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Kromek Group PLC
18 January 2022

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

Interim Results

On track to deliver significant revenue growth for full year with over 90% visibility of forecasts

Kromek (AIM: KMK), a leading developer of radiation and bio-detection technology solutions for the advanced imaging and CBRN detection segments, announces its interim results for the six months ended 31 October 2021.

Financial Highlights

- Revenue was £4.7m (H1 2021: £4.6m)
- Gross margin was 47% (H1 2021: 54%; FY 2021: 48%)
- Adjusted EBITDA* improved to £0.6m loss (H1 2021: £0.9m loss)
- Loss before tax reduced to £3.1m (H1 2021: £3.4m loss)
- Gross cash and cash equivalents at 31 October 2021 were £10.2m (30 April 2021: £15.6m; 31 October 2020: £5.8m)

**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 Highlights

- The Group delivered on existing contracts, won new orders and experienced greater customer engagement regarding future projects in both of its advanced imaging and CBRN detection segments
- Growth and, partly, margin were impacted by supply chain related challenges for components, with certain deliveries being delayed into the second half that are now being recovered. The Group took steps to increase the surety of its supply, resulting in increased inventory and working capital, and, accordingly, does not expect revenue to be impacted by similar issues in the second half
- Delivery continued on the Group's existing advanced imaging contracts and new business activity increased, significantly strengthening the pipeline for the second half and beyond:
  - Significant increase in medical imaging new business activity as the impact of the pandemic continued to recede - strengthening the pipeline for H2 2022 and beyond
  - Ramp up in delivery under the Group's significant multi-year medical imaging contract
  - Entered commercial development engagement with three new strategic OEMs for key medical imaging applications
  - Signed a seven-year supply agreement, worth up to $17m, to provide a CZT detector solution for industrial screening
  - Received a $250,000 repeat order in industrial screening from a US-based aerospace and defence technology customer
  - Entered commercial development engagement with two new security screening OEMs
- New and repeat orders won in the CBRN detection segment along with the Group participating in an increasing number of nuclear security tenders and making significant progress in its bio-security development programmes:

- Awarded a two-year contract worth up to $1.6m by a US federal entity for the D3S-ID wearable nuclear radiation detector
- Received a £173,000 order for the D5 RIID high-performance handheld radiation detector from a UK government-related customer
- Awarded a $6m contract extension from 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
- Successfully completed piloting in schools, airports and other locations of an airborne COVID-19 detection system under a project funded by Innovate UK and commenced productisation phase
- 15 new customers won in the civil nuclear market

· Three new patents were filed and three were granted during the period

Dr Arnab Basu, CEO of Kromek, said: "*During the first half of the 2022 financial year, we continued to deliver on our existing contracts as well as win new and repeat orders in both our advanced imaging and CBRN detection segments. We also made substantial progress with our existing development programmes and initiated new programmes with a number of strategic partners. While our growth and margin during the period were impacted by challenges related to the supply chain for components, this is being recovered in the second half and we remain on track to deliver a significant increase in revenue for full year 2022, in line with market expectations, with visibility of over 90% of full year forecasts. This would represent our highest ever full year revenue with growth in both segments.*

"Looking further ahead, we have significantly strengthened our pipeline in the multiple substantial markets in which we operate. We offer our customers a differentiating technology that supports early medical diagnosis to improve patient outcomes and government vigilance to the threat of terrorism - which are long-term growth drivers. As a result, the Board continues to look to the future with great confidence."

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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 GMT today via webcast. To register to participate, please contact amysmart@luther.co.uk at Luther Pendragon.

About Kromek Group plc

Kromek Group plc is a leading developer of radiation detection and bio-detection technology solutions for the advanced imaging and CBRN detection segments. Headquartered in County

Durham, UK, Kromek has manufacturing operations in the UK and US, delivering on the vision of enhancing the quality of life through innovative detection technology solutions.

The advanced imaging segment comprises the medical (including CT and SPECT), security and industrial markets. Kromek provides its OEM customers with detector components, based on its core cadmium zinc telluride (CZT) platform, to enable better detection of diseases such as cancer and Alzheimer's, contamination in industrial manufacture and explosives in aviation settings.

