m decrease in inventories held on 30 April 2021 to £6.2m (30 April 2020: £6.3m), which is the commencement of an anticipated unwind of inventory that built up due to the disruption caused by COVID-19; a £1.6m decrease in trade and other receivables, reflecting the timing of receipts; and a £2.6m decrease in trade and other payables to £7.2m (2020: £9.8m) due to the timing of invoicing around the year end.

Outlook

The momentum of the second half of 2021 has been sustained into 2022 with Kromek experiencing a positive start to the new year. In particular, the Group is seeing continued traction in the medical imaging segment as customers increasingly roll out their products incorporating Kromek's technology. The Group is extremely encouraged by the results that it is receiving from the piloting of its biological-threat detection solution, which it expects to transition to the commercial phase in due course. The Group also believes it is well-positioned to benefit from the increase in government defence and security spending globally, including in the UK.

As a result, Kromek is on track to deliver significant revenue growth for full year 2022, in line with market expectations, which would represent the Group's highest ever full year revenue. The Group currently has visibility in excess of 75% of expected full year revenue based on the contracts already won and supported by a strong and increasing pipeline.

Consequently, and combined with the successful fundraising completed in the second half of 2021, the Board believes that Kromek is well-placed to capitalise on the significant opportunities across the business and the Board continues to look to the future with increased confidence.

Kromek Group plc
Consolidated income statement
For the year ended 30 April 2021

	Note	2021 £'000	2020 £'000
Continuing operations			
Revenue	3	10,352	13,120
Cost of sales		(5,346)	(6,912)
Gross profit		5,006	6,208
Other operating income		379	-
Distribution costs		(287)	(336)
Administrative expenses		(10,935)	(10,611)
Operating loss (before exceptional items)		(5,837)	(4,739)
Exceptional impairment reversal/(losses) on trade receivables and amounts recoverable on contract	6	52	(13,062)
Operating results (post exceptional items)		(5,785)	(17,801)

Finance income		2	60
Finance costs		(548)	(604)
Loss before tax	4	(6,331)	(18,345)
Tax	7	978	1,805
Loss for the year from continuing operations		(5,353)	(16,540)
Loss for the year from continuing operations (before exceptional items)		(5,405)	(3,478)
Loss per share	8		
- basic (p)		(1.5)	(4.8)
- diluted (p)		(1.5)	(4.8)

Kromek Group plc
Consolidated statement of comprehensive income
For the year ended 30 April 2021

	2021 £'000	2020 £'000
Loss for the year	(5,353)	(16,540)
Items that are or may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(1,981)	1,047
Total comprehensive loss for the year	(7,334)	(15,493)

Kromek Group plc
Consolidated statement of financial position
As at 30 April 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Goodwill		**1,275**	1,275
Other intangible assets		**24,144**	21,878
Property, plant and equipment		**11,200**	12,551
Right-of-use asset		**4,076**	3,852
		40,695	39,556
Current assets			
Inventories		**6,202**	6,416
Trade and other receivables		**6,644**	8,210
Current tax assets		**1,015**	1,031
Cash and bank balances		**15,602**	9,444
		29,463	25,101
Total assets		**70,158**	64,657
Current liabilities			
Trade and other payables		**(6,174)**	(8,795)
Borrowings	9	**(5,387)**	(3,669)
Lease obligation		**(399)**	(324)
		(11,960)	(12,788)
Net current assets		**17,503**	12,313
Non-current liabilities			
Deferred income		**(1,071)**	(1,021)
Lease obligation		**(4,256)**	(3,844)
Borrowings	9	**(2,816)**	(1,937)
		(8,143)	(6,802)
Total liabilities		**(20,103)**	(19,590)
Net assets		**50,055**	45,067
Equity			
Share capital		**4,319**	3,446
Share premium account		**72,943**	61,600
Merger reserve		**21,853**	21,853
Translation reserve		**-**	1,981
Accumulated losses		**(49,060)**	(43,813)

