30 January 2024

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

Interim Results

Kromek Group plc (AIM: KMK), a leading developer of radiation and bio-detection technology solutions for the advanced imaging and CBRN detection segments, announces its unaudited interim results for the six months ended 31 October 2023.

Financial Highlights

- Revenue increased to £7.1m (H1 2023: £6.8m)
- Gross margin improved to 54.2% (H1 2023: 40.4%)
- Adjusted EBITDA loss reduced to £0.1m (H1 2023: £2.7m loss)*
- Loss before tax reduced to £3.5m (H1 2023: £5.7m loss)
- Cash and cash equivalents at 31 October 2023 were £3.7m (30 April 2023: £1.1m)
- Net cash used in operating activities substantially reduced to £1.6m (H1 2023: £4.0m)
- Refinancing of its debt facility with new £5.5m secured term loan in September 2023
- Equity fundraise of £8m (gross) in May 2023
- Remain on track to deliver significant revenue growth and positive EBITDA for the year to 30 April 2024

**A reconciliation of adjusted EBITDA can be found in the Financial Review.*

Operational Highlights

Advanced Imaging

- Commenced significant collaboration agreements with:
    - A tier 1 OEM to provide CZT-based detectors for use in the customer's advanced medical imaging scanners
    - Analogic Corporation ("Analogic") to develop CZT-based detectors for photon counting computed tomography ("CT") applications in medical imaging and security screening
- New collaboration agreement entered, post period, with a global blue-chip technology solutions provider to develop CZT-based detectors for photon counting CT applications in medical imaging
- Received a $1.4m contract from a new Asia-based OEM customer to develop and supply CZT-based detectors for single-photon emission computed tomography ("SPECT") applications
- Launch by Spectrum Dynamics Medical ("Spectrum Dynamics"), a key customer, of the latest addition to its next generation digital SPECT/CT imaging portfolio, the VERITON-CT 300, using Kromek's detectors

CBRN Detection

- Kromek's nuclear radiation detection solutions continued to be deployed by global homeland defence and security forces to protect critical infrastructure, events and urban environments from the threat of 'dirty bombs'
- Received over $1m in new orders for nuclear security products, including from a new customer that is a substantial global defence corporation
- Awarded a $1.5m contract in Asia for a new product in the civil nuclear market
- Received a £1.4m contract, post period, for the supply of D3M detectors for use in the rescEU stockpile being developed by the European Commission

Biological-Threat Detection

- Received a $5.9m contract from the US Department of Homeland Security for the development, under a four-year programme, of technologies focusing on an agent agnostic bio-detection system
- Progressed development of a biological-threat detection system under previously awarded contract with a UK government department

Manufacturing and IP

- Sustained progress in improving yield and cost efficiency in CZT crystal growth and detector manufacturing
- One new patent filed and three granted during the period

Dr Arnab Basu, CEO of Kromek, said: "I am pleased to report another period of growth for Kromek as we continued to deliver on our long-term agreements and development programmes as well as win new orders. We advanced our strategy by signing a significant collaboration agreement with a global blue-chip technology solutions provider in advanced imaging and through expanding our customer base in CBRN detection, including securing our first order with a substantial global defence corporation. At the same time, we heavily focused on managing our cost base and increasing the efficiency within our business, which remains a key priority.

"Looking ahead, in line with normal seasonality, we will be second half weighted and remain on track to deliver record revenues for full year 2024 and positive EBITDA. We continue to operate in substantial markets and are receiving high demand for our products that are being used every day to save people's lives – from the detection of nuclear threats in Ukraine, to cancer in hospitals around the world. As a result, the Board continues to look to the future with confidence."

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Investor Webinar

Dr Arnab Basu, Chief Executive Officer, and Paul Farquhar, Chief Financial Officer, will be hosting a presentation for investors at 6.00pm GMT on Wednesday 31 January 2024 via webinar.