In CBRN detection, the Group provides nuclear radiation detection solutions to the global homeland defence and security market. Kromek's compact, handheld, high-performance radiation detectors, based on advanced scintillation technology, are primarily used to protect critical infrastructure and urban environments from the threat of 'dirty bombs'.

The Group is also developing bio-security solutions in the CBRN detection segment. These consist of fully automated and autonomous systems to detect a wide range of airborne pathogens.

Kromek is listed on AIM, a market of the London Stock Exchange, under the trading symbol 'KMK'.

Further information is available at www.kromek.com.

Operational Review

During the six months to 31 October 2021, the Group delivered on existing contracts and development programmes, won new and repeat orders and experienced greater customer engagement regarding future projects in both the advanced imaging and chemical, biological, radiological and nuclear (CBRN) detection segments of the business. This resulted in a slight increase in revenue over the same period of the prior year and a significantly strengthened pipeline for the second half of the year and beyond. Whilst the Group's growth during the first half was impeded by supply chain pressures, particularly global electronic component shortages, which meant certain deliveries were postponed into early in the second half, the Group has taken steps during the period to increase the surety of its supply and, as such, revenue in the second half of the year is not expected to be similarly impacted. The Group also continued to strengthen its manufacturing capabilities with the ongoing rollout of the capacity expansion projects that it had commenced in the prior year.

Advanced Imaging Segment

The advanced imaging segment comprises the medical imaging, security screening and industrial screening markets. Kromek provides its OEM customers with detector components, based on its core cadmium zinc telluride (CZT) platform, to enable better detection of diseases such as cancer and cardiac conditions, contamination in industrial manufacture and explosives in aviation settings.

In this segment, commercial engagement with customers consists of an initial design phase followed by incorporation of the Group's detectors and technologies into a customer's system and then the award to the Group of a multi-year supply contract, which provides long-term revenue visibility. Kromek has an established track record of winning orders for development purposes that transition to multi-year supply contracts from customers in gamma probes, bone mineral densitometry ("BMD") and single photon emission computed tomography ("SPECT") in medical imaging as well as in security and industrial screening. In particular, this success is evidenced by the significant contracts awarded in H2 2019 in medical imaging and the period under review in industrial imaging, which are expected to be worth approximately $58.1m and $17m respectively. As the Group continues to win such contracts, the Group's revenue base expands and the revenue profile becomes increasingly predictable.

During the period, the Group continued to deliver detector components to its customers under orders for development purposes and multi-year supply contracts. It has also experienced greater customer engagement regarding future projects as normal business increasingly resumes following the temporary redirection of resources due to the COVID-19 pandemic. Kromek remains on track to deliver strong growth in this segment compared with the 2021 financial year.

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 commercially adopted for SPECT, molecular breast imaging ("MBI") and BMD applications. These, along with computed tomography ("CT"), are key target areas for future growth as they address diseases particularly associated with an ageing population such as cancer, Alzheimer's, Parkinson's, cardiovascular illnesses and osteoporosis. Kromek also serves the gamma probes market in medical imaging, which are used during surgeries for the removal of lymph nodes.

During the period, Kromek continued to fulfil its existing supply orders in medical imaging and progress its development programmes. In particular, delivery continued to ramp up as planned to the Group's 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. In addition, the Group continued delivery of a $600k order received in H2 2021 from a different customer for the supply of detectors to be used in niche SPECT applications. This delivery was completed by the end of the 2021 calendar year as planned and the Group expects to receive further repeat orders under the ongoing supply relationship with this customer.

There was a significant increase in new business activity as the impact of the pandemic - which had caused a temporary redirection of resources in healthcare settings - continued to recede. This applied particularly in the Group's key target areas of CT and SPECT, supported by the growing industry adoption of new techniques and rollout of new systems. Kromek commenced commercial development engagement with three new strategic OEM customers in this market. These initial orders are for the supply of CZT-based detectors for use by the OEM customers in their commercial development programmes.