Total equity	**50,055**	45,067

The financial statements of Kromek Group plc (registered number 08661469) were approved by the Board of Directors and authorised for issue on 13 July 2021. They were signed on its behalf by:

Dr Arnab Basu MBE
Chief Executive Officer

Kromek Group plc
Consolidated statement of changes in equity
For the year ended 30 April 2021

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Accumulated income/ (losses) £'000	Total equity £'000
Balance at 1 May 2019 restated	**3,446**	**61,600**	**21,853**	**934**	**(27,498)**	**60,335**
Loss for the year	-	-	-	-	(16,540)	(16,540)
Exchange difference on translation of foreign operations	-	-	-	1,047	-	1,047
Total comprehensive income for the year	-	-	-	1,047	(16,540)	(15,494)
Credit to equity for equity-settled share-based payments	-	-	-	-	225	225
Balance at 30 April 2020	**3,446**	**61,600**	**21,853**	**1,981**	**(43,813)**	**45,067**
Loss for the year	-	-	-	-	(5,353)	(5,353)

Exchange difference on translation of foreign operations	-	-	-	(1,981)	-	(1,981)
Total comprehensive income for the year	-	-	-	(1,981)	(5,353)	(7,334)
Issue of share capital	873	-	-	-	-	873
Premium on shares issued less expenses	-	11,343	-	-	-	11,343
Credit to equity for equity-settled share-based payments	-	-	-	-	106	106
Balance at 30 April 2021	**4,319**	**72,943**	**21,853**	**-**	**(49,060)**	**50,055**

Kromek Group plc
Consolidated statement of cash flows
For the year ended 30 April 2021

	Note	2021 £'000	2020 £'000
Net cash (used in)/generated from operating activities	10	**(1,309)**	179
Investing activities			
Investment receipts from money market account		**-**	1,250
Interest received		**2**	60
Purchases of property, plant and equipment		**(454)**	(6,965)
Purchases of patents and trademarks		**(156)**	(243)
Capitalisation of development costs		**(5,463)**	(5,256)
Net cash used in investing activities		**(6,071)**	(11,154)

Financing activities		
Net proceeds on issue of shares	**12,216**	-
New borrowings	**3,215**	2,100
Payment of borrowings	**(595)**	(2,105)
Payment of lease liability	**(395)**	(539)
Interest paid	**(309)**	(365)
Net cash generated from/(used in) financing activities	**14,132**	(909)
Net increase/(decrease) in cash and cash equivalents	**6,752**	(11,884)
Cash and cash equivalents at beginning of year	**9,444**	20,616
Effect of foreign exchange rate changes	**(594)**	712
Cash and cash equivalents at end of year	**15,602**	9,444

Kromek Group plc
Notes to the consolidated financial statements
For the year ended 30 April 2021

1. General information

Kromek Group plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. 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 2.

The Group's financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and on a basis consistent with that adopted in the previous year.

New standards that have been adopted in the annual financial statements for the year ended 30 April 2021, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)
- IFRS 3 Business Combinations (Amendment - Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Board are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on the Group operation or results.

2. Significant accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with IFRSs and International Financial Reporting Interpretations Committee ("IFRIC") interpretations.

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

Basis of consolidation

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

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

Going concern

In determining the basis for preparing the consolidated financial statements, management are required to consider whether the Group can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the consolidated financial statements. Management prepare detailed cash flow forecasts that are reviewed by the Board on a regular basis. The forecasts include assumptions regarding the opportunity funnel from both existing and new customers, growth plans, risks and mitigating actions. In particular, operating cash flow is highly sensitive to revenue mix and the positive contribution of continuing growth in the markets the Group operates within. In reaching their going concern conclusion, the Directors have considered that the Group had cash and cash equivalents of £15.6m (30 April 2020: £9.4m), including £4.9m (30 April 2020: £4.9m) draw down on the Group's Revolving Credit Facility and therefore sufficient working capital to continue operations. The Group's forecasts and projections, taking account of sensitivities including a severe but plausible downside less likely scenario, support the conclusion that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. The Group, therefore, continues to adopt the going concern basis in preparing the consolidated financial statements.

