Kromek Group plc
Annual report and accounts
for the year ended 30 April 2024

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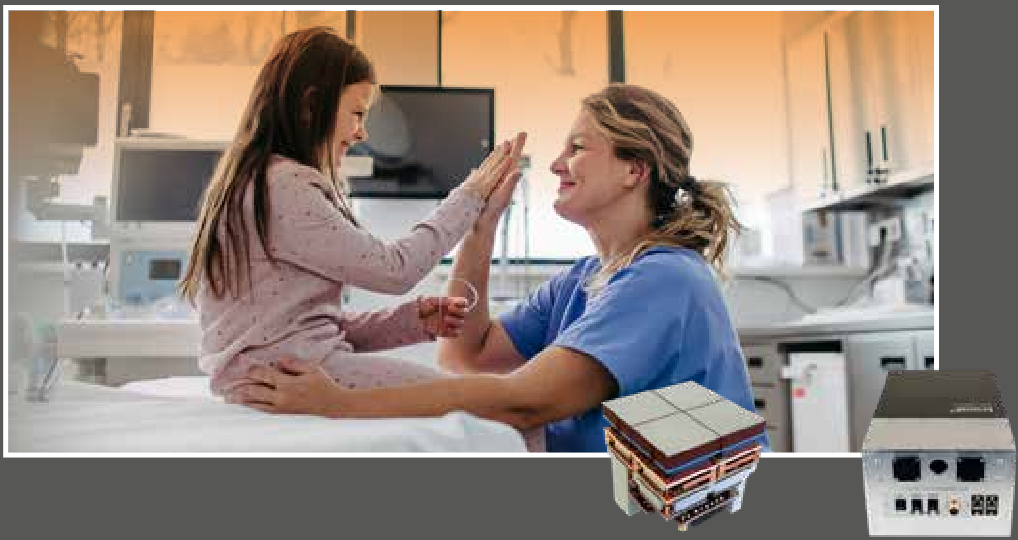

St. Margaret's Centre

Multiple new products and upgrades launched for CBRN applications.

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The detector dogs protecting our borders

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Bio-sentinels – the first line of defence against biological weapons

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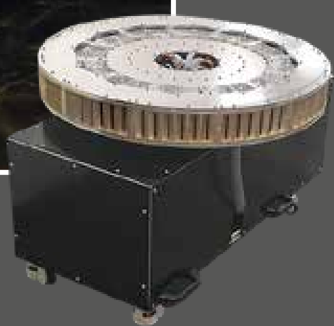

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Preface

Financial Summary

Revenue £19.4m ↑12%
2023: £17.3m

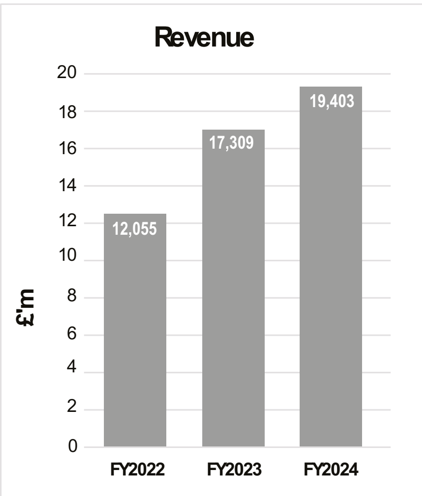
Adjusted EBITDA* £3.1m
2023: (£1.0m)

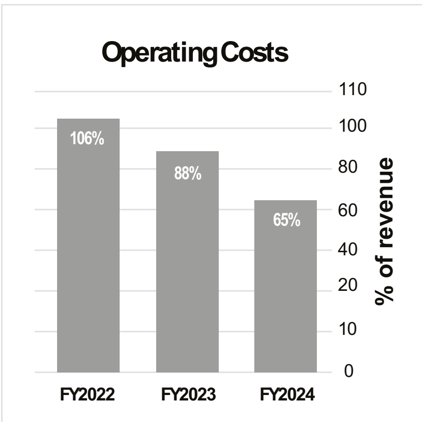
Cash & Equivalents £0.5m
2023: £1.1m

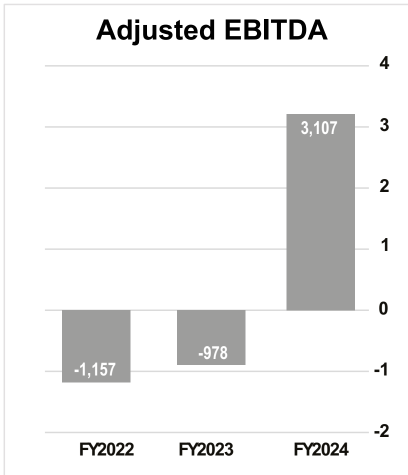
Product % of Sales 84%
2023: 85%

Gross Margin 55.2% ↑3.6%
2023: 51.6%

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



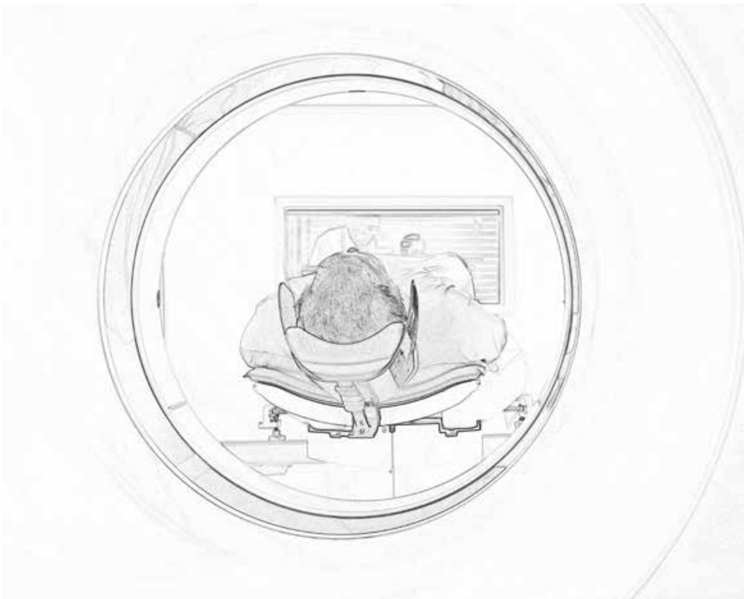




Operational Highlights

Advanced Imaging

- Significant progress in medical imaging:
    - Entered a collaboration agreement with a blue-chip technology solutions provider to develop detectors based on cadmium zinc telluride ("CZT") for photon counting computed tomography ("PCCT") applications in the medical imaging sector
    - Commenced work under the landmark collaboration agreements with a recognised tier 1 OEM and with Analogic that were signed at the end of the prior year
    - Received and largely delivered an order worth $1.4m from a new OEM customer that is an established player in the medical imaging sector in Asia
    - Spectrum Dynamics Medical has launched the latest addition to its next-generation digital single photon emission computed tomography ("SPECT")/computed tomography ("CT") imaging portfolio, the VERITON-CT 300, which uses Kromek's digital detectors
    - Continued to make progress under the ultra-low dose molecular breast imaging programme funded by Innovate UK
- Secured a new $2.1m order to supply detector component for the security screening systems of an existing US-based OEM customer in the homeland security marketplace



Operational Highlights *(Continued)*

CBRN Detection

Nuclear

- Geopolitical insecurity continued to drive strong demand in nuclear security with the winning and delivery of new and repeat orders, including:
    - A £1.4m order to supply D3M detectors and associated networkable solutions for use in the rescEU stockpile being developed by the European Commission
    - A contract, worth up to $2.9m, from a US federal entity for the provision of Kromek's D5 RIID, D3M and D3S-ID detectors
    - An order from a substantial global defence corporation, which the Group believes represents a significant opportunity for further sales
    - Post year end, awarded a contract worth £2.0m from the Ministry of Defence for the supply of the Group's D5 RIID along with its Alpha Beta probe attachment and ancillary products
    - The majority of the above will be delivered in year ending 30 April 2025, giving the Company good visibility into the new financial year
- Selected under two new UK government frameworks, each lasting four years, designed to enhance the UK's systems and capabilities for ensuring public safety and security

Biological Threat Detection

- Continued to progress 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
- Awarded Kromek's first contract in biosecurity from the US Department of Homeland Security, worth $5.9m, for the development of technologies focusing on an agent agnostic bio-detection system, under a four-year programme

Manufacturing and IP

- Continued to execute on programmes for the expansion of production capacity and process automation, resulting in greater manufacturing productivity and cost efficiency
- Applied for 3 new patents and had 7 patents granted across 6 patent families, with the total number of patents held being in excess of 210

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Strategic Report

Strategic Report

Chairman's Statement

Kromek turned 21 this year and has come of age. We built on the success of last year, intent on growing our revenues and increasing our EBITDA as key KPIs of our operational performance and growth prospects. I am pleased to report that we achieved record revenues, as both the advanced imaging and CBRN detection segments grew. We also reported a blended gross margin of 55% and we reversed our EBITDA loss of last year to become EBITDA positive ahead of market expectations. This is the result of a lot of hard work in the second half of the year by all at Kromek. They all should be proud of their achievements.

Geopolitically, the world remains in turmoil and there is a real and pressing need for our CBRN solutions. Also, we see a real acceleration in the development and commercialisation of nuclear imaging modalities such as SPECT, CT and BMD that utilise CZT detectors, as the medical profession is determined to tackle life threatening diseases that reduce a patient's quality of life, if not detected early.

The growth in the CBRN detection segment has come because of an increase in national defence budgets globally for homeland defence and security projects. It was pleasing to work with the UK's MoD this year as well as to receive orders from the US, Europe and Asia. After the year end, we received further orders from a US Government agency, the UK MoD as well as being selected for two new UK Government framework contracts to protect citizens and infrastructure from nuclear threats. Governments remain focussed on investing in developing biosecurity solutions following the pandemic. Kromek won a contract from the US Department of Homeland Security for the development of an agent-agnostic bio-detection system and is continuing to deliver on the existing development and product delivery contract from a UK Government agency.

Kromek is the only independent commercial supplier of CZT at scale, which is recognised as the enabling technology for next-generation medical imaging, and with very few of the major OEMs having in-house capabilities. OEMs have launched or are in the process of launching their next generation SPECT and CT scanners that enhance the image quality that enables early detection of diseases such as cancer and Alzheimer's. We continued to deliver on our contract with Spectrum Dynamics and commenced work with a recognised tier 1 OEM. Kromek is actively exploring collaborative opportunities with OEMs to optimise capital expenditure on advanced imaging contracts. This strategic approach not only aims to reduce costs for Kromek but also facilitates the monetisation of the valuable intellectual property we have developed. The Board is confident that these initiatives will benefit both Kromek and its shareholders, creating a positive outlook for growth.

People and Sustainability

Across the Group, we employ over 165 colleagues, who are critical to Kromek's success. We have an extensive wellbeing support package available to our employees and their families in addition to private healthcare. We also believe that our success as a business depends on the strength of the communities in which we live and work. The new initiative launched in 2023 where we encouraged our employees to spend up to 20 hours a year volunteering with a local charity, environmental organisation or any other kind of community service has had a good response and post financial year end has seen increased activity.

We are committed to reducing our environmental impact and establishing sustainable practices, including reaching net zero by no later than 2050. We are also working with the University of Durham to develop a heat recycling process that will make our crystal growth processes more environmentally friendly and sustainable. We encourage sustainable practices across our organisation, and we are working on developing a detailed strategy and plan to achieve our sustainability and net zero targets.

Acknowledgements

I would like to thank everyone who has contributed to the Group's success in the past year, including employees, customers, suppliers, partners, other stakeholders and the Board. In particular, I want to thank our executive management team and all of our colleagues for their hard work and dedication to the Group. Without them, our achievements would not be possible. I would also like to extend my gratitude to our shareholders – both long-standing and those who we welcomed to the register in our fundraising during the year– for their support, which is very much appreciated.

Looking forward

In the coming year we aim to build on the excellent progress of 2024 by continuing to capitalise on the growth opportunities with which we are presented and delivering on the significant contracts that we have already secured. The drivers of our core markets persist – whether it is threats to national security or public need for advanced medical diagnostics that will provide better patient outcomes at a reduced overall cost of care. Accordingly, we continue to look to the future with confidence and I look forward to updating you on our progress.

Strategic Report *(Continued)*

Chief Executive Officer's Review

Arnab Basu

This has been a pivotal year for Kromek. The Group delivered record revenue, which increased by 12% year-on-year to £19.4m (2023: £17.3m), but more importantly, Kromek has enhanced its operations and has signed milestone agreements that position the Group for strong, sustainable growth moving forwards.
The Group continued to drive through operational efficiencies, particularly within the advanced imaging manufacturing process, which, combined with tight cost control, contributed to the Group delivering adjusted EBITDA ahead of market expectations at £3.1m (2023: £1.0m loss). In both advanced imaging and CBRN detection, Kromek has executed on its strategy and entered agreements with significant customers, including with a global blue-chip technology solutions provider operating in the medical imaging sector and, post year end, both the Ministry of Defence and Home Office in the UK. As the Group's advanced imaging and CBRN detection segments continue to grow and mature, Kromek is working towards reporting on the basis of these two business segments rather than the current geographic segments

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 Kromek's core 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. During the year, the Group delivered strong revenue growth in this segment and, being the only independent commercial producer of CZT at scale, Kromek is well-positioned going forward.