During the period, one of the Group's US medical imaging customers received FDA approval for its system for a niche nuclear medical application, which is using Kromek's detectors. The Group has received several orders from this customer, which it expects to continue on an ongoing basis.

Security Screening

In security screening, Kromek's technologies are used in travel, primarily aviation, settings to enable the Group's 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. The Group provides OEM and government customers with components and systems for cabin and hold luggage scanning.

During the period, the Group continued to deliver under its existing component supply agreements in the security screening market. In its development work, Kromek completed a two-year $1.6m 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. The Group also entered two new commercial development engagements during the period where Kromek is customising its detector solutions for incorporation into its OEM customers' systems.

Industrial Screening

In industrial screening, Kromek provides OEM customers with detector components for incorporating into scanning systems used during manufacturing processes to identify potential contaminants.

In October 2021, the Group signed a seven-year supply agreement, worth up to $17m, to provide CZT-based detector components for incorporation into systems for identifying contaminants for the purpose of product quality inspection. The contract, which was awarded following the completion of a two-year development programme, is expected to commence in the current financial year and is with a US based, sector-leading industrial OEM with a global customer base.

Also during the period, the Group was awarded a $250,000 repeat order from a US-based customer that is a global leader in aerospace and defence technologies. The customer's system, which incorporates Kromek detectors, is used for in-line quality control in manufacturing processes.

CBRN Detection Segment

In CBRN detection, the Group provides nuclear radiation detection solutions to the global homeland defence and security market. Kromek's compact, handheld, high-performance radiation detectors, based on advanced scintillation technology, are primarily used to protect critical infrastructure and urban environments from the threat of 'dirty bombs'. 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 establishments. In addition, the Group is developing bio-security solutions to detect a wide range of airborne pathogens, including SARS-CoV-2 (COVID-19).

The Group won new and repeat orders in the nuclear security and civil nuclear markets during the first half of the year and participated in an increasing number of tenders reflecting the growth in global government defence spending. The outcomes of these tenders are expected to be known during 2022 and the Group expects that the procurement activity in this market will remain high throughout the year. The Group also made significant progress with its development programmes in bio-security and anticipates commercial deployment of this technology in the next financial year.

Nuclear Security

Kromek's nuclear security platforms - D3S and 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.

Kromek was awarded a contract by a US federal entity for the Group's D3S-ID wearable nuclear radiation detector that is designed to enable first responders, armed forces, border security and other CBRN experts to detect radiological threats. The contract will be delivered over two years and is worth up to $1.6m. The Group also continued to receive repeat orders from the European Commission for the D3S-ID portable radiation detector.

During the first half of the year, Kromek received an order worth £173,000 from its UK government-related customer for the Group's D5 RIID high-performance radiation detector designed for challenging environments. This represents the first major order for the D5 RIID following its launch last year. In addition, post period, the Group received orders from two new customers for D5 detectors.

Civil Nuclear

In the civil nuclear market, Kromek won 15 new customers during the period. The Group continued its development work under a development and supply contract awarded in the previous financial year, worth a minimum of $960,000, which is for a product with both nuclear security and civil nuclear applications. The project is progressing on schedule, with the development work being completed by the end of calendar year 2021 and the product now in the validation phase ahead of the commencement of supply.

Biological-Threat Detection

Kromek is developing bio-security solutions consisting of fully automated and autonomous systems to detect a wide range of airborne pathogens for the purposes of national security and protecting public health. Since H2 2019, the Group 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 autonomously senses, analyses and identifies airborne pathogens. The programme was established to combat bioterrorism and is now also aimed at providing an early warning system in the event of a virus outbreak to enable action to be taken to localise the spread and prevent it from becoming an epidemic or global pandemic. The Group is also working under a programme funded by Innovate UK, which commenced in 2021, to develop a bio-security solution to support end-use cases specifically for COVID-19 detection.

During the period, the Group continued to deliver on the development milestones under its programme with DARPA and received a $6m contract for the next phase. The programme is for the development of a completely automated wide spectrum airborne pathogen detection system that is fully mobile and runs autonomously. It is being designed to be networkable and provide wide-area monitoring capability in near real-time. To date, the Group has been awarded a total of over $13m by DARPA under this programme.