The webinar is open to all existing and potential shareholders. Interested parties can register to attend, and submit questions in advance, using the following link: https://forms.gle/eRXGNiuCnmH3yGov9.

Participants are requested to submit questions by 12.00pm on 31 January 2024.

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 and solid-state readout technology, are primarily used to protect critical infrastructure, events, personnel 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’.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

Operational Review

During the six months to 31 October 2023, Kromek commenced the significant collaboration agreements that were entered into at the end of the prior year in advanced imaging with a tier 1 OEM and Analogic, whilst continued customer engagement resulted in the signing of a further agreement shortly after period end with a major blue-chip technology solutions provider. These agreements represent Kromek executing on its advanced imaging strategy and are great endorsements of the Group's technology, capabilities and solutions.

In CBRN detection, demand for the Group's nuclear security products remained strong as global insecurity and raised concern over potential nuclear threats continue to underscore the requirement for such products. Kromek also made excellent progress on its biological-threat detection development programmes, with a number of key milestones being achieved under the Group's programme with the UK government.

Advanced Imaging

In advanced imaging, Kromek primarily operates in the medical imaging market with some opportunities in the security screening and industrial screening sectors. Kromek provides OEM customers with detector components, based on its core cadmium zinc telluride ("CZT") platform, to enhance imaging quality and enable better detection of diseases such as cancer and Alzheimer's, contamination in industrial manufacture and explosives in aviation settings. As the only independent commercial producer of CZT at scale, Kromek is well-positioned in this segment.

Medical Imaging

During the period, Kromek continued to receive orders in its regular repeat business, delivered under its supply agreements and progressed its development programmes. It also secured new customers and expanded its engagement with leading OEMs, which resulted, shortly after period end, in the Group entering a collaboration agreement with a new blue-chip technology solutions provider that has over 100,000 customers globally for a range of applications, including healthcare. Under the agreement, Kromek will develop CZT-based detectors for photon counting CT applications in the medical imaging sector and will ensure production capability is available to support commercial demand ramp-up.

The Group commenced work under the collaboration agreements that were signed at the end of the 2023 financial year with a recognised tier 1 OEM and with Analogic to develop CZT-based detectors for use in their advanced imaging scanners. The agreement with the tier 1 OEM, which is a leading health-technology company, comprises a short development phase to integrate Kromek's CZT-based detectors into the customer's medical imaging scanners, with the agreement then transitioning to a longer commercial supply phase. With Analogic, who have been global leaders in CT detector technology for over 50 years, Kromek is developing CZT-based detector solutions for photon counting CT applications in both the medical imaging and security screening sectors.

Kromek received an order worth $1.4m from a new OEM customer that is an established player in the medical imaging sector in Asia. The order is for CZT-based detector-modules for use in the customer's next generation SPECT systems. Delivery and revenue recognition are expected in the current financial year.

Also during the period, Spectrum Dynamics, a key customer, introduced the latest addition to its next generation digital SPECT/CT imaging portfolio, the VERITON-CT 300, for higher energy imaging, using Kromek's digital detectors. This integration enables enhanced image quality and breakthrough clinical capabilities in digital SPECT/CT.

Security & Industrial Screening

In security and industrial screening, Kromek continued to deliver under its existing component supply agreements and development programmes. This includes the detector solutions being developed under its collaboration agreement with Analogic, noted above, which will be for security applications as well as medical.

CBRN Detection

In CBRN detection, the Group provides nuclear radiation detection solutions to the global homeland defence and security market, which are primarily used to protect critical infrastructure, events 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.

Nuclear Security

Geopolitical insecurity continued to drive demand for Kromek's products that contribute to ensuring public safety and security, which are selected by governments and their agencies for their best-of-breed features and the Group's ability to deploy rapidly. The Group is also benefiting from its distribution partnership with Smiths Detection, a global leader in threat detection and security screening technologies for aviation, ports and borders, defence and urban security markets, which was established in the previous year.