Medical Imaging

This year, the Group achieved another important milestone in advanced imaging in entering a collaboration agreement with a 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 PCCT applications in the medical imaging sector and will ensure production capability is available to support commercial demand ramp-up.

Kromek commenced work under the landmark collaboration agreements that it signed at the end of the prior 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, the Group is developing CZT-based detector solutions for PCCT applications in both the medical imaging and security screening sectors. The work under these collaborations is progressing well with key deliverables being achieved during the year.

These collaboration agreements, which are with significant global organisations, are both excellent validations of the Group's technology and its strategy, and will be significant drivers of growth in this segment.

Kromek received and largely delivered an order worth $1.4m from a new OEM customer that is an established player in the medical imaging sector in Asia. This was for the provision of the Group's CZT-based detector modules to be used in the customer's next-generation SPECT systems in niche applications.

In addition to securing new customers and advancing Kromek's relationships with OEMs, the Group continued to receive orders in its regular repeat business, deliver under supply agreements and progress development programmes. In particular, Spectrum Dynamics Medical, a long-standing customer, introduced the latest addition to its next-generation digital SPECT/CT imaging portfolio, the VERITON-CT 300, which uses Kromek's digital detectors.

The ultra-low dose molecular breast imaging programme funded by Innovate UK, which is being undertaken in collaboration with Newcastle Upon Tyne Hospital and University College London, continues to deliver on all its objectives. This technology is aimed at paving the way for a new screening and diagnostic capability for the detection of cancer for women with dense breast tissue for whom mammography is not effective. Legislative changes that are in motion in the USA will be a key driving force behind wide-scale adoption of this technology, which will have a vital impact on the significant proportion of women who currently do not have a viable option for screening for breast cancer.

Security & Industrial 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. Kromek provides OEM and government customers with components and systems for cabin and hold luggage scanning. In industrial screening, Kromek provides OEM customers with detector components for incorporating into scanning systems used during manufacturing processes to identify potential contaminants.

During the year, Kromek continued to deliver under its existing component supply agreements and development programmes. The Group also secured a new $2.1m order from an existing US-based OEM customer in the homeland security marketplace. This was for the supply of key detector components for incorporation into the customer's advanced security screening system for the detection of explosives. In addition, the Group's collaboration agreement with Analogic, as noted above, will be for security applications as well as medical applications.

Strategic Report *(Continued)*

Chief Executive Officer's Review *(Continued)*

Harnessing Artificial Intelligence

For several years Kromek has been exploring the application of machine learning across its technologies, and has generated some significant IP and capabilities. During the year, Kromek entered a collaboration to enhance its expertise in this area and was awarded a grant of £1.3m under the UK Research and Innovation Horizon Europe guarantee scheme to participate in the Intelligent Radiation Sensor Readout System ("i-RASE") project to develop a new class of radiation sensor powered by artificial intelligence ("AI"). The i-RASE project, to be led by DTU Space, is a collaboration between industrial and academic partners in Denmark, Germany, Norway and Italy to design, build and test a new class of radiation sensor based on CZT and other advanced technologies that leverages the latest developments in AI to facilitate the retrieval of comprehensive information on incident radiation to improve measurement accuracy and speed, while increasing energy efficiency.

CBRN DETECTION

In CBRN detection, Kromek 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. The Group's revenue in this segment grew significantly over the previous year, driven by demand for its nuclear security products.

Nuclear Security

Geopolitical insecurity drove strong global demand for the Group's products that contribute to ensuring public safety and security, and which are selected by governments and their agencies for their best-of-breed features and Kromek's ability to deploy rapidly. This enabled the Group to enter, during the year and subsequently, several milestone agreements that represent significant strategic execution in nuclear security, receiving orders from customers in the UK, the US, Europe and Asia – from both public and private organisations – and most notably, from the UK Ministry of Defence.

In particular, during the year the Group received a £1.4m order to supply its D3M detectors and associated networkable solutions for use in the rescEU stockpile being developed by the European Commission to help safeguard citizens from disasters and manage emerging risks. Kromek was awarded a contract, worth up to $2.9m, from a US federal entity for the provision of Kromek's D5 RIID, D3M and D3S-ID detectors. Another notable order during the year was one received from a new customer that is a substantial global defence corporation, which management believe represents a significant opportunity for further sales.

Since year end, the Group has made significant progress in nuclear security – building on its achievements of the year.

Kromek was awarded a contract worth £2.0m from the Ministry of Defence for the supply of its D5 RIID along with Alpha Beta probe attachment and ancillary products. The Alpha Beta probe, that was launched at the end of the year, connects to the D5 to enable alpha and beta radiation to also be detected, allowing the single, small form factor upgraded device to detect all types of radioactive material. This contract was awarded after a rigorous tender process, providing excellent endorsement of the strength of Kromek's solution as well as great validation of the new probe so soon after its launch.

Kromek has been selected under two new UK government frameworks, each lasting four years, designed to enhance the UK's systems and capabilities for ensuring public safety and security. This includes being approved as a supplier under the Radiological Nuclear Detection Framework for the procurement of radiological nuclear detection equipment and supporting services for the Home Office. Kromek applied for three of the four framework categories, covering the supply of handheld, wearable and large volume static radiation detectors, and was successfully approved thereby becoming qualified to receive orders in these categories under the framework, which have a combined maximum procurement value of £84m.

Alongside this, Kromek's D3M was selected for the UK Government Resilience Framework, being the only personal radiation detector to be named under the framework. This means that all blue light service operators in the UK, such as fire, police, ambulance and first responders, can purchase the D3M detector for projects under the framework. The Group has already received its first orders under this framework.

Civil Nuclear

Business in the civil nuclear market continued as expected, with regular sales through Kromek's distributor network and direct to customer. In this sector, Kromek's products are used by over 500 customers around the globe.

During the year, the Group was awarded a $1.5m contract by one of its distribution partners in Asia, which is for the supply of a new product that it had developed based on its existing technology. The development of this new product was funded by the partner.

Kromek launched Raymon, a new product that provides spectroscopic detection and identification capability in a wide range of civil nuclear applications. This product is a variation of the existing Raymon10, with two additional probes based on large volume scintillators and for the detection of alpha and beta particles. The product has already seen early adoption in international markets and has been well received within the distribution network.

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.

Major governments have continued to show a sustained focus on developing stronger and more resilient biosecurity and biodefence strategies, both in the wake of the pandemic and in the face of the reality that bio-threats pose a significant risk in a modern, geopolitically unstable environment. Both the UK and US have released updated national biosecurity plans since 2022. This was then further underscored by the announcement of a new transatlantic strategic dialogue on biological security released in January 2024. The solutions the Group is developing in this area have a vital role to play in supporting these initiatives as governments improve their readiness against these emerging threats.

During the year, Kromek continued to progress 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, the Group will develop and supply the system, with the contract also including an option for extended maintenance services after the initial term. A significant advancement was made when the Group was awarded its first contract in biosecurity from the US Department of Homeland Security, worth $5.9m. The contract is for the development of technologies focusing on an agent agnostic bio-detection system, under a four-year programme. These programmes are continuing to deliver milestones and meet customer expectations. The Group is also pursuing several other customer engagements in this area.

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 resulting in greater manufacturing productivity and cost efficiencies, which made an important contribution to the Group's EBITDA performance. Kromek 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 FY 2024, Kromek applied for three new patents and had seven patents granted across six patent families, with the total number of patents held being in excess of 210.

OUTLOOK

With a number of key contracts won in FY 2024, its leading market position and the continued delivery of long-term contracts previously signed, Kromek expects to deliver another year of significant revenue growth and positive EBITDA in FY 2025.

Geopolitically, the world remains in turmoil and there is a real and pressing need for Kromek's CBRN solutions. The award of the UK Ministry of Defence contract, being selected under two significant UK Government framework programmes as well as the completion of orders received from the US, Europe and Asia are expected to be the key drivers of growth in the CBRN detection segment throughout FY 2025.

Kromek is the only independent commercial supplier of CZT at scale, which is recognised as the enabling technology for next-generation medical imaging. In FY 2025, the Group expects revenue growth in the advanced imaging segment to come from continued delivery of its contracts previously signed with Spectrum Dynamics and a tier 1 OEM. Also, Kromek is actively engaged with OEMs to drive delivery of products and monetisation of the valuable intellectual property the Group has developed in this area. The Board is confident that these initiatives will benefit the Group and drive a significant increase in both revenue and cash generation in the second half of FY 2025.

Kromek remains very focussed on controlling costs across the Group and in increasing efficiency, particularly within the advanced imaging manufacturing process. This, combined with the collaborative opportunities being explored that are anticipated to accelerate growth in the second half of the year, is expected to result in Kromek becoming cash flow positive for H2 2025 and enable the Group to report a positive cash flow across FY 2025. The move towards cash generation, coupled with the continued support from Polymer N2 Ltd, means that Kromek is very well funded to drive further growth from what is a strong and growing revenue base.

As a result, the Board looks to the future with confidence.

Strategic Report *(Continued)*

Chief Financial Officer's Review

Paul Farquhar

I am pleased to present my Chief Financial Officer's Review for the year ended 30 April 2024.

The revenue growth achieved in 2023 and the momentum in both the advanced imaging and CBRN detection segments of the business continued into 2024 resulting in revenue of £19.4m, an increase of 12% year-on-year. This again reflected our highest ever revenue in both segments of the business.

As outlined in the Chief Executive Officer's Review, we continued to execute our growth strategy of securing supply agreements with blue-chip customers in both our advanced imaging and CBRN detection segments. In advanced imaging, we entered into a collaboration agreement with a significant blue-chip technology solutions provider that has over 100,000 customers globally for a range of applications, including healthcare. In CBRN detection, where we provide nuclear radiation detection solutions to the global homeland defence and security market, we won a number of substantial contracts in 2024 from both public and private organisations in the UK, the US, Europe and Asia. These included contract awards from the UK Ministry of Defence, a US federal entity and the European Commission with the latter to supply our D3M detectors and associated networkable solutions for use in the rescEU stockpile to help safeguard citizens from disasters and manage emerging risks.

Revenue for the year was £19.4m (2023: £17.3m), an increase of £2.1m from the prior year, and gross profit was £10.7m (2023: £8.9m). Due to the higher gross profit and a £2.6m reduction in distribution and administrative expenses, adjusted EBITDA was £3.1m compared with an EBITDA loss of £1.0m for the prior year, an improvement year-on-year of £4.1m. A reconciliation between adjusted EBITDA and results from operations is detailed opposite.

Revenue

Revenue for the year was £19.4m (2023: £17.3m), a 12% increase over the prior year and reflecting the highest ever revenue in both the advanced imaging and CBRN detection segments. The split between product sales and revenue from R&D contracts is detailed in the table below:

Revenue Mix	2024		2023	
	£'000	% share	£'000	% share
Product	16,351	84%	14,768	85%
R&D	3,052	16%	2,541	15%
Total	**19,403**		**17,309**	

Gross Margin

Gross profit at £10.7m (2023: £8.9m) represented a margin of 55.2% (2023: 51.6%). The increase in gross margin, particularly in the second half of 2024, is attributable to the higher volume of products shipped in the year and a favourable change in product mix.

Distribution and Administrative Expenses

Distribution and administrative expenses decreased by £2.6m to £12.6m (2023: £15.2m). This decrease is substantially the net result of:

- a credit of £1.0m relating to a US IRS Employee Retention Credit, which is netted off staff costs and is presented within other receivables at 30 April 2024;
- a reduction of £1.0m in bad debt expense compared with 2023;
- lower depreciation and amortisation of £0.3m due to assets coming to the end of their depreciable life;
- a £0.2m Research and Development Expenditure Credit; and
- a net decrease of £0.1m relating to all other expense items, which includes a favourable foreign exchange impact from translating USD denominated expenses to Pounds.

Adjusted EBITDA* and Result from Operations

Adjusted EBITDA was £3.1m for 2024 compared with a loss of £1.0m for the prior year as set out in the table below:

	2024 £'000	2023 £'000
Revenue	19,403	17,309
Gross profit	10,710	8,935
Gross margin (%)	55.2%	51.6%
Loss before tax	(3,455)	(7,292)
EBITDA Adjustments:		
Net interest	1,834	1,243
Depreciation of PPE and right-of-use assets	1,751	1,903
Amortisation	2,758	2,891
Share-based payments	490	354
Change in fair value of derivative	(517)	(77)
Exceptional Item	246	-
Adjusted EBITDA*	**3,107**	**(978)**

**Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, exceptional items, the change in fair value of financial derivatives and share-based payments. The change in the value of financial derivatives and share-based payments are adjusted for when calculating the Group's adjusted EBITDA as these items have 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 significant improvement in the loss before tax for the year and adjusted EBITDA compared with the prior year, largely reflects the higher revenue and gross margin, and the £2.6m reduction in distribution and administrative expenses as outlined above.

Strategic Report *(Continued)*

Chief Financial Officer's Review *(Continued)*

During H1 2024, the Group recognised an exceptional charge of £0.2m relating to the cost of refinancing a £5.0m revolving credit facility with HSBC. That loan was repaid from the proceeds of a new secured £5.5m term loan facility provided by Polymer N2 Ltd, a significant shareholder in the Company.