Business combinations

The Group financial statements consolidate those of the Company and its subsidiary undertakings. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial information of subsidiaries is included from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.

Acquisitions on or after 1 May 2010

For acquisitions on or after 1 May 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, the negative goodwill is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Contracts with customers

The Group recognises revenue in line with IFRS 15 'Revenue from contracts with customers'. Revenue represents income derived from contracts for the provision of goods and services by the Group to customers in exchange for consideration in the ordinary course of the Group's activities.

The Board disaggregates revenue by sales of goods or services, grants and contract customers. Sales of goods and services typically include the sale of product on a run rate or ad-hoc basis. Grants include technology development with parties such as Innovate UK as detailed above. Customer contracts represents agreements that the Group has entered into that typically span a period of more than 12 months.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and

services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer, and they are separately identifiable in the contract.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation and early settlements, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative standalone selling prices. Given the bespoke nature of many of the Group's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are sometimes no observable standalone selling prices. Instead, standalone selling prices are typically estimated based on expected costs plus contract margin consistent with the Group's pricing principles or based on market knowledge of selling prices relating to similar product.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer.

For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time. The Group has determined that the performance obligations of the majority of its contracts are satisfied at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

For each performance obligation to be recognised over time, the Group recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Group has determined that this method faithfully depicts the Group's performance in transferring control of the goods and services to the customer.

If the over-time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment. Kromek's standard terms of delivery are Ex works sellers' site (Incoterms 2020), unless otherwise stated.

The Group's contracts that satisfy the over-time criteria are typically product development contracts where the customer simultaneously receives and consumes the benefit provided by the Group's performance. In some specific arrangements, due to the highly specific nature of the contract deliverables tailored to the customer requirements and the breakthrough

technology solutions that Kromek provides, the Group does not create an asset with an alternative use but retains an enforceable right to payment and recognises revenue over time on that basis.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Contract modifications

The Group's contracts are sometimes amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing, or creates new, enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates, is recognised in one of the following ways:

(a) prospectively as an additional, separate contract;

(b) prospectively as a termination of the existing contract and creation of a new contract; or

(c) as part of the original contract using a cumulative catch up.

The majority of the Group's contract modifications are treated under either (a) (for example, the requirement for additional distinct goods or services) or (b) (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract-by-contract and may result in different accounting outcomes.

Costs to obtain a contract

The Group expenses pre-contract bidding costs that are incurred regardless of whether a contract is awarded. The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded.

Costs to fulfil a contract

Contract fulfilment costs in respect of over-time contracts are expensed as incurred. No such costs have been incurred in the year under review or in previous years. Contract fulfilment costs in respect of point-in-time contracts are accounted for under IAS 2, Inventories.

Inventories

Inventories include raw materials, work-in-progress and finished goods recognised in accordance with IAS 2 in respect of contracts with customers that have been determined to fulfil the criteria for point-in-time revenue recognition under IFRS 15. Also included are inventories for which the Group does not have a contract. This is often because fulfilment costs have been incurred in expectation of a contract award. The Group does not typically build inventory to stock. Inventories are stated at the lower of cost, including all relevant overhead and net realisable value.

During the year, the Group adopted the policy of valuing its recyclable material. In accordance with the standard, this is valued at the lower of cost and net realisable value, less the cost to bring the material back into use.

Contract receivables

Contract receivables represent amounts for which the Group has an unconditional right to consideration in respect of unbilled revenue recognised at the balance sheet date and comprises costs incurred plus attributable margin.

The Group does not plan, anticipate or offer extended payment terms within its contractual arrangements unless express payment interest charges are applied and represent a value over and above that contracted or invoiced with the customer.

Contract liabilities

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Leases

The Group recognises a Right-of-Use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU has been reduced to zero.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The Directors have applied IAS 21 The Effects of Changes in Foreign Exchange Rates and have concluded that the inter-company loans held by Kromek Limited substantially form part of the net investment in

Kromek USA (Kromek Inc, eV Products, Inc. and Nova R&D, Inc.), and so any gain or loss arising on the inter-company loan balances are recognised as other comprehensive income in the period.