During the period, alongside deployments under previously-awarded contracts, the Group received two new orders in nuclear security, with one being from an existing customer and the other from a new customer that is a substantial global defence corporation, which the Group believes represents a significant opportunity for further sales. Post period, the Group received a £1.4m order to supply its D3M detectors and associated networkable solutions for use in the rescEU stockpile, which is being developed by the European Commission to help safeguard citizens from disasters and manage emerging risks.

Civil Nuclear

In the civil nuclear segment, Kromek secured a contract worth $1.5m, to be delivered over 15 months, by one of its distribution partners in Asia. The contract is for a new product, based on the Group's existing technology, with the development of the product having been funded by the distribution partner.

Biological-Threat Detection

Kromek is developing biosecurity solutions that consist of fully automated and autonomous systems to detect a wide range of airborne pathogens for the purposes of national security and protecting public health. In this sector, the Group may consider forming strategic or financial partnerships to further accelerate the time to market for this technology.

During the period, the Group progressed the development of a biological-threat detection system under a contract that had been awarded in the previous financial year by a UK government department. Under the three-year programme, which is worth a total of £4.9m, Kromek will develop and supply the system, with the contract also including an option for extended maintenance services after the initial term.

The Group was awarded a $5.9m contract from the US Department of Homeland Security for the development of technologies focusing on an agent agnostic bio-detection system, under a four-year programme. This is the Group's first biosecurity contract from the Department of Homeland Security and underscores management's belief that there are significant market opportunities in this area as its technologies align well with major governments' biosecurity strategies. The Group also received during the period an order for the further development of its biosecurity technology from an existing government customer.

Manufacturing and IP

Kromek continued to execute on its programmes for the expansion of production capacity and increased process automation, with particular progress being made at its CZT manufacturing facility in the US. These programmes are on track and are resulting in greater manufacturing productivity and cost efficiencies. Kromek is making significant progress in its cost and productivity in CZT crystal growth and detector manufacturing. The Group has dedicated teams that are focussed on targeted improvements for every step in the manufacturing process, which directly contributes to yield and cost improvement.

In H1 2024, Kromek applied for one new patent and had three patents granted across three patent families, with the total number of patents held by the Group being in excess of 230. The new applications cover innovations in both of the Group's segments.

Financial Review

Revenue for the six-month period ended 31 October 2023 increased by 5% to £7.1m (H1 2023: £6.8m). In particular, R&D revenue increased significantly, driven by the Group's biological-threat detection development contracts, and accounted for 17% of total Group revenue for the period. The split between product sales and revenue from R&D contracts is as follows:

	H1 2024 (Unaudited)		**H1 2023 (Unaudited)**	
	£'000		**£'000**	
Product	£5,910	83%	£6,540	96%
R&D	£1,185	17%	£245	4%
Total	£7,095	100%	£6,785	100%

Gross margin improved substantially to 54.2% compared with 40.4% for H1 2023. The increase is largely due to revenue and product mix in the period – namely, the increased contributions to revenue from R&D and to product sales from CBRN detection – and the easing of global supply constraints resulting in cost savings on component parts compared with the first half of the prior year. The gross margin is also benefitting from increasing efficiencies in advanced imaging as the Group continues to implement its manufacturing productivity programmes. As a result of the improved margin and higher revenue, gross profit increased to £3.8m (H1 2023: £2.7m).

Administrative expenses and distribution costs reduced to £6.4m (H1 2023: £8.0m), which reflects the Group's focus on tight cost control. In addition, the Group generated £0.2m from the change in the fair value of the embedded derivative liability associated with the convertible loan notes in issue (H1 2023: £nil). Accordingly, total operating costs were reduced to £6.2m (H1 2023: £8.0m).

As a result of the lower operating costs and increased gross profit, operating loss was significantly reduced to £2.3m (H1 2023: £5.2m loss). After net finance costs of £0.9m (H1 2023: £0.5m) and exceptional costs of £0.2m related to the Group's debt refinancing, loss before tax was £3.5m (H1 2023: £5.7m loss).