Tax

The Group recorded a net tax credit to the income statement of £0.2m for the year (2023: £1.2m credit). The tax benefit in 2024 represented the net of a £0.4m R&D tax credit less a deferred tax charge in the year of £0.2m. In 2023, the tax benefit of £1.2m represented the R&D tax credit only as there was no deferred tax recognised in the prior year.

The Group benefits from the UK Research and Development Tax Credit regime as it continues to invest in developments of technology and exercises the option of surrendering tax losses in the years that qualify for cash credit, rather than carrying forward the tax losses to set against future taxable profits. The significant reduction in the R&D credit year-on-year is predominantly due to the UK Government's changes to the R&D regime, effective from 1 April 2023. The changes meant that businesses claiming under the R&D SME scheme now receive a lower rate of tax relief, while larger, non-SME businesses, claiming R&D Expenditure Credit ("RDEC") secure more generous rates. The Group mainly benefited in previous years from the R&D SME scheme rather than the RDEC scheme.

The Group's deferred tax provision for the year was £0.2m (2023: £nil). The £0.2m charge reflects a deferred tax provision of £0.5m in respect of accelerated capital allowances and tax losses less the recognition of a deferred tax asset of £0.3m in respect of short-term timing differences and share-based payments.

Earnings per Share ("EPS")

Due to the reduction in loss after tax, EPS for the year on a basic and diluted basis was 0.6p loss per share compared with 1.4p loss per share (after excluding exceptional items) in 2023.

R&D

The Group invested £4.6m in the year (2023: £4.8m) 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.

During the year, the Group undertook expenditure on patents and trademarks of £0.3m (2023: £0.2m) with three new patents filed and seven patents granted across six patent families, with the total number of patents held at 30 April 2024 being in excess of 210.

Other Income

The Group generated total other operating income of £nil (2023: £0.1m). The income recognised in the prior year related to a retrospective Customs Duty claim granted by HMRC.

Capital Expenditure

Capital expenditure in the year, comprising property, plant and equipment and investments in patents and trademarks, amounted to £0.4m (2023: £0.5m). The expenditure primarily relates to modest capital expenditure across lab and computer equipment, IT and manufacturing projects.

Financing Activities

The Group issued £2.8m of convertible loan notes ("CLNs"), largely to existing shareholders, in H2 2023. The loan notes had a term of 18 months, carried a coupon of 8% per annum and had conversion dates in January and February 2024. In H1 2024, three noteholders, holding £1.7m of the notes, each converted 15% of their holding to equity together with accrued interest to the date of conversion; the total amount converted being £0.4m, including £0.1m of interest. In H2 2024, four noteholders converted all of their residual holding, together with accrued interest to the date of conversion; the total amount converted being £2.7m, including £0.2m of interest. There was a remaining loan note liability of £34k at 30 April 2024, which, post year-end in H1 2025, was converted to equity, together with accrued interest to the date of conversion. As a consequence, the Group now has no CLNs outstanding.

At 30 April 2024, the Group had a £5.5m secured term loan provided by Polymer N2 Ltd. The facility has a repayment date for the principal sum of 27 March 2025, with an option by the lender to extend for a further period of 12 months. The lender has confirmed to the Group that it will take up its option of extending the period of the term loan for a further 12 months from March 2025 if the Group is not able to repay the loan at that time. The loan 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. Further details of the Group's borrowings are available at note 15.

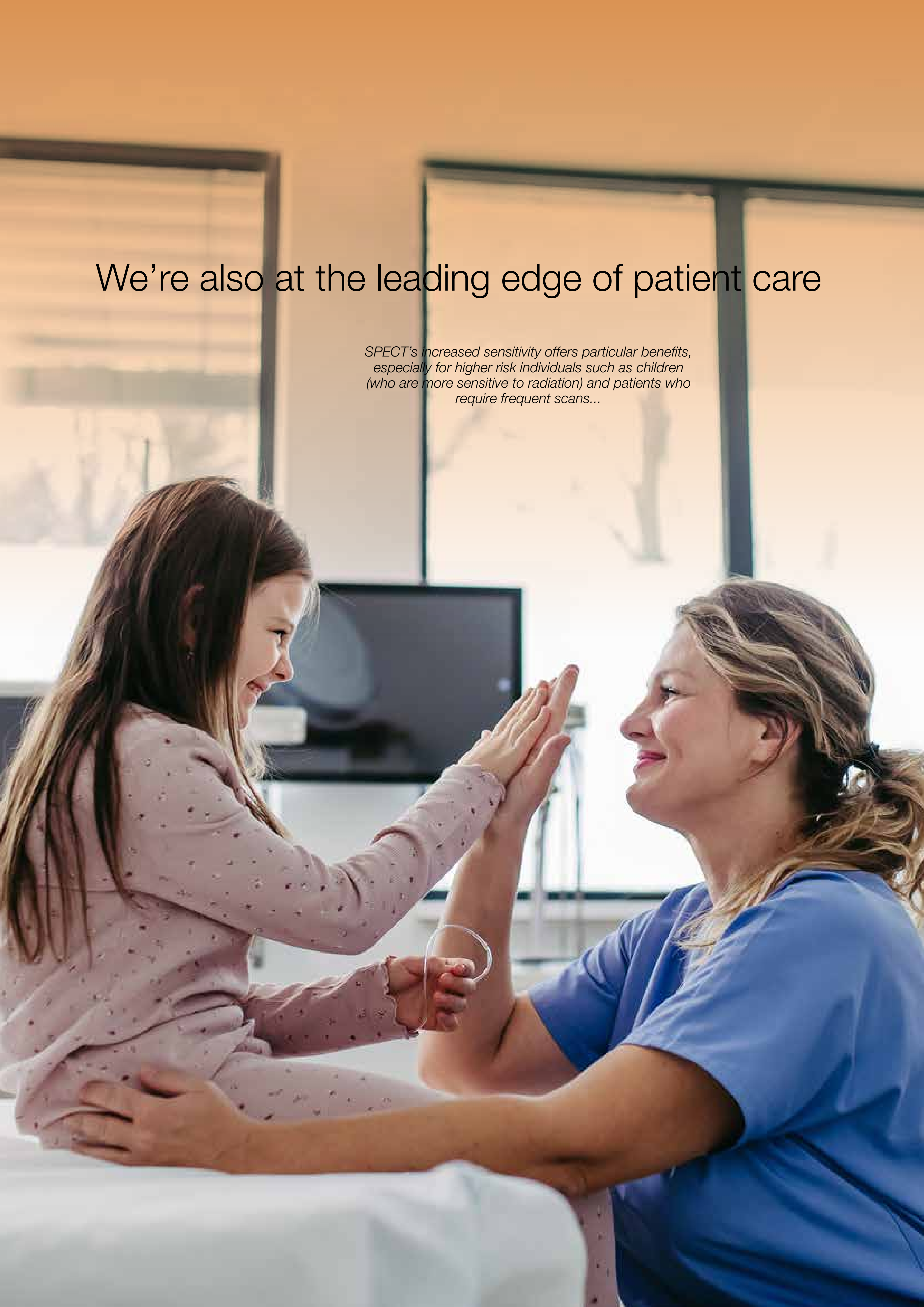
Cash Balance

Cash and cash equivalents were £0.5m as of 30 April 2024 (30 April 2023: £1.1m). The £0.6m decrease in cash during 2024 was due to the combination of the following cash inflows and outflows:

- Cash used in operations, including changes in working capital, of £(3.9)m
- R&D tax receipts of £1.1m
- Investment in product development and other intangible assets, with capitalised development costs of £(4.6)m and IP additions of £(0.3)m
- Capital expenditure of £(0.1)m
- Net cash generated from financing activities of £7.2m (including £7.5m proceeds from the issue of shares, £1.2m net proceeds of new borrowings after repayment of the HSBC term loan, less £1.5m lease repayments and loan interest payments)

We’re also at the leading edge of patient care

SPECT’s increased sensitivity offers particular benefits, especially for higher risk individuals such as children (who are more sensitive to radiation) and patients who require frequent scans...



At the leading edge of digital SPECT innovation

Digital Single Photon Emission Computed Tomography (SPECT) is a powerful imaging modality used in nuclear medicine for functional imaging of the body.

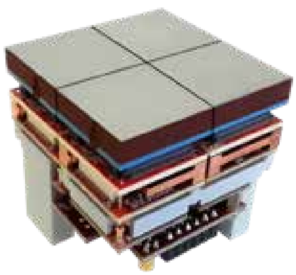
Kromek's detector platforms are at the leading edge of digital SPECT innovation. They enable nuclear medicine imaging solutions that lead to significantly enhanced patient outcomes.

The introduction of Cadmium Zinc Telluride (CZT) detectors has revolutionized digital SPECT technology, providing numerous advantages over traditional sodium iodide (NaI) detectors. These include enhanced image quality, improved sensitivity, lower radiation dose, and greater operational efficiency.

CZT technology enables precise measurement of the energy of individual photons. This capability allows for better differentiation between gamma emissions from the radiotracer and background noise. As a result, clinicians can obtain clearer images with less interference, leading to more accurate diagnoses and improved assessment of various conditions, such as cancer and cardiovascular diseases.

In addition to enhanced image quality, CZT detectors significantly improve the sensitivity of SPECT scanners. This increased sensitivity enables the use of lower doses of radiotracers while still achieving high-quality images. This offers particular benefits, especially for higher risk individuals such as children (who are more sensitive to radiation), patients who require frequent scans, and people who are overweight or obese where minimizing radiation exposure is critical.

These high-efficiency detectors means that shorter scan times are needed to achieve diagnostic-quality images. Shorter scan time is beneficial for both patients and healthcare providers, as it minimizes discomfort for patients and increases patient throughput in clinical settings. Faster imaging times lead to improved patient experience and more efficient use of medical resources.



The SPECT detector module

Low Dose Molecular Brest Imaging (MBI) Camera

MBI has the potential to revolutionise breast cancer screening for women by becoming an indispensable tool in the early diagnosis of breast cancer – putting those women with dense breast tissue on an equal footing with those for whom conventional mammography is already an effective diagnostic tool.

Kromek's early warning system provides Ukraine with continuous monitoring and continued protection

A network of Static Nodes provides continuous radiation monitoring of national infrastructure from fixed locations. Designed to be used in conjunction with the SIGMA platform, they provide comprehensive monitoring of radioactive activity.

Illustration showing how the Static Node network provides coverage across Ukraine

Kromek's early warning system provides the State Emergency Services of Ukraine (SES) with the autonomous, real-time, actionable intelligence necessary to track the dynamics of any radiological or nuclear event nationwide, helping to protect their people and infrastructure.

Countering Imminent Radiological and Nuclear Threats

In Ukraine, the risk of a radiological or nuclear incident occurring is escalating, exacerbated by their extensive nuclear power industry.

Previously, only a small part of the State Emergency Service of Ukraine (SES) had access to a single modern radiation detector. Kromek has delivered an advanced ‘early warning system to Ukraine comprising a network of Static Nodes and D3M personal radiation detectors (PRDs) meaning the SES is now fully equipped to monitor radiation levels nationally, significantly increasing their emergency response capabilities.

Real-time data 24/7

The network of Static Nodes provides continuous radiation monitoring of key national infrastructure, such as power stations and border areas, providing the SES with real-time accurate dose and spectroscopic data via the secure SIGMA network. These discreet units are comparatively small yet highly sensitive to any potential threats and automatically send rapid response spectrometry to remote decision-makers where they help to facilitate the coordination of context-specific civilian CBRN and military efforts.

Because of the unpredictability of the theatre of deployment, the Static Nodes are equipped with both local and additional power supplies that ensure the system will continue to collect data for an extended period should there be any disruption.

Rapid, reliable radiological detection

When the SES arrive at the scene of an incident, they are immediately alerted to the presence of gamma and neutron sources by the highly sensitive D3M PRD. Even sources with very low levels of activity, such as shielded fissile or special nuclear material, are detectible.

Many of the D3M detectors were provided with accompanying smartphones, enabling both on-site (local) and remote (SIGMA network) real-time isotope identification.
The ultra-high quality spectral data can also be extracted post-event for secondary adjudication by a CBRN specialist team.

Kromek’s D3M is a high-performance Personal Radiation Detector (PRD) that constantly monitors the environment protecting personnel against exposure to nuclear materials.

Many D3M detectors were provided with accompanying smartphones, enabling real-time on-site aswell as remote isotope identification.

St Margaret's Centre (a mental health charity)
Staff donated over £500 through fundraising events; redecorated the arts and crafts centre, offices and the counselling suite. Major work was also undertaken on the charity's allotments, the produce from which is used in the Centre's café and for supporting service users.

Football in the Commnity
One of the Kromek Team undertaking 'Coaching in the Community'.

St Margaret's Centre
Part of the Kromek Team of painters and gardners at the Centre

Feeding Families (charity foodbank)
Staff have attended fundraising lunches, have worked packing and delivering essential food boxes and raised over £300 through events and activities.

Educational Establishments
The team also undertook projects with a number of schools including: Hartlepool Sixth Form College, Redhouse School, St Charles Catholic Primary School, Cockerton CoE Primary School, Hutton Rudby Primary School and St Helen Auckland Community Primary School.

Left: the Kromek designed lantern, assembled, customised and personalised by primary school children across County Durham, and, right the finished display.

Engaging with our Community - Kromek's Volunteering Programme

As a socially responsible organisation, Kromek has reaffirmed its commitment to being a force for good within its local community, by introducing a Company-supported voluntary community engagement programme.