Under its programme funded by Innovate UK to develop a solution for airborne COVID-19 detection, the Group successfully completed piloting of the system at a number of schools, airports and other locations. The solution is now in the productisation phase, with a manufacturing partner having been identified and a number of pre-production models also having been produced. Further, the Group also engaged in validation of the technology in third party laboratories with very positive results on both the detection levels, sensitivity and false alarm rates.

R&D, IP and Manufacturing

During the period, the Group continued to ramp up several projects, which had commenced in the prior year, for the expansion of production capacity and increased process automation. These programmes are resulting in greater productivity and cost efficiency in the manufacture of CZT and non-CZT products in both the Group's UK and US facilities.

Kromek is focused on developing the next generation of products for commercial application in its core markets. As noted, during the period the Group continued to advance development programmes with a number of partners and, in particular, significantly progressed the development of its biological-threat detection solution.

In H1 2022, Kromek applied for three new patents and had three patents granted across three patent families, bringing the total number of patents held by the Group to in excess of 275. The new applications cover innovations in both of the Group's segments.

Financial Review

Revenue for the six-month period ended 31 October 2021 increased slightly to £4.7m (H1 2021: £4.6m). The Group's growth was impacted during the period by supply chain pressures, particularly global electronic component shortages, which resulted in the delivery of some contracts being delayed into the second half of the year. As described further below, the Group took steps to increase the surety of its supply during the period. Accordingly, the Group does not expect revenue to be impacted by supply chain issues in the second half and remains on track to deliver significant growth for the full year, with visibility of over 90% of forecast revenue.

Gross profit was £2.2m (H1 2021: £2.5m) due to gross margin for the period being 46.8% compared with 54.5% for H1 2021 and 43.5% for H2 2021. The reduction compared with the first half of the prior year is due to product mix and component price inflation driven by supply chain pressures.

The Group generated other operating income of £1.3m (H1 2021: £0.3m), which predominantly comprises forgiveness of Paycheck Protection Programme (PPP) loans in the US. The Group had been granted PPP loans totalling $1.8m in the prior year and, during the period under review, applied for, and received, forgiveness for repayment from the US Government. In the prior year period, the £0.3m of other operating income comprised UK Government grants in response to COVID-19.

Administrative expenses and distribution costs increased to £6.4m (H1 2021: £5.9m), which is largely due to a combination of increased depreciation and amortisation expense, staff costs, travel and consultancy fees.

The forgiveness of PPP loans offset the decline in gross profit and the increased administrative and distribution costs to enable a reduction in operating loss to £2.9m (H1 2021: £3.1m loss).

The Group recognised an exceptional income of £0.1m relating to the impairment reversal of a specific trade receivable that was impaired in the full year 2020 financial statements and subsequently classified as an exceptional item.

Loss before tax reduced to £3.1m (H1 2021: £3.4m loss).

The adjusted EBITDA loss for the period was reduced to £0.6m (H1 2021: £0.9m loss). Adjusted EBITDA is calculated as per the following table:

	H1 2022 (Unaudited)	**H1 2021 (Unaudited)**	**FY 2021 (Audited)**
	£'000	**£'000**	**£'000**
Loss before tax	**(3,056)**	**(3,399)**	**(6,331)**
EBITDA adjustments:-			
Net interest	276	306	546
Depreciation	854	821	1,685
Amortisation	1,265	1,279	2,359
Share-based payments	120	120	106
COVID-19 related items			
Exceptional items	(89)	-	(52)
Adjusted EBITDA*	(630)	(873)	(1,687)

**Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, exceptional items and share-based payments. The exceptional item in H1 2022 and FY 2021 relates to the reversal of items impaired in the FY 2020 Annual Report. Share-based payments are added back when calculating the Group's adjusted EBITDA as this is currently an expense with a zero 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.*

Investment in product development was £3.1m for the six-month period ended 31 October 2021 (H1 2021: £2.7m). The expenditure in H1 2022 was in technology and product developments, reflecting the continuing investment and commitment in new and enhanced products, applications and platforms that can be commercially marketed. Amortisation of such development activity in the period was £1.0m (H1 2021: £1.0m).