The adjusted EBITDA loss for the period was reduced to £0.1m (H1 2023: £2.7m loss). Adjusted EBITDA is calculated as follows:

	H1 2024 (Unaudited)	H1 2023 (Unaudited)	FY 2023 (Audited)
	£'000	**£'000**	**£'000**
Loss before tax	**(3,492)**	**(5,671)**	**(7,292)**
EBITDA adjustments:-			
Net interest	913	458	1,243
Depreciation	883	962	1,903
Amortisation	1,357	1,465	2,891
Share-based payments	180	120	354
Change in fair value of derivative	(202)	-	(77)
Exceptional items	246	-	-
Adjusted EBITDA*	(115)	(2,666)	(978)

**Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, exceptional items, change in fair value of derivatives and share-based payments. 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. The exceptional item relates to costs associated with the refinancing of the debt facility.*

The Group invested £2.6m in product development in the six-month period (H1 2023: £2.6m) that was capitalised on the balance sheet, which largely reflects:

- the continuing investment in cost reduction and productivity improvements in CZT crystal growth and detector manufacturing in advanced imaging; and
- the development of automated and autonomous biological-threat detection technology to detect airborne pathogens for the purposes of national security and protecting public health.

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.

During the period, the Group completed a placing, subscription and open offer to raise £8m before expenses, of which £7m was raised through the share placing and subscription, and a further £1m through the open offer.

Cash and cash equivalents at 31 October 2023 were £3.7m (30 April 2023: £1.1m). The £2.6m increase in cash over the six-month period was substantially due to the combination of the following cash inflows and outflows:

- Adjusted EBITDA loss for the period of £0.1m.
- R&D tax receipts of £1.1m.
- Investment of £2.8m in tangible and intangible assets, with capitalised development costs of £2.6m, IP additions of £0.1m and capital expenditure of £0.1m.
- Net cash generated from financing activities of £6.9m, representing new debt and equity funds raised less debt repayments.
- A net cash outflow of £2.3m due to working capital movements.
- An increase in cash of £0.1m arising from the impact of foreign exchange.

The amount owing by the Group in respect of convertible loan notes reduced during the period from £2.8m to £2.6m following the partial conversion to equity of certain of the holdings (see note 13).

During the period, the Group completed a refinancing of its principal borrowing facility with the signing of a new £5.5m secured term loan. The new facility was provided by Polymer N2 Limited, an existing and significant shareholder in the Company. For further details on the Group's borrowings, see note 12.

Outlook

Kromek remains on track to deliver record revenues for the full year 2024 and positive EBITDA.

The Group has good visibility of full year revenue forecasts, comprising 72% contracted or already shipped, 10% awarded and going through contract negotiation, 2% being provided by the Group's regular repeat order business and the remaining 16% anticipated to be generated from the known pipeline of opportunities. In particular, in the second half of the year the Group expects significant growth in product sales as it delivers under its long-term contracts and continues to receive new orders.

Kromek remains heavily focussed on controlling costs across the Group and in increasing efficiency, particularly within the advanced imaging manufacturing process. In addition, the inflationary pressures on the price of materials and labour are continuing to reduce.

As a result, the Board expects to report results for full year 2024 in line with market expectations and, looking further ahead, remains confident of delivering sustained EBITDA growth.