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 pounds sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the statement of financial position date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in other comprehensive income and are credited/(debited) to the retranslation reserve.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants towards job creation and growth are normally recognised as income over the useful economic life of the capital expenditure to which they relate.

Government grants are recognised in the income statement so as to match them with the related expenses that they are intended to compensate. Grants that relate to capital expenditure are offset against related depreciation costs. Where grants are received in advance of the related expenses, they are initially recognised in the balance sheet and released to match the related expenditure. Non-monetary grants are recognised at fair value.

The Group has received Government grants in relation to the Coronavirus Job Retention Scheme (CJRS) provided by the UK Government in response to COVID-19's impact on business. The Group has elected to account for these grants as other operating income, rather than to off-set the Government grants within administrative expenses; accordingly, the gross impact is disclosed on the face of the Statement of Comprehensive Income. Total Government grants included as other operating income total £379k (2020: £nil).

Operating result

Operating loss is stated as loss before tax, finance income and costs.

Exceptional items

Exceptional items are those items that, in the judgement of management, need to be disclosed separately by virtue of their nature, size or incidence. Exceptional items have been classified separately in order to draw them to the attention of the reader of the accounts and, in the opinion of the Board, to show more accurately the underlying results of the Group.

Retirement benefit costs

The Group operates two defined contribution pension schemes for UK employees, one of which is an auto-enrolment workplace pension scheme established following the UK Pensions Act 2008. The employees of the Group's subsidiaries in the US are members of a state-managed retirement benefit scheme operated by the US government.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. For these schemes, the assets are held separately from those of the Group in independently administered funds. Payments made to US 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. The R&D tax credit is calculated using the current rules as set out by HMRC and is recognised in the income statement during the period in which the R&D programmes occurred.

i) Current tax

The tax credit is based on the 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 at the date of the statement of financial position.

ii) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Consolidated Statement of Financial Position and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax laws and rates that have been enacted or substantively enacted at the date of the statement of financial position. Deferred

tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is 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%
Lab equipment	6% to 25%

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in income.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

§ the technical feasibility of completing the intangible asset so that it will be available for use or sale;

§ its intention to complete the intangible asset and use or sell it;

§ its ability to use or sell the intangible asset;

§ how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

§ the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

§ its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Research expenditure is written off as incurred. Development expenditure is also written off, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. This period normally equates to the life of the products to which the development expenditure relates. Where expenditure relates to developments for use rather than direct sales of product, the cost is amortised straight-line over a 2-15-year period. Provision is made for any impairment.

Amortisation of the intangible assets recognised on the acquisitions of Nova R&D, Inc. and eV Products, Inc. are recognised in the income statement on a straight-line basis over their estimated useful lives of between five and fifteen years.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Impairment of tangible and intangible assets, excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 9.47% (2020: 14.86%) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. During the year, the Group adopted a policy of valuing recyclable material. 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. This is reviewed by operational finance at least every 6 months. Given the nature of the products and the gestation period of the technology, commercial rationale necessitates that this provision is reviewed on a case-by-case basis.

Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Such provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money. Provisions are not recognised for future operating losses.

Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents comprise cash balances and call deposits.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any

interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Intra-group financial instruments

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(iii) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as twelve-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and

analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset may have increased if it is more than 60 days past due. This is assessed on a case by case basis, taking into consideration the commercial relationship and historical pattern of payments.

The Group considers a financial asset to be at risk of default when:

• The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

• The financial asset is more than 120 days past due, subject to management discretion and commercial relationships.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date and spread over the period during which the employees become unconditionally entitled to the options, which is based on a period of employment of three years from grant date. In accordance with IFRS 2, from a single entity perspective, Kromek Group plc recognises an increase in investment and corresponding increase in equity to represent the settlement.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. The vesting date is determined based on the date an employee is granted options, usually three years from date of grant. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions and taking into account the average time in employment across the year. 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 term deposits repayable between one and twelve months from balance sheet date, less overdrafts repayable on demand.