The Company is supporting volunteering activities with organisations that are compatible with its vision and values. Staff can volunteer up to 20 hours to the programme each calendar year and so far, the uptake has been universal.

Partner organisations so far have been charities, not-for-profit organisations, and a variety of educational establishments, promoting the development of STEM (Science, Technology, Engineering and Mathematics) studies and careers; applying professional skills for the benefit of the community or simply fundraising events and activities for community projects.

Mutually Beneficial

The community engagement programme is mutually beneficial to all parties involved.

For the recipients, it provides access to skillsets that the organisation might not have readily available and enhances ability to deliver their services to the benefit of the community.

For some employee volunteers it can be the personal satisfaction from giving back to the community, building and strengthening relationships and networking. Others take the opportunity to develop personal skills or enhance professional development, improving their long-term employability.

For Kromek, it strengthens our local reputation and creates positive brand awareness and builds relationships with the wider community. It increases employee engagement, enhances individual skills and develops team spirit. The whole programme has driven collaboration and inclusion and broadens employees' horizons as they work with people from different backgrounds and sectors. But above all, has aided or recruitment and retention as people want to work in a socially responsible organisation.

When innovation, art, and education collide …

In 2023, a Kromek designed the lantern became the centre of an extra-special installation at Durham Lumiere.

Beautifully created by local artist Mick Stephenson, the diamond installation created an illuminated diamond garden, surrounded by solar-powered lanterns assembled and customised by primary school children from across County Durham.

Kromek collaborated with Artichoke to deliver the community project, aimed at teaching young people about renewable energy.

The AlphaBeta probe undergoing field trials with the Kromek D5 RIID

The new RayMon being demonstrated to Kromek distributors as partt of the launch campaign.

Multiple new products and upgrades launched for CBRN applications

The last financial year saw the launch of several new products with multiple applications in the CBRN segment. The first was a new Alpha Beta probe attachment to our ground-breaking handheld D5 RIID that enables all types of isotopes to be detected by a single portable device. The second was the launch of the new generation RayMon detector, a high-performance handheld spectrometer with an all-new set of interchangeable probes.

The introduction of the Alpha Beta Probe makes the D5 RIID the most versatile handheld radiation detector available today. Conforming to the most rigorous British and American military, environmental and technical standards and with an exceptional degree of sensitivity and survivability, the device is suitable for use in the most challenging situations to detect all types of radioactive material.

The D5 RIID can operate in different modes while scanning and monitoring all radiation types: In Search Mode for example, the user can view real time counts per second with Alpha and Beta counts, shown alongside Gamma and Neutron counts.

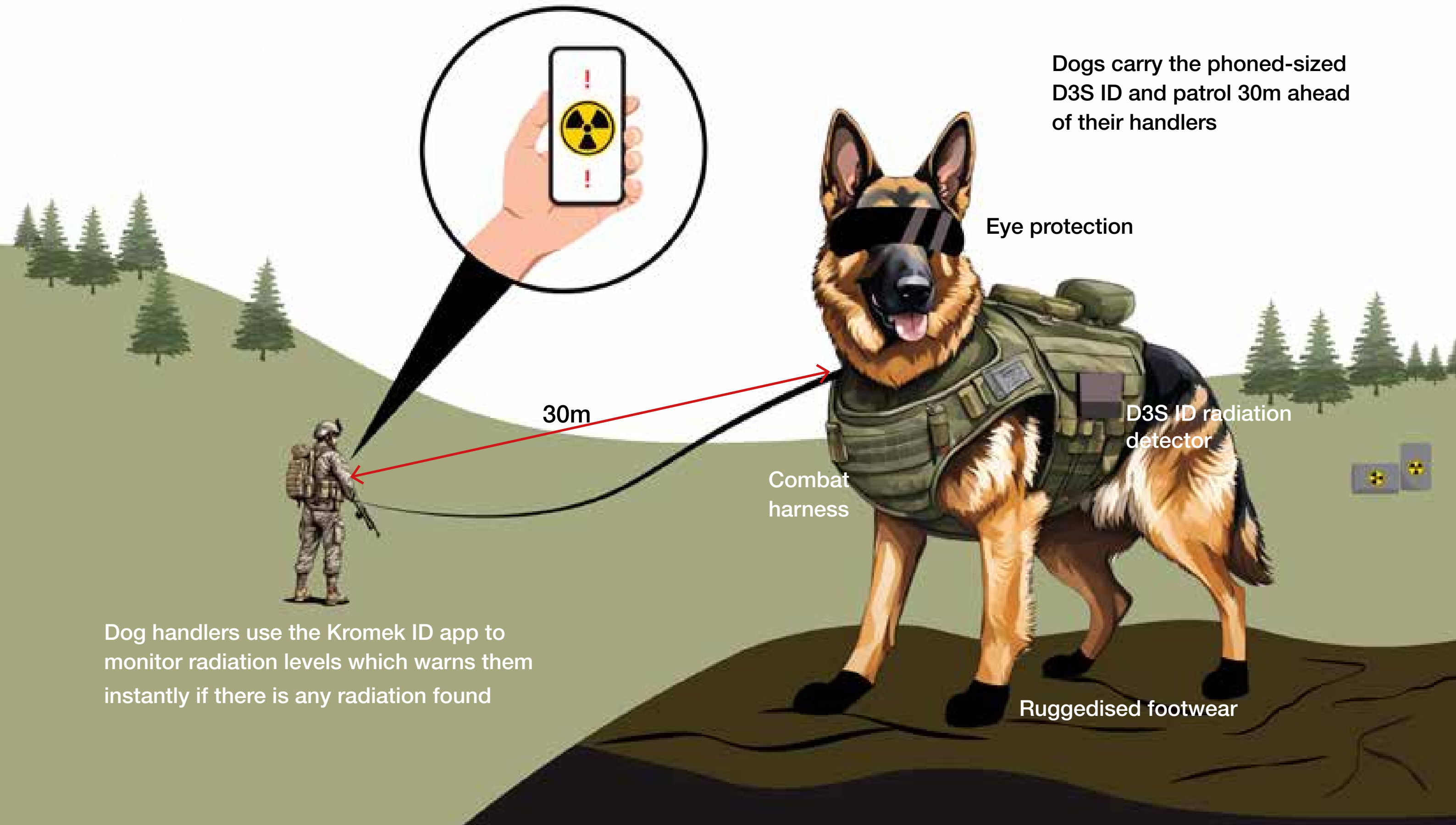
The RayMon's capabilities have been significantly enhanced with the introduction of three new probes: a high resolution CZT probe that provides precise identification of radionuclides, even when faced with mixed or shielded sources; a high sensitivity NaI (sodium iodide) smart probe designed for collecting count data in low-dose environments, and an Alpha Beta smart probe.

The new detectors were showcased at the 'Kromek Futures' (emerging technologies) annual event in London in January and a series of distributor events at our Sedgefield HQ.

The RayMon's capabilities have been significantly enhanced with the introduction of three new probes: a high resolution CZT probe; a high sensitivity NaI (sodium iodide) smart probe and an Alpha Beta smart probe.

RayMon Tablet **AlphaBeta Probe** **NaI Probe** **CZT Probe**

D3S ID - The most complete radiation detection solution in a single device with two modes of operation: PRD and RIID - at the touch of a button



The detector dogs protecting our borders

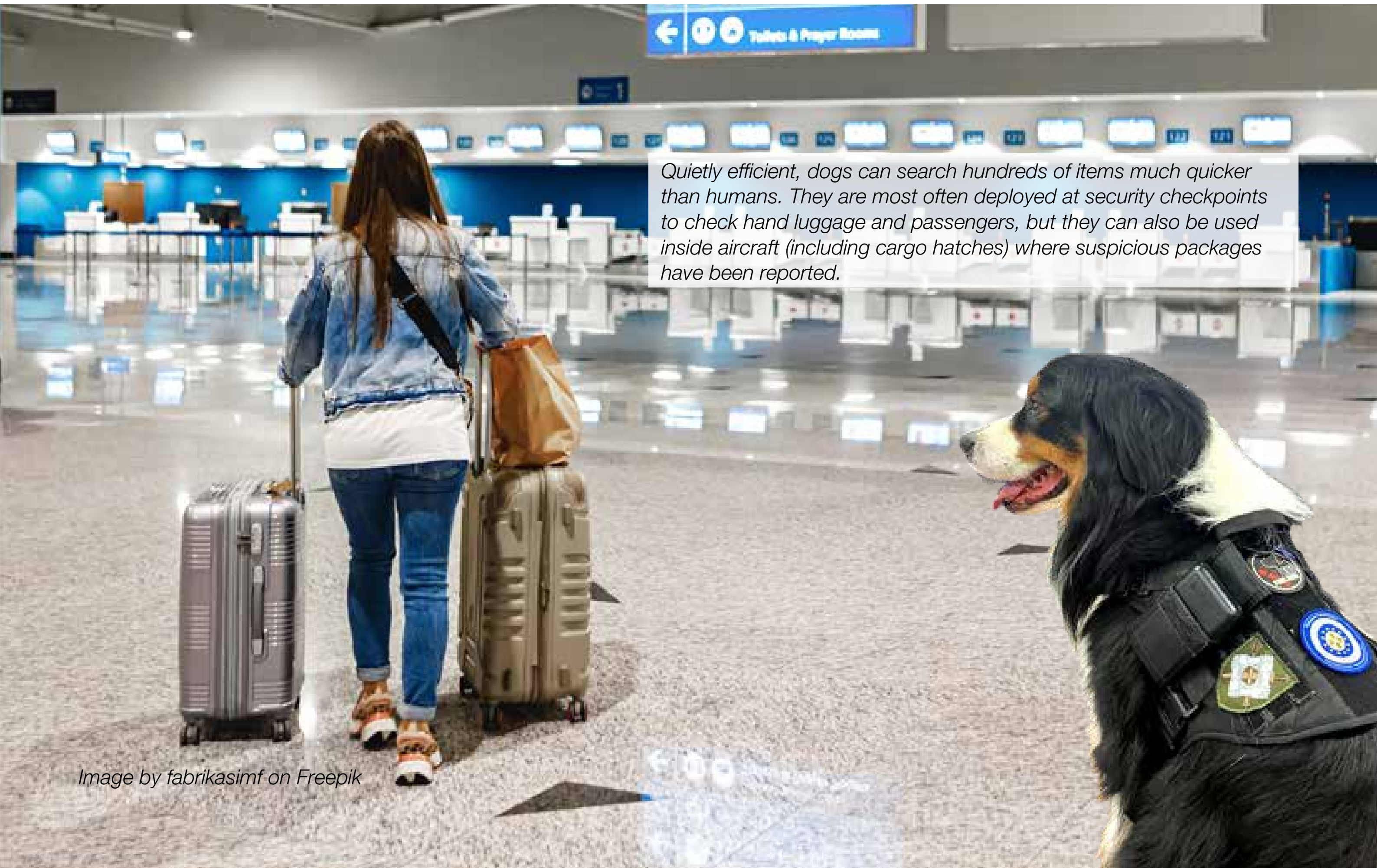
Since Russia's invasion of in February 2021, Ukraine's nuclear facilities have been left hugely exposed and permanently compromised. To counter the alarming prospect of non-state actors, including proxy groups acting for hostile states, terrorists and criminal gangs, acquiring small quantities of radioactive substances and trafficking them to be used to construct radiological dirty bombs, presenting a significant risk to major cities across the UK and Europe, detector dogs have become a major security asset.

Quietly efficient and paired with a handler, dogs can search large geographical areas around a battlefield or through hundreds of items of luggage or packages at an airport much quicker than humans. Detector dogs carry a high-performance D3S ID detector, the size of a mobile phone, in their harness.

Detector dogs were introduced to the battlefield carrying radiation detectors to provide troops with early warning of a nuclear disaster. In the field, they also wear protective equipment for their eyes and paws.

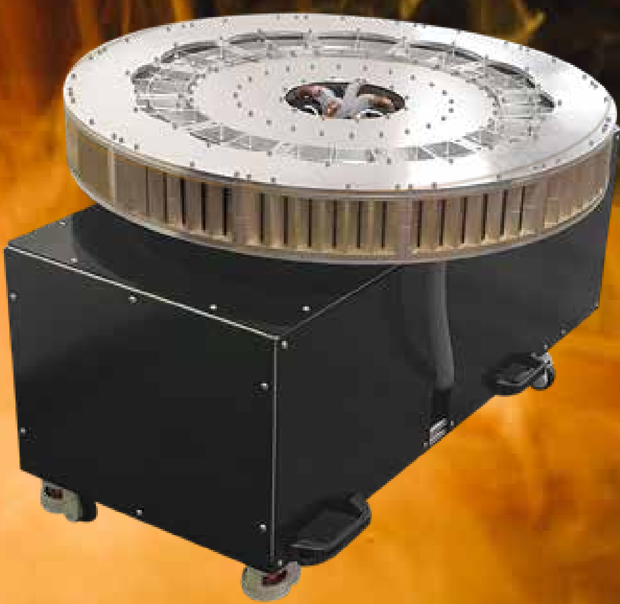
At airports throught Europe, detector dogs are routinely deployed at security checkpoints to check hand luggage and passengers, but they are also used inside aircraft (including cargo hatches) where suspicious packages have been reported.

In both fields of operation, dog handlers use the Kromek ID smartphone app to monitor radiation levels sent from the D3S ID detector. This provides an instant warning when any radiation is found.