Consolidated condensed income statement
For the six months ended 31 October 2023

	Note	Six months ended 31 October 2023 £'000 (Unaudited)	Six months ended 31 October 2022 £'000 (Unaudited)	Year ended 30 April 2023 £'000 (Audited)
Continuing operations				
Revenue	4	**7,095**	6,785	17,309
Cost of sales		**(3,246)**	(4,046)	(8,374)
Gross profit		**3,849**	2,739	8,935
Other operating income	5	**-**	-	121
Distribution costs		**(216)**	(319)	(612)
Administrative expenses (including operating expenses)		**(6,168)**	(7,633)	(14,570)
Change in fair value of derivative		**202**	-	77
Operating loss		**(2,333)**	(5,213)	(6,049)
Exceptional items	6	**(246)**	-	-
Operating results (post exceptional items)		**(2,579)**	(5,213)	(6,049)
Finance income		**32**	-	2
Finance costs		**(945)**	(458)	(1,245)
Loss before tax		**(3,492)**	(5,671)	(7,292)
Tax	7	**425**	601	1,192
Loss from continuing operations		**(3,067)**	(5,070)	(6,100)
Loss per share				
-basic (p)	9	**(0.5)**	(1.2)	(1.4)

Consolidated condensed statement of comprehensive income
For the six months ended 31 October 2023

	Six months ended 31 October 2023 £'000 (Unaudited)	Six months ended 31 October 2022 £'000 (Unaudited)	Year ended 30 April 2023 £'000 (Audited)
Loss for the period	**(3,067)**	(5,070)	(6,100)
Items that may be recycled to the income statement			
Exchange gains/(losses) on translation of foreign operations	**808**	2,017	(166)
Total comprehensive loss for the period	**(2,259)**	(3,053)	(6,266)

Consolidated condensed statement of financial position
As at 31 October 2023

	Note	31 October 2023 £'000 (Unaudited)	31 October 2022 £'000 (Unaudited)	30 April 2023 £'000 (Audited)
Non-current assets				
Goodwill		**1,275**	1,275	1,275
Other intangible assets		**32,361**	30,539	30,554
Property, plant and equipment	10	**9,368**	10,796	9,831
Right-of-use assets		**3,721**	4,263	3,758
		46,725	46,873	45,418
Current assets				
Inventories		**11,411**	10,866	10,894
Trade and other receivables		**6,586**	6,692	5,529
Current tax assets		**300**	349	940
Cash and bank balances		**3,723**	956	1,097
		22,020	18,863	18,460
Total assets		**68,745**	65,736	63,878
Current liabilities				
Trade and other payables		**(6,750)**	(5,986)	(7,436)
Lease obligation		**(448)**	(413)	(405)
Borrowings	12	**(3,167)**	(5,693)	(8,318)
Derivative financial instruments	13	**(309)**	-	(517)
		(10,674)	(12,092)	(16,676)
Net current assets		**11,346**	6,771	1,792
Non-current liabilities				
Deferred income		**(970)**	(1,071)	(1,021)
Lease obligation		**(4,051)**	(4,505)	(4,089)
Borrowings	12	**(5,737)**	(3,565)	(568)
Total liabilities		**(21,432)**	(21,233)	(22,354)
Net assets		**47,313**	44,503	41,524
Equity				
Share capital	14	**6,003**	4,319	4,319
Share premium account		**79,138**	72,943	72,943
Merger reserve		**21,853**	21,853	21,853
Translation reserve		**2,705**	4,080	1,897
Accumulated losses		**(62,386)**	(58,692)	(59,488)
Total equity		**47,313**	44,503	41,524

Consolidated condensed statement of changes in equity
For the six months ended 31 October 2023