3. Operating segments

Products and services from which reportable segments derive their revenues

For management purposes, the Group is organised into two geographical business units from which the Group currently operates (US and UK) and it is these operating segments for which the Group is providing disclosure. Both business units serve the three principal key markets in which the Group operates (nuclear detection, medical imaging and security screening). However, typically, the US business unit focuses principally on medical imaging and the UK focuses on nuclear detection and security screening. However, this arrangement is flexible and can vary based on the geographical location of the Group's customer. In addition to the three principal key markets described above, the Group's UK operations are developing a biological-threat detection technology, which the Board believes will be a key market for the Group in the near future.

The chief operating decision maker is the Board of Directors, which assesses the performance of the operating 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 two business segments. The first segment relates to 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. The second segment relates to the development of a technology platform, as described above, which aims to identify airborne pathogens.

Analysis by geographical area

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

	2021 £'000	**2020 £'000**
United Kingdom	**1,627**	2,541
North America	**5,693**	7,606
Asia	**610**	893
Europe	**2,387**	2,075
Australasia	**3**	5
Africa	**32**	-
Total revenue	**10,352**	13,120

Total revenue from the sale of goods and services and from contracts with customers was £9,878k (2020: £12,835k).

The Group has aggregated its market sectors into two reporting segments being the operational business units in the UK and US. The UK operations comprise Kromek Group plc and Kromek Limited and the US operations comprise Kromek Inc, eV Products Inc, and Nova R&D Inc. The Board currently considers this to be the most appropriate aggregation due to the main markets that are typically addressed by the UK and US business units and the necessary skillsets and expertise.

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

Year ended 30 April 2021:

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	5,346	5,395	10,741
-Revenue from grants	474	-	474
-Revenue from contract customers	3,346	894	4,240
Total sales by segment	9,166	6,289	15,455
Removal of inter-segment sales	(3,526)	(1,577)	(5,103)
Total external sales	5,640	4,712	10,352
Segment result - operating (loss)/profit before exceptional items	(1,594)	(4,243)	(5,837)
Interest received	2	-	2
Interest expense	(324)	(224)	(548)
Exceptional items	-	52	52
Loss before tax	(1,916)	(4,415)	(6,331)
Tax credit	989	(11)	978
Loss for the year	(927)	(4,426)	(5,353)
Reconciliation to adjusted EBITDA:			
Net interest	322	224	546
Tax	(989)	11	(978)
Depreciation of PPE and right-of-use asset	997	688	1,685
Amortisation	1,370	989	2,359
Share-based payment charge	106	-	106
Reversal of exceptional	-	(52)	(52)
Adjusted EBITDA	879	(2,566)	(1,687)

Other segment information			
Property, plant and equipment additions	354	100	454
Right-of-use assets	2,048	3,131	5,179
Depreciation of PPE and right-of-use asset	997	688	1,685
Release of capital grant	(44)	-	(44)
Intangible asset additions	4,576	1,043	5,619
Amortisation of intangible assets	1,370	989	2,359
Statement of financial position			
Total assets	47,466	22,692	70,158

Total liabilities	(13,638)	(6,465)	(20,103)

Year ended 30 April 2020:

	UK Operations £'000	US Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	8,312	7,205	15,517
-Revenue from grants	285	-	285
-Revenue from contract customers	811	342	1,153
Total sales by segment	9,408	7,547	16,955
Removal of inter-segment sales	(2,600)	(1,235)	(3,835)
Total external sales	6,808	6,312	13,120
Segment result - operating (loss)/profit before exceptional items	(1,906)	(2,833)	(4,739)
Interest received	60	-	60
Interest expense	(326)	(278)	(604)
Exceptional items	-	(13,062)	(13,062)
(Loss)/profit before tax	(2,172)	(16,173)	(18,345)
Tax credit	904	901	1,805
(Loss)/profit for the year	(1,268)	(15,272)	(16,540)
Reconciliation to adjusted EBITDA:			
Net interest	266	278	544
Tax	(904)	(901)	(1,805)
Depreciation of PPE and right-of-use asset	545	640	1,185
Amortisation	1,148	994	2,142
Share-based payment charge	225	-	225
One-off customer financing discount	-	746	746
Exceptional items	-	13,062	13,062
Adjusted EBITDA	12	(453)	(441)
Other segment information			
Property, plant and equipment additions	5,888	1,077	6,965
Right-of-use assets	1,136	3,429	4,565
Depreciation of PPE and right-of-use asset	545	640	1,185
Release of capital grant	(33)	-	(33)
Intangible asset additions	3,973	1,526	5,499
Amortisation of intangible assets	1,148	994	2,142
Statement of financial position			
Total assets	40,997	23,660	64,657
Total liabilities	(13,925)	(5,665)	(19,590)

Inter-segment sales are charged on an arms-length basis.

No other additions of non-current assets have been recognised during the year other than property, plant and equipment, and intangible assets.

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment loss represents the loss reported by each segment. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

Revenues from major products and services

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

	2021 £'000	2020 £'000
Product revenue	**5,836**	10,314
Research and development revenue	**4,516**	2,806
Consolidated revenue	**10,352**	13,120

Information about major customers

Included in revenues arising from US operations are revenues of approximately £1,934k (2020: £2,234k) that arose from the Group's largest commercial customer. Included in revenues arising from UK operations are revenues of approximately £2,784k (2020: £1,542k) that arose from a major Governmental organisation customer.

4. Loss before tax for the year

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

	2021 £'000	2020 £'000
Net foreign exchange losses/(gains)	**80**	(653)
Research and development costs recognised as an expense*	**5,483**	5,457
Depreciation of property, plant and equipment	**1,685**	1,185
Release of capital grant	**(44)**	(33)
Amortisation of internally-generated intangible assets	**2,359**	2,142
Cost of inventories recognised as expense	**3,899**	4,654
Exceptional items - (reversal)/impairment of trade receivables and AROC (see note 6)	**(52)**	13,062
Early settlement costs	**-**	746
Staff costs (see note 5)	**8,806**	8,791

* Of the total research and development cost recognised as an expense in the period, £3,196k (2020: £4,053k) is included within cost of sales and £2,287k (2020: £1,404k) within administrative expenses.

5. Staff costs

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

	2021 Number	2020 Number
Directors (executive)	**2**	2
Research and development, production	**118**	116
Sales and marketing	**7**	8

Administration	**12**	13
	139	139

Their aggregate remuneration comprised:

	2021 £'000	**2020 £'000**
Wages and salaries	**7,618**	7,437
Social security costs	**682**	754
Pension scheme contributions	**400**	375
Share-based payments	**106**	225
	8,806	8,791

The current period classification of certain wage and salary expenses has been revised and comparatives have been represented on a consistent basis. There is no impact to the statement of profit and loss as all of the reclassifications occur within the administrative expense line item on the income statement.

The total Directors' emoluments (including non-executive directors) was £612k (2020: £580k). The aggregate value of contributions paid to money purchase pension schemes was £28k (2020: £21k) in respect of four directors (2020: three directors). There has been no exercise of share options by the Directors in the period and therefore no gain recognised in the year (2020: nil).

The highest paid director received emoluments of £216k (2020: £221k) and amounts paid to money purchase pension schemes was £15k (2020: £10k).

After 10 years as Chief Financial Officer of the Group, Mr Bulmer advised the Board in the third quarter of 2021 of his wish to resign in order to pursue alternative opportunities. The Group entered into a settlement agreement with Mr Bulmer on 28 October 2020, and he left the Company at the conclusion of the Annual General Meeting on 31 October 2020. In lieu of notice, a sum equivalent to 12 months remuneration, defined as basic salary, pension contributions and car allowance was paid to Mr Bulmer totalling £192,250.