Quietly efficient, dogs can search hundreds of items much quicker than humans. They are most often deployed at security checkpoints to check hand luggage and passengers, but they can also be used inside aircraft (including cargo hatches) where suspicious packages have been reported.

Image by fabrikasimf on Freepik



The bio-sentinel is a revolutionary concept and a first-in-its-class biodefence instrument, fully automated, with no need for human intervention for long periods.

Bio-sentinels can be placed in high traffic or strategically important areas to provide ultra-rapid information in the event a bioterrorism attack.

They can also be used near research facilities to detect and quickly mitigate any accidental/unintentional leak into the environment.

Bio-sentinels – the first line of defence against biological weapons

Biological weapons are a major growing threat due to the revolution in life sciences and the increase in the knowhow in making and acquiring those weapons. Early identification of the pathogen involved in a biological threat is crucial for minimising the impact of a malicious pathogen release. Various technologies are available for identifying pathogens, but these are typically lab-based and rely on targeted detection approaches, i.e. one test looking for one threat agent.

Although these methods can detect a pathogen quite quickly, they all have major disadvantages: they are not truly agnostic, cannot always distinguish between strains, or closely related species, and cannot identify artificial or engineered bioagents. They need to be trained with the agent, or agents they must detect, before they can be employed. These tests are usually performed in a centralised laboratory.

Work being undertaken by Kromek as an extension of the DARPA Sigma+ program, has led to the design and manufacture of autonomous air biosensors with the ability to continuously monitor the air in the field and provide a rapid report upon identifying any pathogen. This bio-sentinel is a revolutionary concept and a first-in-its-class biodefence instrument, fully automated, with no need for human intervention for long periods.

Bio-sentinels can be placed in high traffic or strategically important areas to provide ultra-rapid information in the event a bioterrorism attack. They can also be used near research facilities to detect and quickly mitigate any accidental/unintentional leak into the environment.

Sequencing at the point of need makes it possible to react quickly to emerging threats, such as those posed by emerging novel disease-causing agents, which typically occur in remote places. Having sequencing capabilities in challenging environments allows scientists to study environmental DNA (eDNA) to assess how environments are changing, in the air, in the water and in the soil. It is typically used to monitor changes to the environment due to climate change or to assess for invasive species into a natural environment.

A second instrument has been developed that allows researchers to bring laboratory instruments into the field. The small, self-powered, portable system enables researchers to test samples, in remote or hostile locations. Using an automated sequencer remotely removes the need for complex sample transport and logistics, giving information in near real time.

Small enough to fit in a rucksack, the self-powered, portable system enables researchers to test samples, in remote or hostile locations.

Strategic Report *(Continued)*

Review of Principal Risks

The Group takes a holistic approach to risk management, first building a picture of the principal risks at a divisional level and then consolidating those principal risks alongside Group risks into a Group view. In addition, we continue to identify and analyse emerging risks, which are considered and approved at senior management meetings before being presented to the Audit Committee and Board for consideration and approval. The objective of this process is to ensure that all key risks to the Group are known and are actively monitored, and mitigating controls are put in place to ensure risk falls within the risk appetite set by the Board.

Our risk management methodology is designed to identify the principal and emerging risks that could:

- adversely impact the safety or security of the Group's employees, customers and assets;
- have a material impact on the financial or operational performance of the Group;
- impede achievement of the Group's strategic objectives and financial targets; or
- adversely impact the Group's reputation or stakeholder expectations.

Risks are reviewed on a regular basis by the Board and Audit Committee to identify any changes in risk profiles and to consider the optimal range of mitigation strategies

Risks associated with competition

The Group faces competition from two types of competitor:

i) Specialised companies targeting discrete markets
ii) Divisions of large integrated device manufacturers.

The Group's current and future competitors may develop superior technology or offer superior products, sell products at a lower price or achieve greater market acceptance in the Group's target markets. Competitors may have longer operating histories, greater name recognition, access to larger customer bases and more resources. As such, they could be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion and sale of their products than the Group.

Mitigation

To the extent possible, the Group carefully monitors competing technologies and product offerings. The Group intends to continue to make commercially-driven investments in developing new technologies and products to maintain a strong technology position, and is investing in further and more specialised marketing and sales resources. Group IP gives some additional protection, and Kromek continues to invest in IP resources and management systems and processes to maximise its opportunities to succeed in the competitive markets it serves. Improved supplier strategies and planned systems improvements should increase the Group's agility, enabling faster reaction to market conditions and customer demand.

Risks associated with product and technology adoption rates

The rate of market acceptance of the Group's products is uncertain as many factors influence the adoption of new products including changing needs, regulation, marketing and distribution, users' habits and business systems, and product pricing.

Mitigation

With a widely applicable technology base, the Group only chooses opportunities in which it believes there is a good match between its rare or unique capabilities and strong adoption drivers in large growing markets. The use of common technology platforms across multiple markets and applications reduces the investment risk in any given market segment and diversifies overall adoption risk.

Risks associated with management of the Group's growth strategy

The ability of the Group to implement its strategy in rapidly evolving and competitive markets will require effective management planning and operational controls. Significant expansion will be required to respond to market opportunities and the Group's future growth and prospects will depend on its ability to manage this growth and to continue to expand and improve operational and financial performance, whilst at the same time maintaining effective cost controls and working capital.

Mitigation

The Group's experienced management team is well versed in the current markets in which the Group operates and well-positioned to adapt to any changes in those markets. The Group also has detailed control systems including R&D cost control and extensive project management criteria. The Group has demonstrated its ability to identify, execute and integrate M&A opportunities with its two successful US acquisitions. The Group has also relocated one of the US subsidiary companies to a custom-built facility that specialises in the production of CZT gamma cameras used for SPECT. There is spare capacity in the US operation that can be flexed with moderate capex and adjusted shift patterns. The UK operation can also flex to increase the output through efficiency initiatives and measures.

In addition, the UK operation is looking to implement an MRP system and S&OP process in the near term to enhance production control and streamline communication, forecasting, supply chain and production functions.

Risks associated with timing of customer or third-party projects

The Group's strategy includes co-development with large OEM partners for additional development, manufacturing or subsequent marketing. Consequently, the Group will be increasingly reliant on securing and retaining such partners, and delays in the progress of the development, manufacturing or marketing of the end product, as a result of a partner's action or inaction, may delay the receipt of product-related revenues.

Mitigation

The Group has a diversified customer base and operates in a carefully selected portfolio of markets with different adoption risks and cycles. As part of its business model, it also more directly controls a certain proportion of its revenues via the sale of complete end-user products in three different markets.

Risks associated with exchange rate fluctuations

As a consequence of the international nature of its business, the Group is exposed to risks associated with changes in foreign currency exchange rates on both sales and operations. The Group is headquartered in the UK and presents its financial statements in pounds sterling. However, its subsidiaries – eV Products, Inc. and NOVA R&D, Inc. – operate in the US and earn revenues and incur costs in US dollars. A growing proportion of the Group's future revenues are expected to be denominated in currencies other than pounds sterling. Exchange rate variations between currencies in which the Group operates could have a significant impact on the Group's reported financial results.

Mitigation

The Group is predominantly exposed to currency risk on sales and purchases made from customers and suppliers. Sales and purchases from customers and suppliers are made on a central basis and the risk is also monitored centrally. Apart from these particular cash flows, the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred. Where this natural hedging strategy results in exposed foreign currency risk, management will consider hedging some or all of that risk through the utilisation of forward exchange contracts.

Strategic Report *(Continued)*

Review of Principal Risks *(Continued)*

Pandemic

Uncertainties remain worldwide in relation to the social and economic impact from any future epidemics or pandemics. National and international travel restrictions and social distancing measures would prevent the Group's personnel from visiting countries where restrictions are in place and would limit potential users of its products from attending training and/or trainers from providing training on the safe use of its products. In the event of the introduction of another epidemic or pandemic, medical resources at national and local levels will be focussed on mitigating the impact of such infections rather than undertaking non-urgent or elective procedures that would otherwise be able to utilise the Group's products. There may be future restrictions on the ability of sales representatives to attend customer sites. Should Group personnel become infected or show symptoms of any such infection, they will be required to self-isolate and/or take extended time off work. National social distancing responses may in future require alternative working methods (i.e. home-working), which would not be suitable for all Group employees..

Mitigation

The Board and management continue to monitor the current and potential impacts of an epidemic or pandemic on Group and divisional performance. The health and safety of staff is of paramount importance, and the Group continues to operate with additional hygiene measures in Kromek facilities and encourages hybrid working where possible. In the event of a future pandemic, management would follow and implement government guidance in each jurisdiction in which the Group operates and would continually review its business continuity plan and financial forecasts to ensure that the business can serve its customers efficiently and safely.

Economic conditions

This risk relates to the Group's exposure to short-term macroeconomic conditions and market cycles in the sectors in which the Group operates, predominately driven by recent high inflation, high interest rates and periodic market downturns. Some of the factors driving such market changes are beyond the Group's control and are difficult to forecast.

The Group's success depends on adapting to these economic fluctuations, which may negatively impact performance through increased costs, changing customer needs, reduced demand and/or reduced opportunities for growth. Globally, the economic outlook is less certain, although it has started to stabilise. Nevertheless, the Group has experienced significant cost inflation in recent years driven by increased fuel costs related in part to the Russia-Ukraine conflict. These market changes have the potential to decrease the Group's available financial resources to invest capital in innovative solutions that drive demand.

Mitigation

The Group cannot control market conditions but believes it has effective measures in place to respond to changes. Kromek continues to reinforce existing measures in place, including:

- the evolution of its business model;
- cost control, pricing and gross margin management initiatives, including a focus on customer service and productivity improvement;
- resource allocation processes; and
- capital expenditure controls and procedures.

The Group continues to monitor for any business disruption caused by the factors outlined above and remains prepared to implement appropriate mitigation strategies.

Data security and privacy, including cyber-security

This risk includes the risk of cyber-attack, security of IT systems and resilience to restore system availability. A ransomware attack on the NHS in June 2024 is an important reminder that criminal organisations are ruthless in their actions. A cyber-attack presents a risk to Kromek's operations in the following ways:

- Destructive compromise of Group-wide networks resulting in a loss of all services
- Confidentiality (leakage of customer data)
- Integrity (accuracy of Kromek's data)
- Availability (loss and access to data)

Cyber-attacks, computer malware/ransomware, viruses, spamming, phishing attacks have become more prevalent and may result in a breach of systems. A breach of Kromek's facilities and/or networks could disrupt its operations and impair its ability to protect data, and/or compromise confidential business information. A failure to prevent, mitigate or detect security breaches and/or improper access to its business and/or customer information and/or comply with consumer privacy regulations could result in disruption to Kromek's operations, significant penalties and have an adverse impact on confidence in the Group.

Mitigation

To protect its data and comply with all data privacy regulations, IT infrastructure controls have been implemented across the Group. The Group administers a training programme to new employees, communicating their role in protecting and preventing the unauthorised access to sensitive data, and also provides refresher training to all employees on an annual basis. Business continuity plans continue to evolve and are updated as the transition to greater dependency on technology continues, in order to minimise the impact of cyber-attacks and the potential impact to the continuity of Kromek's operations.

Human resources

Employee costs represent the largest component of the Group's operating costs. These costs include expenses related to recruitment, retention, talent development and salaries. The costs are impacted by changes in employment markets, new regulatory requirements and diversity and inclusion programmes. A failure to effectively recruit and retain a diverse and talented workforce could have adverse financial, reputational and operational impacts. The employment market for many disciplines, including engineers and scientific staff, has become more challenging since the pandemic. This has increased the Group's recruitment and retention costs and may impact operations in future periods. Kromek's employee turnover has also been impacted by wider economic circumstances, particularly rising inflation.

Mitigation

In order to increase retention and decrease employee costs, the Group has enhanced recruitment practices, including leveraging multiple channels, including online recruitment, for all roles. To help prevent overall employee turnover, Kromek continues to focus on improving communication with employees, with a people strategy, investing in employee development and diversity and inclusion, and providing market competitive salaries and benefits, including a company-wide Share Option Scheme.

Protection of Intellectual Property

The Group's success and ability to compete effectively are in large part dependent upon exploitation of proprietary technologies that the Group has developed internally, the Group's ability to protect and enforce its intellectual property rights so as to preserve its exclusive rights in respect of its technologies, and its ability to preserve the confidentiality of its know-how. The Group relies primarily on patent laws to protect its intellectual property rights. Worldwide, the Group had 240 patents granted as at 30 April 2024 (2023: 246), the year-on-year reduction being due to patents being allowed to lapse in certain countries where it was perceived that there was no benefit in maintaining the patent.

In addition, policing unauthorised use of this technology is difficult and expensive. There can be no assurance that the steps the Group takes will prevent misappropriation of, or prevent, an unauthorised third party from obtaining or using, the technologies Kromek relies on. In addition, effective protection may be unavailable or limited in some jurisdictions. Any misappropriation of the Group's proprietary technology and intellectual property could have a negative impact on the Group's business and its operating results. Litigation may be necessary in the future to enforce or protect the Group's rights or to determine the validity or scope of the proprietary rights of others. Litigation could cause the Group to incur substantial costs and divert resources and management attention away from its daily business and there can be no guarantees as to the outcome of any such litigation.