Cash and cash equivalents at 31 October 2021 were £10.2m (30 April 2021: £15.6m; 31 October 2020: £5.8m). The decrease over the six-month period primarily reflects investment in product development and other intangibles, with capitalised development costs of £3.1m and IP additions of £0.1m, and a £1.7m reduction in working capital.

Inventories increased by £1.1m in the period from £6.2m to £7.3m. This increase was primarily in order to secure surety of critical electronic components for both H2 2022 and, in certain instances, H1 2023, in response to the supply chain pressures experienced during the first half. As such, the Group sourced component inventory when available, rather than in accordance with normal supply lead times. As noted above, there was significant component price inflation caused by the constrained market supply, which also contributed to the increased spend on inventories.

Outlook

Kromek entered the second half of FY 2022 in a stronger position than when it started the year and, the Board believes, than at any point in the Group's history. The Group has continued to deliver on its existing contracts as well as increase its contracted orderbook and pipeline. The Group has made significant progress under development programmes that are in areas that the Board believes will be key drivers of future growth, in particular, SPECT, CT and bio-security. In addition, due to the mitigating actions and significant forward planning that Kromek implemented during the first half of the year, and which remain in place, the Group does not expect revenue to be impacted by supply chain challenges in the second half of the year.

The Group currently has visibility in excess of 90% of expected full year revenue based on orders already delivered and won and this is further supported by a strong and increasing pipeline. As a result, Kromek is on track to deliver an increase in revenue of approximately 45% for full year 2022, in line with market expectations, which would represent the Group's highest ever full year revenue and reflect growth in both the advanced imaging and CBRN detection segments.

Looking further ahead, Kromek is operating in multiple substantial markets where its technology enables its advanced imaging customers to differentiate their products - forming an important part of the roadmap of major OEMs - and its CBRN detection customers to enhance national defence. The demand for technology that enables early medical diagnosis to improve patient outcomes and government vigilance to the threat of terrorism will continue. In addition, Kromek's strategic position in the advanced imaging segment has been significantly strengthened this year with the Group becoming the only commercial independent global supplier of CZT. As a result, the Board continues to look to the future with great confidence.

Consolidated condensed income statement
For the six months ended 31 October 2021

	Six months ended 31 October 2021 £'000 (Unaudited)	Six months ended 31 October 2020 £'000 (Unaudited)	Year ended 30 April 2021 £'000 (Audited)

	Note			
Continuing operations				
Revenue	4	4,707	4,576	10,352
Cost of sales		(2,503)	(2,083)	(5,346)
Gross profit		2,204	2,493	5,006
Other operating income	5	1,343	300	379
Distribution costs		(273)	(128)	(287)
Administrative expenses (including operating expenses)		(6,143)	(5,758)	(10,935)
Operating loss		(2,869)	(3,093)	(5,837)
Exceptional impairment reversal on trade receivables and amounts recoverable on contract	6	89	-	52
Operating results (post exceptional items)		(2,780)	(3,093)	(5,785)
Finance income		6	1	2
Finance costs		(282)	(307)	(548)
Loss before tax		(3,056)	(3,399)	(6,331)
Tax	7	707	385	978
Loss from continuing operations		(2,349)	(3,014)	(5,353)
Losses per share				
-basic (p)	9	(0.5)	(0.9)	(1.5)
-diluted (p)		(0.5)	(0.9)	(1.5)

Consolidated condensed statement of comprehensive income
For the six months ended 31 October 2021

	Six months ended 31 October 2021 £'000 (Unaudited)	Six months ended 31 October 2020 £'000 (Unaudited)	Year ended 30 April 2021 £'000 (Audited)
Loss for the period	(2,349)	(3,014)	(5,353)
Items that may be recycled to the income statement			
Exchange gains/(losses) on translation of foreign operations	1,154	(640)	(1,981)
Total comprehensive loss for the period	(1,195)	(3,654)	(7,334)