Key management compensation:

	2021 £'000	**2020 £'000**
Wages and salaries and other short-term benefits	**888**	980
Social security costs	**125**	130
Pension scheme contributions	**29**	28
Share-based payment expense	**106**	185
	1,148	1,323

Key management comprise the Executive Directors and senior operational staff.

6. Exceptional Items

Exceptional items, booked to operating costs, comprised the following:

	2021 £'000	2020 £'000
(Reversal)/impairment of trade receivables and AROC	**(52)**	13,062
Total exceptional items	**(52)**	13,062

The immediate and ongoing impact of the COVID-19 pandemic has created significant economic uncertainty on a global scale. The expected credit losses are reviewed annually, or when there is a significant change in external factors potentially impacting credit risk, such as COVID-19, and are updated where management's expectations of credit losses change.

Management group and measure the expected credit losses of trade receivables based on operational market and geographical region. As illustrated in note 3, the Group operates across a number of geographical areas.

The Group has reversed £52k in 2021 in relation to items impaired in the prior year. The 2020 impairment related to two separate contracts with specific customers in Asia who were identified as having a significantly elevated credit risk. The assessment carried out by management suggested delays in delivery due to travel restriction and subsequent doubt over expected future cash flow, increasing the likelihood of credit default by these specific debtors in the next 12 months due. This charge of £13,062k was presented in the prior year as an exceptional item arising as a result of COVID-19 in accordance with the Group's accounting policy, as it was considered to be one-off in nature, size and incidence. It represented a full write down of invoiced debtors and AROC. The amounts have been fully written down as management have concluded that any collateral is not considered to be material. No adjustment or reversal to the impairment calculated in 2020, specific to one of the contracts, has been included in 2021 on the basis that the recoverability of this receivable remains uncertain.

From a tax perspective, this impairment has increased the taxable losses in the prior year period, however no deferred tax asset has been recognised as it is not yet certain that there will be future taxable profits available.

Asia still represents a significant technology opportunity for the Group; however, the Group is currently uncertain of timescales to full market traction. Any subsequent reversal of the amount recognised in future years would also be recognised as an exceptional item.

7. Tax

Recognised in the income statement

	2021 £'000	2020 £'000
Current tax credit:		
UK corporation tax on losses in the year	**1,014**	1,030
Adjustment in respect of previous periods	**(25)**	(129)
Foreign taxes paid	**(11)**	-
Total current tax	**978**	901

Deferred tax:		
Origination and reversal of timing differences	**-**	904
Adjustment in respect of previous periods	**-**	-
Total deferred tax	**-**	904
Total tax credit in income statement	**978**	1,805

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 30 April 2021 has been calculated at 19% (2020: 19%). The corporate tax rate will increase from increase to 25% from 19% with effect from April 2023.

Reconciliation of tax credit

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

	2021 £'000	**2020 £'000**
Loss before tax	**(6,331)**	(18,345)
Tax at the UK corporation tax rate of 19% (2020: 19%)	**1,203**	3,486
Non-taxable income/expenses not deductible	**614**	(3,754)
Effect of R&D	**451**	553
Rate differences effect of R&D	**-**	(255)
Share scheme deduction under Part 12 CTA 2009	**5**	1
Unrecognised movement on deferred tax	**(1,648)**	239
Adjustment in respect of previous periods	**(26)**	(129)
Effects of overseas tax rates	**379**	1,664
Total tax credit for the year	**978**	1,805

There are no tax items charged to other comprehensive income.

The effect of R&D is the tax impact of capitalised development costs being deducted in the year in which they are incurred.

The rate of corporation tax for the year is 19% (2020: 19%). A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. Accordingly, deferred tax has been provided in line with the rates at which temporary differences are expected to reverse.

The other tax jurisdiction that the Group currently operates in is the US. Any deferred tax arising from the US operations is calculated at 27.85% which represents the federal plus state tax rate.