Mitigation

Intellectual property is treated as a priority Group wide. Kromek has increased its resources in protecting IP during the year. There are tight controls around the use of technology set up in the Group, as well as training to increase awareness of staff. Kromek also employs an in-house legal Counsel whose experience in this key area aids in protecting the Group's IP.

Financial risk

The key financial risk is the availability of sufficient funding until the business reaches a sustained positive cash generative position, as the Group continues to commercialise its product range. Commercialisation of products and distribution as well as R&D are both working capital intensive, which results in a requirement for high liquidity. Constraints on liquidity could result in delays in development and production.

In addition, recent higher interest rates and the resultant higher cost to service Group debt may impact available funds to service operational costs and grow the business.

Mitigation

The Group has an experienced finance team that provides effective management of the Group's financial exposures, with a strong focus on cash control. Along with appropriate financial modelling, the Group prepares long-term business plans and forecasts, which ensures liquidity is closely monitored. The Directors are confident that the current term loan facilities will be repaid when they fall due or alternatively will be replaced by alternative borrowing facilities and that further additional financing will be available to the Group as required. For further information see note 2 on Going Concern.

Strategic Report *(Continued)*

Review of Principal Risks *(Continued)*

Unfavourable geopolitical conditions and Global Trade risks

The Group operates internationally, meaning that it is exposed to certain risks relating to international trade, regulation, import/export regimes, sanctions, retaliatory tariffs and politics. For example, in relation to countries seeking to on-shore or pursuing a ‘buying local’ policy, that could fetter international sales of products manufactured outside of such countries.

The ongoing Russia-Ukraine conflict, increasing tensions between China and Taiwan, and conditions in the Middle East may have an adverse financial impact on the Company as the Russia / Ukraine conflict, in particular, has accelerated the inflationary pressures already in place due to the pandemic.

Interest rates are starting to stabilise in most regions, however the conflicts in the Middle East could lead to some disruption in our business and could increase lead times and costs due to longer shipping routes.

There could be further trade restrictions in Europe, such as due to a requirement for additional customs documentation for certain products. With a new UK Government in place from July 2024, there may be future changes to the UK’s relationship with the EU, the results of which may not be known for some time.

Mitigation

In order to mitigate the geopolitical risks, the Group stays in regular communication with its customers and is aware of potential impacts on customer operations. The maintenance of a robust import and export controls are also key factors to mitigate the associated geopolitical risks.

The Group employs specialist skills within its functions and applies regular technical update training to constantly monitor the changing environment, latest government guidelines and industry best practice.

In addition, to appropriately reflect any potential downturns in revenue, pipeline and forecast revenue is based on a risk weighted average. Supply chain strategies have been developed to mitigate the impact of material issues.

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Strategic Report *(Continued)*

Section 172 Statement

The Directors have acted in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, in line with Section 172 of the Companies Act 2006.

This section of the Strategic Report describes how the Directors continue to have regard for:
– the likely consequences of any decision in the long term;
– the interests of the Company's employees;
– the need to foster the Company's business relationships with suppliers, customers and others;
– the impact of the Company's operations on the community and the environment;
– the desirability of the Company maintaining a reputation for high standards of business conduct; and
– the need to act fairly as between members of the Company.

In discharging its Section 172 duties, the Board has considered the factors set out above and the views of key stakeholders as described below. The Board identifies the Group's key stakeholders as shareholders, employees, customers, suppliers and community participants, and it is committed to effective engagement with these stakeholders.

Shareholders

The 10 largest shareholders in the Group held, in aggregate, approximately 70% of the Group's shares at 30 April 2024. The Executive Directors communicate from time-to-time with these shareholders and have a good understanding of their interests. The Executive Directors and other members of the management team meet regularly with other shareholders, both institutional and private, to explain and discuss the Group's strategy and objectives and to understand the interests of smaller shareholders in the Group. The Board recognises its responsibility to act fairly between all shareholders of the Group.

The Group communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, regulatory announcements, the Annual General Meeting (AGM) and one-to-one meetings with existing and potential new shareholders. The Chairman aims to ensure that the Chairs of the Audit and Remuneration Committees are available at the Annual General Meeting to answer questions. All regulatory announcements along with annual reports and notices of all general meetings over the last five years are available on the corporate website and are publicised through Kromek's social media channels and newsletters.

The Board receives regular updates on the views of shareholders through briefings and reports from Investor Relations, the CEO, the CFO and the Group's brokers. The Group communicates with institutional shareholders frequently through briefings with management and, at a minimum, at the time of the publication of the half year and full year results.

Employees

The Group employed an average of 162 staff during 2024. The management team interacts daily with all employees and operates dedicated HR functions at its key sites in the UK and US. Management has implemented employee policies and procedures that are appropriate for the size of the Group. As noted in the Directors' Report, the Group's learning and development policy encourages employees to further their professional development. The Group also has a number of policies to ensure the operation of a business that is fair and equitable for all.

Customers and suppliers

Apart from its shareholders and employees, the Group's main stakeholders are customers and suppliers. The Group has several contracts with customers that relate to longer term technology development and supply. The Group has engaged dedicated procurement and legal functions that operate with the Group's commercial, project and production teams and those of the Group's key customers and suppliers.

Broader stakeholders

Kromek develops and manufactures products and systems that are designed to make the world a safer place. To support this goal, Kromek participates in technology transfer projects, and works with many universities and other places of learning worldwide. The Board, executive team and staff are active across a wide range of industry steering groups, organisations and other stakeholder organisations.

Responsible Business

Over the course of 2024, the Board recognised and discussed the increasing importance of Environmental, Social and Governance (ESG) matters for a number of the Group's stakeholders. As a relatively small organisation, the Group's impact on the community and the environment is modest, but the Board endeavours to ensure that the business acts at all times in an ethical and in an environmentally conscious manner.

Kromek is committed to being a responsible corporate member of society and its priority has always been to protect its people, support its customers and stakeholders and continue to protect the environment around us. We believe that this approach supports the Group's long-term success.

The Group's ESG strategy embodies two main aims:

- To continue to make our business better and more sustainable, by minimising our environmental impact and ensuring meaningful diversity in the workforce and strong governance
- To make a difference beyond the direct operation of our business, through our reach and contribution to wider society

These aims are reflected in each of the following key areas:

The environment. Kromek will work both to reduce the Group's carbon footprint and work towards being a carbon neutral organisation. In April 2020, the Group elected to contract its energy supplies in the UK from clean energy sources.

Our employees. Kromek will work with its employees to continue to provide an open and inclusive workplace, with a focus on well-being to ensure it is a great place to work.

Our customers. Kromek will continue to innovate to provide customers with products and services that use fewer resources.

Key Performance Indicators (KPIs)

The Group utilises a range of financial and non-financial performance indicators to measure performance of continuing operations against strategy. Of those performance indicators, the Group's principal KPIs are revenue, adjusted EBITDA and total cash balances, and management closely monitors current year actuals for these metrics against both budget and prior year figures. The Board believes that these metrics are valuable indicators of the Group's progressing business model.

Further comments regarding these metrics are set out in the Chairman's Statement and the Chief Executive Officer's and Chief Financial Officer's Reviews.

Dr Arnab Basu MBE
Chief Executive Officer
25 October 2024

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Governance

Directors' Biographies

Mr Rakesh Sharma OBE, Chairman

Mr Sharma is a former FTSE 250 CEO with 30 years' experience in running international hi-tech engineering and manufacturing businesses. He was instrumental in the growth of Ultra Electronics Holdings plc, the previously LSE-listed group that specialised in providing engineering solutions for mission-critical systems in the defence, security, critical detection and control markets, latterly serving for six years as CEO. He also sits on the Board of LSE-listed PayPoint plc and Mony Group plc. As part of his pro bono activities, he is a lay council member at The University of Nottingham, and supports a range of small businesses and entrepreneurs in a non-executive or advisory capacity, and has been appointed as a Director of the Sidney Stringer Multi Academy Trust. Mr Sharma was elected as a Fellow of the Royal Academy of Engineering in 2016 and was honoured in the 2017 Queen's Birthday Honours List with an OBE for services to defence capability. In 2018 he was given the Freedom of the City of London by redemption and became a Liveryman of the Worshipful Company of Coachmakers and Coach Harness Makers. He brings extensive expertise in the security and defence sector, a key market for Kromek.

Dr Arnab Basu MBE, DL, Chief Executive Officer

Dr Basu has a PhD in physics from Durham University, specialising in semiconducting sensor materials, and started his career in technology businesses in India and the UK. A prominent figure within the business community, Dr Basu is Chair of Health Innovation North East and North Cumbria, an Honorary Fellow of the Institute of Physics, and an Export Champion for the Department of International Trade. Dr Basu was awarded EY 'Entrepreneur of the Year' (2009) and received an MBE for services to regional development and international trade in 2014.

Mr Paul Farquhar, Chief Financial Officer

Mr Farquhar is a Fellow of the Institute of Chartered Accountants in England and Wales. He has in excess of 30 years' experience as a finance director and chief financial officer, primarily for international businesses. He was previously President, Treasurer and Chief Financial Officer of Sevcon Inc, a NASDAQ-listed designer, manufacturer and supplier of microprocessor controls for electric and hybrid vehicles. In this position, Mr Farquhar established a global finance team in five countries with common financial reporting systems to meet the needs of a growing technology business and also oversaw the raising of equity and debt finance and M&A activity. He began his career as a chartered accountant, spending 10 years as an auditor at Jennings Johnson in Sunderland and at PricewaterhouseCoopers in Newcastle and Lisbon, Portugal.

Mr Albertus ("Berry") Beumer, Chief Commercial Officer, President Advanced Imaging Division

Mr Beumer is a technology business executive with extensive experience of delivering revenue growth in analytical instruments, high-frequency communications equipment, and optoelectronic and semiconductor materials industries. He has held several senior roles while working both in Europe and the US with AkzoNobel and Allied Signal and was Division President and General Manager of Taconic's US, Europe, and Asia operations. Prior to joining Kromek, he was Vice President of Sales and Marketing at XOS, Inc., a Danaher Company. During his tenure at XOS Inc., Mr Beumer was responsible for driving the strategic direction of their x-ray elemental technology business, positioning the company as a global leader in application specific elemental analysis solutions for the petroleum and consumer products industries.

Mr Lawrence Kinet, Non-Executive Director

Mr Kinet has over 45 years' experience in leadership positions in the medical device and bio-pharmaceutical industry. Amongst those positions, he was President of Smiths Medical (now part of ICU Medical) and CEO of LMA International (now part of Teleflex).

Mr Kinet has raised more than $100m in funding for early-stage companies, taking one through an IPO, and made over $1bn worth of acquisitions. His career began at Baxter International, running several overseas operations and eventually becoming President of Baxter's International Division. He holds a BSc from the University of Birmingham (UK) and an MBA from the University of Chicago. In addition to being a Non-Executive Director of Kromek, Mr. Kinet is the former Chairman of Metrasens Ltd in Malvern, UK (a company in the healthcare and security fields) and is the Board Chair of Reglagene Inc., a company developing treatment for brain cancer.

Mr Jerel Whittingham, Non-Executive Director, Remuneration Committee Chair

Mr Whittingham has extensive experience in investor, operational and strategy roles with technology-rich companies, including Incuvest LLC, Generics Group plc, Durlacher plc, Amphion Innovations plc, INMARSAT, and a number of start-ups. He was appointed to the Board of Kromek Group plc in September 2013. Currently, he manages a portfolio of emerging and existing university spinouts and a small seed fund and also chaired (2021-22) a regional project looking to radically improve university spinout and SME access to patient capital. He has served as interim CEO or Executive Chairman of spinouts from Manchester and Cambridge Universities. Jerel is a graduate of UCL, Cranfield and ULB.

Mr Christopher Wilks, Non-Executive Director, Audit Committee Chair

Mr Wilks is a Fellow of the Institute of Chartered Accountants in England and Wales. He is currently Chief Financial Officer at ECO Animal Health Group plc, a leader in the development, registration and marketing of pharmaceutical and biological products for global animal health markets. He qualified with Ernst & Young and has over 30 years' experience as Chief Financial Officer in technology and science-based companies. For over 10 years, he was the Chief Financial Officer of Sondex plc, which makes advanced instruments used in the energy industry. During Mr Wilks' tenure, Sondex grew from a small sole trader to a fully listed plc and was acquired by GE in 2007. Immediately prior to joining ECO Animal Health Group, Chris was the CFO at Signum Technology Limited, a PE-backed buy-out vehicle formed for the acquisition of a number of oilfield technology businesses. Signum was successfully sold during 2019. His intimate understanding of the physics and financial worlds adds valuable insight and expertise to Kromek.

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 30 April 2024.

Principal activities

Kromek Group plc is a leading developer of radiation detection and bio-detection technology solutions for advanced imaging and CBRN detection, based on cadmium zinc telluride ("CZT") and associated technologies. 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.

Advanced imaging comprises the medical (including CT and SPECT), security and industrial markets. Kromek provides its OEM customers with detector components, based on its 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 division; these consist of fully automated and autonomous systems to detect a wide range of airborne pathogens.

The Group realises revenue primarily on the sale of radiation equipment, development of radiation technology, and leading research into different potential applications of its detection technology.

Business and strategic review

The information that fulfils the requirements of the strategic report and business review, including details of the results for the year ended 30 April 2024, principal risks and uncertainties, research and development, financial KPIs and the outlook for future years, are set out in the Chairman's Statement and the Chief Executive Officer's and Chief Financial Officer's Reviews on pages 8 - 17.