Consolidated condensed statement of financial position

	Note	31 October 2021 £'000 (Unaudited)	31 October 2020 £'000 (Unaudited)	30 April 2021 £'000 (Audited)
Non-current assets				
Goodwill		**1,275**	1,275	1,275
Other intangible assets		**26,240**	23,048	24,144
Property, plant and equipment	10	**10,884**	12,052	11,200
Right-of-use asset		**3,884**	3,597	4,076
		42,283	39,972	40,695
Current assets				
Inventories		**7,336**	6,579	6,202
Trade and other receivables		**7,166**	6,282	6,644
Current tax assets		**422**	1,415	1,015
Cash and bank balances		**10,243**	5,810	15,602
		25,167	20,086	29,463
Total assets		**67,450**	60,058	70,158
Current liabilities				
Trade and other payables		**(5,959)**	(5,966)	(6,174)
Lease obligation		**(389)**	(328)	(399)
Borrowings		**(4,813)**	(3,654)	(5,387)
Provisions for liabilities		**-**	-	-
		(11,161)	(9,948)	(11,960)
Net current assets		**14,006**	10,138	17,503
Non-current liabilities				
Deferred income		**(1,221)**	(1,068)	(1,071)
Lease obligation		**(4,111)**	(3,575)	(4,256)
Borrowings		**(1,977)**	(3,928)	(2,816)
Total liabilities		**(18,470)**	(18,519)	(20,103)
Net assets		**48,980**	41,539	50,055
As at 31 October 2021				
Equity				
Share capital	12	**4,319**	3,449	4,319
Share premium account		**72,943**	61,603	72,943
Merger reserve		**21,853**	21,853	21,853
Translation reserve		**1,154**	1,341	-
Accumulated losses		**(51,289)**	(46,707)	(49,060)

Total equity	**48,980**	41,539	50,055

Consolidated condensed statement of changes in equity
For the six months ended 31 October 2021

	Equity attributable to equity holders of the Group					
	Share Capital £'000	**Share Premium Account £'000**	**Merger Reserve £'000**	**Translation Reserve £'000**	**Accumulated Losses £'000**	**Total £'000**
Balance at 1 May 2021	**4,319**	**72,943**	**21,853**	**-**	**(49,060)**	**50,055**
Loss for the period	-	-	-	-	(2,349)	**(2,394)**
Other comprehensive income for the period	-	-	-	1,154	-	**1,154**
Total comprehensive loss for the period	-	-	-	1,154	(2,349)	**(1,195)**
Transactions with shareholders recorded in equity						
Issue of share capital net of expenses	-	-	-	-	-	**-**
Premium on shares issued less expenses	-	-	-	-	-	**-**
Credit to equity for equity-settled share-based payments	-	-	-	-	120	**120**
Balance at 31 October 2021	**4,319**	**72,943**	**21,853**	**1,154**	**(51,289)**	**48,980**
Balance at 1 May 2020	3,446	61,600	21,853	1,981	(43,813)	**45,067**
Loss for the period	-	-	-	-	(3,014)	**(3,014)**
Other comprehensive loss for the period	-	-	-	(640)	-	**(640)**
Total comprehensive loss for the period	-	-	-	(640)	(3,014)	**(3,654)**
Transactions with shareholders recorded in equity						

Issue of share capital net of expenses	3	-	-	-	-	**3**
Premium on shares issued less expenses	-	3	-	-	-	**3**
Credit to equity for equity-settled share-based payments	-	-	-	-	120	**120**
Balance at 31 October 2020	**3,449**	**61,603**	**21,853**	**1,341**	**(46,707)**	**41,539**
Balance at 1 May 2020	3,446	61,600	21,853	1,981	(43,813)	**45,067**
Loss for the year	-	-	-	-	(5,353)	**(5,353)**
Other comprehensive loss for the year	-	-	-	(1,981)	-	**(1,981)**
Total comprehensive loss for the year	-	-	-	(1,981)	(5,353)	**(7,334)**
Transactions with shareholders recorded in equity						
Issue of share capital net of expenses	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**