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 2023	**4,319**	**72,943**	**21,853**	**1,897**	**(59,488)**	**41,524**
Loss for the period	-	-	-	-	(3,067)	**(3,067)**
Other comprehensive income for the period	-	-	-	808	-	**808**
Total comprehensive gain/(loss) for the period	-	-	-	808	(3,067)	**(2,259)**
Transactions with shareholders recorded in equity						
Issue of share capital	1,684	-	-	-	-	**1,684**
Premium on shares issued less expenses	-	6,195	-	-	-	**6,195**
Conversion of convertible loan notes	-	-	-	-	(11)	**(11)**
Credit to equity for equity-settled share-based payments	-	-	-	-	180	**180**
Balance at 31 October 2023	**6,003**	**79,138**	**21,853**	**2,705**	**(62,386)**	**47,313**
Balance at 1 May 2022	**4,319**	**72,943**	**21,853**	**2,063**	**(53,742)**	**47,436**
Loss for the period	-	-	-	-	(5,070)	**(5,070)**
Other comprehensive income for the period	-	-	-	2,017	-	**2,017**
Total comprehensive gain/(loss) for the period	-	-	-	4,080	(5,070)	**(990)**
Transactions with shareholders recorded in equity						
Credit to equity for equity-settled share-based payments	-	-	-	-	120	**120**
Balance at 31 October 2022	**4,319**	**72,943**	**21,853**	**4,080**	**(58,692)**	**44,503**
Balance at 1 May 2022	4,319	72,943	21,853	2,063	(53,742)	**47,436**
Loss for the period	-	-	-	-	(6,100)	(4,918)
Other comprehensive loss for the period	-	-	-	(166)	-	(166)
Total comprehensive loss for the year	-	-	-	(166)	(6,100)	**(6,266)**
Transactions with shareholders recorded in equity						
Credit to equity for equity-settled share-based payments	-	-	-	-	354	**354**
Balance at 30 April 2023	**4,319**	**72,943**	**21,853**	**1,897**	**(59,488)**	**41,524**

Consolidated condensed statement of cash flows
For the six months ended 31 October 2023

	Note	Six months ended 31 October 2023 £'000 (Unaudited)	Six months ended 31 October 2022 £'000 (Unaudited)	Year ended 30 April 2023 £'000 (Audited)
Net cash (used in)/generated from operating activities	11	**(1,607)**	(4,026)	197
Investing activities				
Interest received		**32**	-	2
Purchases of property, plant and equipment		**(57)**	(186)	(269)
Purchases of patents and trademarks		**(122)**	(82)	(183)
Capitalisation of research and development costs		**(2,625)**	(2,580)	(4,821)
Net cash used in investing activities		**(2,772)**	(2,848)	(5,271)
Financing activities				
New borrowings		**5,900**	3,840	1,100
Interest paid		**(820)**	(326)	(703)
Payment of loan and borrowings		**(5,712)**	(1,047)	(1,258)
Finance lease repayments		**(340)**	(347)	(692)
Proceeds from the issue of convertible loan notes		**-**	-	2,840
Net proceeds on issue of shares		**7,879**	-	-
Net cash generated from financing activities		**6,907**	2,120	1,287
Net increase/(decrease) in cash and cash equivalents		**2,528**	(4,754)	(3,787)
Cash and cash equivalents at beginning of period		**1,097**	5,081	5,081
Effect of foreign exchange rate changes		**98**	629	(197)
Cash and cash equivalents at end of period		**3,723**	956	1,097

Notes to the unaudited interim statements
For the six months ended 31 October 2023

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 2023, 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 2023 have been filed with the Registrar of Companies and are available on the Group's website: www.kromek.com.

2. Interim report

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

3. 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 2023 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.

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.

4. Business and geographical segments (continued)

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

	Six months ended 31 October 2023 £'000 (Unaudited)	Six months ended 31 October 2022 £'000 (Unaudited)	Year ended 30 April 2023 £'000 (Audited)
United Kingdom	**1,305**	298	3,944
North America	**1,745**	3,306	6,110
Asia	**2,255**	424	2,071
Europe	**1,698**	2,726	5,031
Other	**92**	31	153
Total revenue	**7,095**	6,785	17,309