Future developments

The Group's development objectives for the year to 30 April 2025 are disclosed in the Strategic Report on pages 8 - 17.

Capital structure

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

No changes were made to these objectives, policies or processes during the year ended 30 April 2024.

Results and dividends

The consolidated income statement is set out on page 64.

The Group's loss after taxation amounted to £3.3m (2023: £6.1m loss after tax and exceptional items).

The Directors do not recommend the payment of a dividend for the year ended 30 April 2024 (2023: £nil).

During the year ended 30 April 2024, the Group made political donations of £nil (2023: £nil) and charitable donations of £1k (2023 £6k).

Directors

The Directors who served during the year and up to the date of signing this report (unless otherwise stated) were as follows:
Dr A Basu
Mr R Sharma
Mr P N Farquhar
Mr A Beumer
Mr L Kinet
Mr J H Whittingham
Mr C Wilks

The emoluments and interests of the Directors in the shares of the Group are set out in the Remuneration Committee Report on pages 51 to 53.

Details of significant events since the balance sheet date are contained in note 37 to the consolidated financial statements and note 17 to the parent Company financial statements.

Directors' indemnities

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

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

The Directors are responsible for preparing the annual report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU), and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Employees

Kromek develops and manufactures products and systems that are designed to make the world a safer place. The Board and senior management value technological development in the Group's sector and actively support developments that lead to better scanning and detection systems. To this end, Kromek participates in technology transfer projects, and works with many universities and other places of learning worldwide. The Board, executive team and staff are active across a wide range of industry steering groups, organisations and other stakeholder organisations. All staff are encouraged to meet and participate in events and conferences that operate in their area of expertise. The Group's learning and development policy encourages employees to further their professional development. Operating a business that is fair and equitable for all is vital to the Group's success. Kromek's ethical values are outlined in its:

- Equal opportunity policy;
- Personal harassment policy;
- Family-friendly policy;
- Equality, inclusion and diversity policy; and
- Anti-bribery and corruption policy.

These policies are circulated to staff as part of the employee manual, and reminders are sent on a regular basis as the manual is updated and changed.

The Group has several routes in place to reinforce ethical behaviour, which, depending upon the situation, could be resolved in a regular one-to-one meeting, personal improvement plan or in more severe action, including immediate dismissal.

The Group's average number of staff during the year was 162 and the percentage of this number that is female is 32%.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Substantial shareholders

As at 30 April 2024 and 16 September 2024 (the latter being the latest date for which this information was available prior to approving this report), shareholders holding more than 3% of the share capital of Kromek Group plc were:

	At 30 April 2024		At 16 September 2024	
Name of shareholder	Number of shares	% of voting rights	Number of shares	% of voting rights
Polymer Holdings	86,686,849	13.52	86,686,849	13.51
Hargreaves Lansdown Asset Management	75,358,284	11.76	76,353,749	11.90
abrdn plc	64,398,010	10.05	63,696,636	9.93
Canaccord Genuity Wealth Management	63,856,644	9.96	58,520,054	9.12
Herald investment Mgt	44,229,648	6.90	44,229648	6.89
Lloyds Banking group	27,724,057	4.32	29,558,017	4.61
AJ Bell Securities	26,224,864	4.09	26,172,096	4.08
Mr David & Mrs Monique Newlands	22,980,000	3.58	22,980,000	3.58
Barclays Bank	20,353,381	3.18	120,910,822	3.26

By order of the Board

Dr Arnab Basu MBE
Chief Executive Officer
25 October 2024

Corporate Governance Report

The Directors recognise the importance of sound corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code 2023 (the "QCA Code"). The QCA Code was developed by the QCA, in consultation with a number of significant institutional small company investors, as a corporate governance code applicable to companies with shares traded on AIM.

Principle	Compliance
1. Establish a strategy and business model which promote long-term value for shareholders	• Kromek is a leading supplier of radiation detection components and devices. • The Group strategy is set out in the Strategic Report section on pages 8 to 17 of this Annual Report. • The Board normally meets formally at least four times per year in person and four times per year telephonically. One of the Board's direct responsibilities is setting and monitoring strategy.
2. Seek to understand and meet shareholder needs and expectations	• Investor roadshow meetings are held at least twice per year immediately following the full year and interim announcements. • Under normal circumstances, shareholders are invited to the AGM held in Sedgefield, County Durham, where all Board members have the opportunity to interact with shareholders and are available to answer questions raised. • Shareholder feedback is received from the Group's nominated advisor and all shareholder feedback is discussed at Board meetings. • For further information, see Section 172 statement on pages 36 to 37 of this Annual Report.
3. Consider wider stakeholder and social responsibilities and their implications for long-term success	• In terms of employees, regular meetings are held with management tiers to discuss strategy, keep employees updated, seek feedback and promote employee engagement. • The Group engages in continuous communication and engagement with customers in order to understand their needs and requirements. • The procurement team maintains strong relationships with existing suppliers whilst promoting new partnerships with new suppliers. • For further information, see Section 172 statement on pages 36 to 37 of this Annual Report.
4. Embedded effective risk management, considering both opportunities and threats throughout the organisation	• The Board has overall responsibility for risk management and is assisted by the Audit Committee in monitoring the principal risks and uncertainties facing the Group as well as the actions taken to mitigate those risks. • The Group's significant risks are reviewed and assessed throughout the year. • The significant risks are disclosed on pages 30 to 34 of the Strategic Report within this Annual Report.
5. Maintain the Board as a well-functioning, balanced team led by the Chairman	• The Board is led by the Non-Executive Chairman, Mr Rakesh Sharma. • The members of the Board maintain the appropriate balance of experience, independence and knowledge of the Group. • For further information, please see pages 45 to 46 of this Annual Report.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	• Between the four Non-Executive Directors and the three Executive Directors, the Board has an effective balance of skills, experience and capabilities including finance, technology, law and knowledge of the medical sector. • Biographies of each Director can be found on pages 40 to 41 of this Annual Report.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvements	• The Chairman conducts half yearly reviews of the effectiveness of the Board's performance as a unit and of the individual members. • The Remuneration Committee evaluates Executive Director performance alongside remuneration and reward. • With regards to financial performance, the Audit Committee meets with the auditors to plan the year-end audit, followed by a meeting to review the results of the audit. • The Board reviews the preparation of the Group budget; reviews period results against budget, together with commentary on significant variances and updates of both result and cash flow expectations for the period.
8. Promote a corporate culture that is based on ethical values and behaviours	• The Group's ethical values are outlined on page 43 of this Annual Report. • All staff are encouraged to meet and participate in events and conferences that operate in their area of expertise. The Group's learning and development policy encourages employees to further their professional development.
9. Maintain governance structures and processes and support good decision making by the Board	• As noted in principle 1, the Board normally meets formally at least four times per year in person and four times per year telephonically. • The Audit Committee also meets at least two times per year and one of its key responsibilities is to review the effectiveness of the Group's internal control over financial reporting and consider key financial judgements made in the financial statements. • The Group's financial results and internal controls are also audited by external auditors to ensure they are consistent with the Audit Committee's understanding.
10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	• Communication with shareholders is explained in principle 2 above. • The Group's website details RNS announcements and copies of the Annual and Interim reports.

This information is available on the Group's website. Please visit www.kromek.com.

The Board

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

Board meetings

The Board met four times during the year ended 30 April 2024. The following details the Board meetings during FY 2024, and the attendees:

Date	Attendees
21/06/2023	Rakesh Sharma Berry Beumer Arnab Basu Paul Farquhar Lawrence Kinet Jerel Whittingham (virtual) Chris Wilks (virtual)
28/09/2023	Rakesh Sharma Berry Beumer (virtual) Arnab Basu Paul Farquhar Lawrence Kinet Jerel Whittingham Chris Wilks
08/12/2023	Rakesh Sharma Berry Beumer (virtual) Arnab Basu Paul Farquhar Lawrence Kinet Jerel Whittingham Chris Wilks
15/03/2024	Rakesh Sharma Berry Beumer Arnab Basu Paul Farquhar Lawrence Kinet Jerel Whittingham Chris Wilks

Board effectiveness

The Board has set out, in the contract for Non-Executive Directors, the time commitment required and asked for confirmation that the Director can devote enough time to meet the expectations of the Board.

The Board currently anticipates a minimum time commitment of one day per month and further days if required for the satisfactory fulfilment of Directors' duties. This includes attendance at four in-person or virtual Board meetings per annum and at least one telephonically, the AGM, any general meeting, one annual Board away day and at least one site visit per year. Also, Directors are expected to devote appropriate preparation time ahead of each meeting.

The Board requires the Directors to disclose any other significant time commitments and to obtain the agreement of the Chairman, or in the event that the Chairman has a conflict of interest in relation to such matter, obtain the agreement of one of the Group's independent Non-Executive Directors, before accepting additional commitments that might affect their time to devote to the role as a Non-Executive Director of the Group.

The Board is satisfied that, between the Directors, the Executive Team and senior management, the Group has an effective and appropriate balance of skills and experience. These include the areas of technology, business operation, finance, innovation, international trading and marketing. All Directors have extensive technical qualifications and experience relating to their area of operation.

The Chairman conducts half yearly reviews of the effectiveness of the Board's performance as a unit and of the individual members, meeting with Board members to discuss their involvement with the Group to ensure that:

1. their contribution is relevant and effective;
2. that they are committed to Kromek and its values; and
3. where relevant, they have maintained their independence.

In order to measure the effectiveness of the Board against these three points, four areas of performance are considered:

1. Process and relationships
    - Effective in dispatching business in and between meetings.
    - Good internal board dynamics.
    - Good key relationships.
2. Coverage
    - Focuses on key issues and risks.
    - Initiative-taking, dealing with crises and identifying emerging issues.
3. Impact
    - Contributes to the Group's performance.
4. Sustainability
    - Aware of, and interested in, good practice.

The above forms a basis for discussion around performance in one-to-one discussions with Board members, CEO, CFO and Chairman to measure effectiveness. These occur after Board meetings and during other meetings with the senior team. The Board has not adopted any more mechanistic performance exercises, but this is always under consideration and may be adopted in the future.

Relations with stakeholders

The Group considers its key stakeholders to be its shareholders, employees and customers and suppliers. How the Group engages with these, and broader, stakeholders is described in the Strategic Report on pages 8 to 17.

Audit Committee

The Audit Committee is chaired by Christopher Wilks, an Independent Non-Executive Director. The other members are Rakesh Sharma, Lawrence Kinet and Jerel Whittingham, each of whom are Independent Non-Executive Directors. The committee meets at least two times a year.

Corporate Governance Report *(Continued)*

The Audit Committee is responsible for reviewing the half-year and annual financial statements, interim management statements, preliminary results announcements and any other formal announcement or presentation relating to the Group's financial performance. There is also meeting time provided outside the committee schedule to ensure there is full opportunity for discussion.

The Audit Committee reviews significant financial returns to regulators and any financial information covered in certain other documents such as announcements of a price sensitive nature.

The Audit Committee also reviews the effectiveness of the Group's internal control over financial reporting and considers key financial judgements made in the financial statements.

The Audit Committee advises the Board on the appointment of external auditors and on their remuneration (both for audit and non-audit work) and discusses the nature, scope and results of the audit with the auditors. The Audit Committee reviews the extent of the non-audit services provided by the auditors and reviews with them their independence and objectivity. The Chairman of the Audit Committee reports the outcome of Audit Committee meetings to the Board and the Board receives minutes of the meetings.

The following details the Audit Committee meetings and attendees during the year ended 30 April 2024:

Date	Attendees
12/07/2023	Christopher Wilks Rakesh Sharma Lawrence Kinet Jerel Whittingham Paul Farquhar* Arnab Basu*
20/07/2023	Christopher Wilks Rakesh Sharma Lawrence Kinet Jerel Whittingham Paul Farquhar* Arnab Basu*
24/01/2024	Christopher Wilks Rakesh Sharma Lawrence Kinet Jerel Whittingham Paul Farquhar* Arnab Basu*
25/03/2024	Christopher Wilks Rakesh Sharma Lawrence Kinet Jerel Whittingham Paul Farquhar*

** Attended by invitation*

Remuneration Committee

The Remuneration Committee is chaired by Jerel Whittingham, an Independent Non-Executive Director. The other members are Christopher Wilks and Lawrence Kinet, Independent Non-Executive Directors. The committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Group's framework of executive remuneration and its cost.

The committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance-related bonus schemes and pension rights. In addition, in all matters of significant remuneration change, the Remuneration Committee consults with the wider Board. Further details of the Group's policies on remuneration and service contracts are given in the Remuneration Committee Report on pages 51 to 53.

Internal control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors have set out below some of the key aspects of the Group's internal control procedures.

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

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

Capital and development expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board for approval.

Reviews are carried out after the purchase is complete. The Board requires management to explain any major deviations from authorised capital proposals and to seek further sanction from the Board.

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

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

Going concern

As at 30 April 2024, the Group had net current assets of £8.6m (30 April 2023: £1.8m) and cash and cash equivalents of £0.5m (30 April 2023: £1.1m) as set out in the consolidated statement of financial position. The Group made a loss before tax of £3.5m in the year (2023: £7.3m).