8. Losses per share

As the Group is loss making, dilution has the effect of reducing the loss per share. The calculation of the basic and diluted earnings per share is based on the following data:

Losses

	2021 £'000	2020 £'000
Losses for the purposes of basic and diluted losses per share being net losses attributable to owners of the Group	**(5,353)**	(16,540)

Number of shares	**2021 Number**	2020 Number
Weighted average number of ordinary shares for the purposes of basic losses per share	**358,912,092**	344,644,492
Effect of dilutive potential ordinary shares:		
Share options	**372,638**	1,084,826
Weighted average number of ordinary shares for the purposes of diluted losses per share	**359,284,730**	345,729,318

	2021	2020
Basic (p)	**(1.5)**	(4.8)
Diluted (p)	**(1.5)**	(4.8)

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.

9. Borrowings

	2021 £'000	2020 £'000
Secured borrowing at amortised cost		
Revolving credit facility and capex facility	**4,900**	4,900
Other borrowings	**3,303**	706
	8,203	5,606
Total borrowings		
Amount due for settlement within 12 months	**5,387**	3,669
Amount due for settlement after 12 months	**2,816**	1,937

The Group has a £5.0m revolving credit facility (RCF) with HSBC, which also incorporates a capex facility. This facility is for a 36-month period with an option to extend to years 4 and 5. This loan is repaid on a quarterly basis in an amount equal to 1/20th of the drawn capex loan. Once repaid, the Group is able to draw down the repaid amount against the original RCF. This facility is secured by a debenture and a composite guarantee across the Group. The interest rate on the RCF is LIBOR+2.5% with a repayment term of six months from date of drawdown. The fair value equates to the carrying value.

During the year, the Group successfully secured a 2-year, £1.4m Term Loan with HSBC which attracts interest at 3.49% per annum over Base Rate. This loan is repayable over 36 months, commencing on the date which is 13 months after the date of drawdown.

Other borrowings comprise a loan with the landlord in the US in respect of the facility occupied by eV Products, Inc. This loan is repaid in equal instalments on a monthly basis and attracts interest at 7.50% per annum. At 30 April 2021, the total loan due to the landlord was £0.5m (2020: £0.7m). Of this, £0.2m is due within 12 months (2020: £0.1m) and £0.3m (2020: £0.6m) is due after 12 months.

As a result of COVID-19, the Group's US operations successfully secured £0.8m of Paycheck Protection Program Loans from the US Government. A second draw of Paycheck Protection Program Loans was announced in January 2021 and the Group successfully applied for and secured a further loan of £0.6m.
The first round of Paycheck Protection Program Loans were forgiven post year end.

In addition to the Paycheck Protection Program Loans, the Group's US operations were eligible to apply for an Economic Injury Disaster Loan. A loan of £0.1m was approved and secured in June 2020. This loan attracts interest at a rate of 3.75% per annum and the maturity date is 30 years from the date of loan note.

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:

	2021	**2020**
	%	**%**
Revolving credit facility	3.00	3.30
Other borrowing facilities	6.70	5.20

10. Notes to the cash flow statement

	2021	**2020**
	£'000	**£'000**
Loss for the year	**(5,353)**	(16,540)
Adjustments for:		
Finance income	**(2)**	(60)
Finance costs	**548**	604
Income tax credit	**(978)**	(1,805)
Depreciation of property, plant and equipment and ROU	**1,685**	1,185
Amortisation of intangible assets	**2,359**	2,142
Share-based payment expense	**106**	225
Impairment of intangible asset	**30**	-
Loss on disposal	**82**	-
Operating cash flow before movements in working capital	**(1,523)**	(14,249)
Decrease/(increase) in inventories	**214**	(3,189)
Decrease in receivables	**1,566**	11,787

(Decrease)/increase in payables	**(2,571)**	4,932
Cash used in operations	**(2,314)**	(719)
Income taxes received	**1,005**	898
Net cash (used in)/generated from operating activities	**(1,309)**	179

Cash and cash equivalents

	2021 £'000	**2020 £'000**
Cash and bank balances	**15,602**	9,444

Cash and cash equivalents comprise cash and term bank deposits repayable between one and twelve months from balance sheet date, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

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