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

Six months ended 31 October 2023

	UK Operations £'000	USA Operations £'000	Total for Group £'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	5,575	5,650	11,225
-Revenue from grants	263	-	263
-Revenue from contract customers	1,028	-	1,028
Total sales by segment	6,866	5,650	12,516
Removal of inter-segment sales	(3,574)	(1,847)	(5,421)
Total external sales	3,292	3,803	7,095
Segment result – operating loss	(989)	(1,344)	(2,333)
Net interest	(788)	(125)	(913)
Exceptional items	(246)	-	(246)
Loss before tax	(2,023)	(1,469)	(3,492)
Tax credit	425	-	425
Loss for the period	(1,598)	(1,469)	(3,067)
Other information			
Property, plant and equipment additions	18	39	57
Depreciation of property, plant and equipment	496	387	883
Intangible asset additions	1,152	1,595	2,747
Amortisation of intangible assets	704	653	1,357
Balance Sheet			
Total assets	37,863	30,882	68,745
Total liabilities	(15,708)	(5,724)	(21,432)

4. Business and geographical segments (continued)

Inter-segment sales are charged at prevailing market prices.

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

Six months ended 31 October 2022

	UK Operations	USA Operations	Total for Group
	£'000	£'000	£'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	5,621	7,313	12,934
-Revenue from grants	38	-	38
-Revenue from contract customers	110	55	165
Total sales by segment	5,769	7,368	13,137
Removal of inter-segment sales	(5,126)	(1,226)	(6,352)
Total external sales	643	6,142	6,785
Segment result – operating loss	(2,251)	(2,962)	(5,213)
Net interest	(325)	(133)	(458)
Loss before tax	(2,576)	(3,095)	(5,671)
Tax credit	601	-	601
Loss for the period	(1,975)	(3,095)	(5,070)
Other information			
Property, plant and equipment additions	21	165	186
Depreciation of property, plant and equipment	526	436	962
Intangible asset additions	1,510	1,152	2,662
Amortisation of intangible assets	782	683	1,465
Balance Sheet			
Total assets	34,693	31,043	65,736
Total liabilities	(15,225)	(6,008)	(21,233)

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

The Group had no other operating income in the periods to 31 October 2023 and 31 October 2022.

6. Exceptional items

The Group has recognised an exceptional item of £246k in relation to refinancing costs in the six months to 31 October 2023 (six months ended 31 October 2022: £nil).

7. Tax

The Group has recognised R&D tax credits of £425k for the six months ended 31 October 2023 (six months ended 31 October 2022: £601k). During the period, the Group also received £1.1m of income taxes relating to UK R&D tax credits for financial year 2023.

8. Dividends

The Directors do not recommend the payment of a dividend (six months ended 31 October 2022: £nil).

9. Loss per share

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

Losses

	Six months ended 31 October 2023 £'000 (Unaudited)	Six months ended 31 October 2022 £'000 (Unaudited)	Year ended 30 April 2023 £'000 (Audited)
Losses for the purposes of basic loss per share being net loss attributable to owners of the Group	**(3,067)**	(5,070)	(6,100)

Number of shares	Six months ended 31 October 2023 '000 (Unaudited)	Six months ended 31 October 2022 '000 (Unaudited)	Year ended 30 April 2023 '000 (Audited)
Weighted average number of ordinary shares for the purposes of basic loss per share	**573,626**	431,852	431,852
Effect of dilutive potential ordinary shares:			
Share options and warrants	**640**	315	313
Weighted average number of ordinary shares for the purposes of diluted loss per share	**574,266**	432,167	432,165
Basic (p)	**(0.5)**	(1.2)	(1.4)

Basic earnings per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year. IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease earnings per share or increase the loss per share. For a loss-making company with outstanding share options, net loss per share would be decreased by the exercise of options. Therefore, the anti-dilutive potential ordinary shares are disregarded in the calculation of diluted EPS.

10. Property, plant and equipment

During the six months ended 31 October 2023, the Group acquired property, plant and equipment with a cost of £57k (six months ended 31 October 2022: £186k).