Consolidated condensed statement of cash flows
For the six months ended 31 October 2021

	Note	Six months ended 31 October 2021 £'000 (Unaudited)	Six months ended 31 October 2020 £'000 (Unaudited)	Year ended 30 April 2021 £'000 (Audited)
Net cash used in operating activities	11	**(2,213)**	(1,890)	(1,309)
Investing activities				
Interest received		**6**	1	2
Purchases of property, plant and equipment		**(260)**	(295)	(454)
Purchases of patents and trademarks		**(96)**	(114)	(156)
Capitalisation of research and development costs		**(3,125)**	(2,667)	(5,463)
Net cash used in investing activities		**(3,475)**	(3,075)	(6,071)
Financing activities				
New borrowings		**560**	2,283	3,215

Net proceeds on issue of shares	**-**	3	12,216
Interest paid	**(162)**	(189)	(309)
Payment of loan and borrowings	**(704)**	(307)	(595)
Finance lease repayments	**(322)**	(272)	(395)
Net cash (used in) / generated from financing activities	**(628)**	1,518	14,132
Net (decrease) / increase in cash and cash equivalents	**(6,316)**	(3,447)	6,752
Cash and cash equivalents at beginning of period	**15,602**	9,444	9,444
Effect of foreign exchange rate changes	**957**	(187)	(594)
Cash and cash equivalents at end of period	**10,243**	5,810	15,602

Notes to the unaudited interim statements
For the six months ended 31 October 2021

1. Basis of preparation

This interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditors reported on the Kromek Group plc financial statements for the year ended 30 April 2021, their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Group's consolidated annual financial statements for the year ended 30 April 2021 have been filed with the Registrar of Companies and are available on the Group's website: www.kromek.com.

2. Going concern

The Directors have a reasonable expectation that the going concern basis of accounting remains appropriate and that the Group has adequate resources and facilities to continue in operation for the next 12 months based on its cash flow forecasts prepared. Accordingly, the Group's unaudited interim statements for the six months ended 31 October 2021 have been prepared on a going concern basis which contemplates the realisation of assets and the settlement of liabilities and commitments in the normal course of operations.

3. Interim report

This interim financial report will be available from the Group's website at www.kromek.com.

4. Business and geographical segments

Products and services from which reportable segments derive their revenues

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

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

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

Analysis by geographical area

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

	Six months ended 31 October 2021 £'000 (Unaudited)	Six months ended 31 October 2020 £'000 (Unaudited)	Year ended 30 April 2021 £'000 (Audited)
United Kingdom	**928**	683	1,627
North America	**1,916**	3,055	5,693
Asia	**125**	197	610
Europe	**1,695**	630	2,387
Australasia	**43**	11	3
Africa	**-**	-	32
Total revenue	**4,707**	4,576	10,352

4. Business and geographical segments (continued)

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

Six months ended 31 October 2021

	UK Operations	USA Operations	Total for Group
	£'000	£'000	£'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	3,487	3,813	7,300
-Revenue from grants	409	-	409
-Revenue from contract customers	374	142	516
Total sales by segment	4,270	3,955	8,225

Removal of inter-segment sales	(2,459)	(1,059)	(3,518)
Total external sales	1,811	2,896	4,707
Segment result - operating loss	(2,382)	(398)	(2,780)
Net interest	(162)	(114)	(276)
Loss before tax	(2,544)	(512)	(3,056)
Tax credit	707	-	707
Loss for the period	(1,837)	(512)	(2,349)
Other information			
Property, plant and equipment additions	65	195	260
Depreciation of property, plant and equipment	506	348	854
Intangible asset additions	2,627	594	3,221
Amortisation of intangible assets	751	514	1,265
Balance Sheet			
Total assets	41,942	25,508	67,450
Total liabilities	(11,911)	(6,559)	(18,470)

Inter-segment sales are charged at prevailing market prices.