11. Notes to the cash flow statement

	Six months ended 31 October 2023 £'000 (Unaudited)	Six months ended 31 October 2022 £'000 (Unaudited)	Year ended 30 April 2023 £'000 (Audited)
Loss for the period	**(3,067)**	(5,070)	(6,100)
Adjustments for:			
Finance income	**(32)**	-	(2)
Finance costs	**945**	458	1,245
Change in fair value of derivative	**(202)**	-	(77)
Income tax credit	**(425)**	(601)	(1,192)
Depreciation of property, plant and equipment	**883**	962	1,903
Amortisation of intangible assets	**1,357**	1,465	2,891
Share-based payment expense	**180**	120	354
Operating cash flows before movements in working capital	**(361)**	(2,666)	(978)
Increase in inventories	**(517)**	(363)	(391)
(Increase) / decrease in receivables	**(1,057)**	(263)	900
Decrease in payables and deferred income	**(737)**	(1,929)	(529)
Cash used in operations	**(2,672)**	(5,221)	(998)
Income taxes received	**1,065**	1,195	1,195
Net cash (used in)/generated from operating activities	**(1,607)**	(4,026)	197

12. Borrowings

	Six months ended 31 October 2023 £'000 (Unaudited)	Six months ended 31 October 2022 £'000 (Unaudited)	Year ended 30 April 2023 £'000 (Audited)
Secured borrowing at amortised cost			
Revolving credit facility and capex facility	**-**	5,000	5,000
Term loan facility	**5,333**	-	-
Other borrowings	**1,086**	1,418	1,357
Convertible loan notes (see note 13)	**2,485**	2,840	2,529
Total borrowings	**8,904**	9,258	8,886
Amount due for settlement within 12 months	3,167	5,693	8,318
Amount due for settlement after 12 months	5,737	3,565	568

During the period, the Group completed a refinancing of its £5.0m revolving credit facility with HSBC with the signing of a new £5.5m secured term loan. The new term loan facility was provided by Polymer N2 Limited, an existing and significant shareholder in the Company. The facility has a repayment date for the principal sum of 27 March 2025, with an option to extend for a further 12 months. It carries a fixed interest rate of 9.5%, which is payable quarterly, and Kromek has the option to pay the interest through the issue of new ordinary shares of 1p each in the Company at the trailing 10-day volume weighted average price of the Company's ordinary shares on the date that payment falls due.

Other borrowings comprise:

- A fit-out 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 31 October 2023, the total loan due to the landlord was £0.1m (30 April 2023: £0.2m) which is due within 12 months.

- In 2020 and 2021 the Group's US operations were eligible to apply for Covid-related Economic Injury Disaster Loans. A loan of £0.1m was approved and secured in June 2020 and a further loan of £0.4m was approved and secured in August 2021. These loans attracts interest at a rate of 3.75% per annum and the maturity date is 30 years from the date of the loan note.

- A short-term £0.4m loan in September 2023 to aid with working capital requirements.

Convertible loan notes of £2.8m were secured in the previous year. This is discussed further in note 13.

13. Convertible loan notes

During the period, three noteholders converted 15% of their convertible loan note holding, as well as the interest accrued on that holding during the first 12 months, into equity. This resulted in the issue of 7,830,630 additional ordinary shares during the period (see note 14 below).

	Embedded derivative £'000	Convertible loan note £'000	Total £'000
Balance at 30 April 2023	517	2,529	3,046
Unwinding of discount	-	201	201
Change in fair value	(176)	-	(176)
Extinguish on conversion	(32)	(245)	(277)
Balance at 31 October 2023	309	2,485	2,794

14. Share capital

During the period, 168,395,000 ordinary shares (six months ended 31 October 2022: nil) were issued as part of a placing, subscription and open offer in May 2023, as well as through the part conversion of loan notes and interest in September 2023 as highlighted in note 13 above.

Where convertible loan notes, and associated derivatives are settled during the period, the Group adopts the guidance provided in IAS 32. Any difference between the carrying amount of the debt host contract plus the carrying amount (fair value) of the embedded derivative and the fair value of the shares issued at the conversion date is recognised in profit or loss. During the period, £26k was recognised in profit or loss. £11k was also recorded directly in retained earnings as a result of the part settlement of convertible loan notes.

15. Events after the balance sheet date

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