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

4. Business and geographical segments (continued)

Six months ended 31 October 2020

	UK Operations	USA Operations	Total for Group
	£'000	£'000	£'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	2,255	1,615	3,870
-Revenue from grants	8	-	8
-Revenue from contract customers	2,266	320	2,586
Total sales by segment	4,529	1,935	6,464
Removal of inter-segment sales	(1,317)	(571)	(1,888)
Total external sales	3,212	1,364	4,576
Segment result - operating loss	(537)	(2,556)	(3,093)
Net interest	(179)	(127)	(306)
Loss before tax	(716)	(2,683)	(3,399)
Tax credit	385	-	385
Loss for the period	(331)	(2,683)	(3,014)
Other information			

Property, plant and equipment additions	229	66	295
Depreciation of property, plant and equipment	483	338	821
Intangible asset additions	2,172	609	2,781
Amortisation of intangible assets	777	502	1,279
Balance Sheet			
Total assets	35,203	24,855	60,058
Total liabilities	(11,887)	(6,632)	(18,519)

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

5. Other Operating Income

In the period to 31 October 2021, other operating income comprised the forgiveness of PPP loans granted by the US Government and grants received from the Coronavirus Job Retention Scheme provided by the UK Government in response to COVID-19's economic impact on businesses. In the prior year period, the £0.3m of other operating income comprised UK Government grants in response to COVID-19.

6. Exceptional Items

The Group has reversed £89k in relation to an item impaired in the full year 2020 financial statements.

7. Tax

The Group has recognised R&D tax credits of £707k for the six months ended 31 October 2021 (six months ended 31 October 2020: £385k).

8. Dividends

The Directors do not recommend the payment of a dividend (six months ended 31 October 2020: £nil).

9. Losses per share

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

Losses

	Six months ended 31 October 2021 £'000 (Unaudited)	**Six months ended 31 October 2020 £'000 (Unaudited)**	**Year ended 30 April 2021 £'000 (Audited)**
Losses for the purposes of basic loss per share being net loss attributable to owners of the Group	**(2,349)**	(3,014)	(5,353)

	Six months ended 31 October 2021 '000	**Six months ended 31 October 2020 '000**	**Year ended 30 April 2021 '000**

	(Unaudited)	(Unaudited)	(Audited)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic loss per share	**431,852**	344,751	358,912
Effect of dilutive potential ordinary shares:			
Share options and warrants	**618**	340	373
Weighted average number of ordinary shares for the purposes of diluted loss per share	**432,470**	345,745	359,285
Basic (p)	**(0.5)**	(0.9)	(1.5)
Diluted (p)	**(0.5)**	(0.9)	(1.5)

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

10. Property, plant and equipment

During the six months ended 31 October 2021, the Group acquired property, plant and equipment with a cost of £260k (six months ended 31 October 2020: £295k).

11. Notes to the cash flow statement

	Six months ended 31 October 2021 £'000 (Unaudited)	Six months ended 31 October 2020 £'000 (Unaudited)	Year ended 30 April 2021 £'000 (Audited)
Loss for the period	**(2,349)**	(3,014)	(5,353)
Adjustments for:			
Finance income	**(6)**	(1)	(2)
Finance costs	**282**	307	548
Income tax credit	**(707)**	(385)	(978)
Depreciation of property, plant and equipment	**854**	821	1,685
Amortisation of intangible assets	**1,265**	1,279	2,359
Share-based payment expense	**120**	120	106
PPP loan forgiveness	**(1,253)**	-	-
Impairment of intangible asset	**-**	-	30
Loss on disposal	**-**	-	82
Operating cash flows before movements in working capital	**(1,794)**	(873)	(1,523)
(Increase) / decrease in inventories	**(1,134)**	(163)	214
(Increase) / decrease in receivables	**(524)**	1,928	1,566
(Decrease) in payables	**(61)**	(2,782)	(2,571)
Cash used in operations	**(3,513)**	(1,890)	(2,314)
Income taxes received	**1,300**	-	1,005
Net cash used in operating activities	**(2,213)**	(1,890)	(1,309)

12. Share capital

During the period, no ordinary shares (six months ended 31 October 2020: 250,000) were issued to satisfy the exercise of employee share options.

13. Events after the balance sheet date

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

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