The Directors have prepared a detailed forecast of the Group's financial performance over the next twelve months from the date of this report (the "base case forecast"). Given the rapidly changing macroeconomic landscape and the Group's forecast financial performance for the next twelve months, management also prepared a financial forecast based on a sensitised and severe but plausible scenario (the "severe but plausible forecast"). It should be noted that in the base case forecast, the Board has specifically excluded any significant upsides from this scenario or mitigating cost reductions. In the severe but plausible forecast, the Board has also excluded available potential but significant upsides but has included likely mitigating cost reductions, as management would act swiftly to reduce the Group's cash outflows (notably by reducing payroll costs and discretionary expenditure).

Whilst the Directors were able to successfully conclude a placing, subscription and open offer which raised £7.4m in H1 2024, as well as securing a new loan facility in the period, there has been continued cash burn in the year, and the current expiry date of the new loan facility is 27 March 2025.

In both the base case forecast and the severe but plausible forecast, the Directors indicate that they have sought the assurance of the lender of the term loan facility that the loan is likely to be extended for a further 12 months from March 2025, which is at the option of the lender. The Group has a number of significant opportunities available that the Directors are currently exploring, which are expected to provide substantial cash inflows to support the Group's operations to achieve these forecasts and significantly improve the liquidity of the Group. The Board has concluded that it is almost certain that the required outcome will be secured which will provide sufficient cash inflows to the Group to cover any expected cash outflows for a period of at least twelve months from the date of signing of this Annual Report. Furthermore, the Board has received a confirmation of financial support from one of the Group's largest shareholders, in the event that the available significant opportunities are not taken further and the facility requires extending and/or increasing, to cover any expected cash flow shortfall over the period for at least twelve months from the date of signing. As a consequence, the Board is confident that the Group will have sufficient resources and working capital to meet its present and foreseeable obligations for a period of at least twelve months from approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the Group financial statements.

Audit Committee Report

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 30 April 2024.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements, reviewing internal control and risk management systems, reviewing any changes to accounting policies, and reviewing and monitoring the extent of the non-audit services undertaken by external auditors. There is also meeting time provided outside the Committee schedule to ensure there is full opportunity for discussion, including direct conversations between the Chairman of the Committee and the auditors.

Members of the Audit Committee

The Committee consists of four Independent Non-Executive Directors: me (as Chairman), Lawrence Kinet, Jerel Whittingham and Rakesh Sharma.

The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am currently Chief Financial Officer at ECO Animal Health Group plc and was formerly Chief Financial Officer at Signum Technology, which I co-founded in 2012. Prior to this, I was Chief Financial Officer at Sondex plc, where I successfully managed their listing on the Main Market of the London Stock Exchange in 2003 and made several post-IPO acquisitions. In 2007, Sondex was acquired by GE. After graduating from Durham University with a BSc in Applied Physics and Electronics, I initially joined Marconi Space Systems designing power systems for space craft, and then trained as a Chartered Accountant at Arthur Young (now EY).

Duties

The main duties of the Audit Committee are set out in its Terms of Reference, which are available on the Group's website (www.kromek.com) and are also available on request from the Company Secretary.

The main items of business considered by the Audit Committee during the year included:

- review of the financial statements and Annual Report;
- consideration of the external audit report and management representation letter;
- going concern review;
- review of the 2024 audit plan and audit engagement letter;
- assessment of the auditor's independence and performance;
- review of the risk management and internal control systems;
- review and approval of the interim results;
- assessment of the need for an internal audit function; and
- meeting with the external auditor without management present.

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, Haysmacintyre LLP, to ensure that auditor independence and objectivity are maintained. As part of its review, the Audit Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services in the two years ended 30 April 2024 is provided in note 7 of the Group's financial statements. There were no non-audit services provided by the current external auditor to the Group during both the 2024 and the 2023 years.

Audit process

The auditor prepares an audit plan for its review of the full year financial statements. The audit plan sets out the scope of the audit, significant risk areas (key audit matters), the approach to these matters, audit materiality and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. No major areas of concern were highlighted by the auditor during the planning phase. During the audit period areas of significant risk, audit differences and other matters of audit relevance are regularly communicated to the Audit Committee. The auditor calculates materiality for the purposes of their audit using an average of the Group's last five years normalised loss before tax and exceptional items. The materiality of the Group for the 2024 audit was £358k (2023: £326k). There were no unadjusted material differences reported by the auditor to the Audit Committee.

Fair, balanced and understandable

The content and disclosures made in the Annual Report are subject to a review exercise by management to ensure that no statement is misleading in the form and context in which it is included, no material facts are omitted which may make any statement of fact or opinion misleading, and implications which might be reasonably drawn from the statement are true. The Committee was satisfied that it was appropriate for the Board to approve the financial statements and that the Annual Report taken as a whole is fair, balanced and understandable such that it enables the reader to assess the Group's position and performance as well as its strategy and business model.

Significant issues

The Committee reviewed the key judgements applied to a number of significant issues in the preparation of the financial statements. The review included consideration of the following:

Issue	How the committee addresses
Revenue recognition	The Group has well-developed accounting policies for revenue recognition in compliance with IFRS15 as shown in notes 2 and 4 to the financial statements. The Group derives revenue in its UK and USA operations from the sale of products and services including the receipt of grants and income from contracts. The Group recognises revenue at the point its performance obligation is met, which may occur at different points in the revenue cycle dependent on contractual terms and shipping methods. The Committee receives reports from management and from the auditors to evidence that the policies are complied with across the Group.
Recoverability of trade receivables	The Group's accounting policy for amounts recoverable on trade receivables is included within the accounting policies in note 2, and the components of trade and other receivables are set out in note 21. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The Group reviews the recoverability of receivables over 120 days every six months and on an individual balance by balance basis. The impairment review seeks evidence of recoverability, most notably, where specific support is being provided to strategic partners in the marketing of new products. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. A determination is then made if the Group should recognise an impairment allowance. When considering any impairment, strategic and commercial relationships are considered. The Committee receives regular reports from management to evidence that Group's accounting policy for amounts recoverable on trade receivables is complied with across the Group.
Intangible assets capitalised, development expenditure and impairment	The Group's accounting policy for intangible assets is included within the accounting policies in note 2 and the components of intangible assets are set out in note 15. In practice, work that is undertaken in the development of the automated wide area pathogen detection solution and development of the Group's advanced imaging products are expected to give rise to future economic benefit and are tested against the conditions for capitalisation set out in note 15 to these accounts. Goodwill and intangible asset impairment calculations (including assumptions about future performance of the Group) and sensitivities are undertaken at least annually by management and reviewed by the Board and the Committee. The Committee also considered and agreed the appropriateness of the sensitivity analysis disclosures.
Valuation of investments in subsidiaries and intercompany receivables	Included in the parent Company's Statement of Financial Position are investments in subsidiaries of £6.6m (2023: £6.1m) and intercompany receivables of £ 82.3m (2023: £77.2m). Management prepared an impairment assessment of these balances which largely related to forecasts of the subsidiaries' performance to which these balances are attributable. The Committee concluded that the investment in subsidiaries and the intercompany receivable in Kromek Group plc is fairly stated and that no impairment exists.
Going Concern	The Group continues to prepare its financial statements on a going concern basis, as set out in note 2 to the financial statements on page 68 - 69. Management produces working capital forecasts on a regular basis. The Board reviews those forecasts at each Board meeting. The Board continues to scrutinise the Group's detailed economic forecasts to ensure that all relevant events and conditions are being incorporated that might affect both short, medium and long-term performance. Having reviewed the forecasts as at the date of this Annual Report and taking into consideration all known and pending strategic initiatives, the Committee concluded that it was appropriate for the Group to continue to prepare its financial statements on a going concern basis.

Audit Committee Report *(Continued)*

Shareholders' attention is drawn to the section titled 'Key Audit Matters" in the report from the independent auditor on pages 57 to 60, about specific areas as reported by the independent auditor to provide its opinion on the fnancial statements as a whole.

Internal audit

At present the Group does not have an internal audit function, and the Audit Committee believes that management and the Board are able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one. The need for an internal audit function or specific internal audit reviews are considered on an ongoing basis.

Risk management and internal controls

As described on page 44 of the Corporate Governance Report, the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Audit Committee reviewed the framework and is satisfied that the internal control systems in place are currently operating effectively.

Whistleblowing

The Group has in place a whistleblowing policy that sets out the formal process by which any employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, conduct of business, personnel or other matters. No matters were reported through this mechanism during the year.

Christopher Wilks
Audit Committee Chairman
25 October 2024

Remuneration Committee Report (Unaudited)

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

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

Remuneration policy

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

The remuneration packages of Executive Directors comprise the following elements:

Basic salary and benefits

Basic salaries for Executive Directors are reviewed annually, having regard to individual performance and market practice. In most cases, benefits provided to Executive Directors comprise the provision of a Group car, or appropriate allowance, health and life insurance and contributions to a Group personal pension scheme.

Annual bonus

A contractual bonus is awarded at the end of each financial year, the quantum of which is at the discretion of the Board, having considered the recommendations of the Remuneration Committee. The maximum bonus currently ranges from between 50%–100% of basic salary to reward executives' contribution to the growth in revenue, and specific targeted or strategic objectives. In addition to the annual bonus arrangement, the Remuneration Committee may make an exceptional bonus award in specific circumstances where appropriate.

Share Options and Long-Term Incentive Plan ("LTIP")

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

The Group has executive share ownership incentive schemes, which are designed to promote long-term improvement in the performance of the Group, sustained increase in shareholder value and provide clear linkage between executive reward and the Group's performance. The LTIP scheme is principally based on total shareholder return ("TSR") relative to the FTSE AIM All-Share Index, which is the peer group for the LTIP scheme; however, the Remuneration Committee applies other key strategic criteria as appropriate. Any awards made vest only after three years.

The Remuneration Committee and Board use external independent advisors as required to provide guidance on benchmarks, scheme structures and metrics.

Service contracts

Arnab Basu (CEO), Paul Farquhar (CFO) and Berry Beumer (COO) have service contracts with a notice period (to the Company) of nine months in respect of each Executive Director.

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

Non-Executive Directors

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

Pension contributions

During the year, the Group made pension contributions to personal pension schemes (i.e. defined contribution schemes) for the following Executive Directors. Neither benefits in kind nor bonuses are pensionable.

Details of contributions payable by the Group are:

Year Ended	30 April 2024 £'000	30 April 2023 £'000
Director		
Arnab Basu[1]	4	4
Paul Farquhar	16	14
Berry Beumer	6	7

[1] *In 2024 and 2023 Mr Basu opted to take part of his contractual pension contribution entitlement as salary in lieu of contributions to the Company pension scheme*

Directors' shareholdings

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

	30 April 2024		30 April 2023	
	Number	%	Number	%
Arnab Basu	3,088,750	0.5	2,988,750	0.7
Rakesh Sharma	1,207,539	0.2	807,539	0.2
Paul Farquhar[1]	166,500	0.0	66,500	0.0
Berry Beumer	80,000	0.0	80,000	0.0
Lawrence Kinet	750,000	0.1	350,000	0.1
Jerel Whittingham	664,890	0.1	364,890	0.1
Christopher Wilks	277,941	0.0	177,941	0.0

[1] *Includes shares owned by family*

Remuneration Committee Report *(Continued)*

Directors' emoluments for the year ended 30 April 2024

The table below forms part of the audited financial statements:

	Salary £'000	Benefits £'000	Bonus paid £'000	Pension contributions £'000	**Total emoluments 2024 £'000**	Total emoluments 2023 £'000
Non-executive Chairman						
Rakesh Sharma	80	-	-	-	**80**	80
Executive						
Arnab Basu[1]	286	3	20	4	**313**	271
Paul Farquhar[2]	195	1	20	16	**232**	192
Berry Beumer	252	18	20	6	**296**	266
Non-executive						
Lawrence Kinet	39	-	-	-	**39**	39
Jerel Whittingham	42	-	-	-	**42**	42
Christopher Wilks	42	-	-	1	**43**	43
Total	**936**	**22**	**60**	**27**	**1,045**	933

[1] *The 2024 salary of Arnab Basu includes £15,000 of contractual pension entitlement which Mr Basu opted to take as salary in lieu of contributions to the Company pension scheme (2023: £13,500). The 2024 annual bonus of £20,000 awarded to Arnab Basu was taken as a contribution to the Company pension scheme (2023: £nil).*

[2] *The 2024 salary of Paul Farquhar includes £6,000 of compensation taken as cash in lieu of a Group car (2023: £6,000).*

None of the Executive or Non-Executive Directors exercised any share options in the year ended 30 April 2024 (2023: nil).

Executive Directors' share incentive scheme (LTIP)

Share incentive scheme for executive Directors

The Remuneration Committee agreed, in March 2024, an incentive award scheme for Arnab Basu, Paul Farquhar and Berry Beumer, to offer them up to 7,500,000, 4,262,500 and 5,696,350 shares respectively, at a price of 1p per share, to vest based on specified performance criteria.

The Remuneration Committee agreed, in December 2022, an incentive award scheme for Arnab Basu, Paul Farquhar and Berry Beumer, to offer them up to 2,500,000, 1,705,000 and 2,277,270 shares respectively, at a price of 1p per share, to vest based on specified performance criteria.

The share incentives noted above are measured by a TSR condition, calculated as the average total return in comparison to a peer group.

As at 30 April 2024, the LTIP incentive option shares issued in fiscal years 2023 and 2024 remained unvested.

Share price during the year

During the year to 30 April 2024, the highest share price was 8.00p (2023: 14.40p) and the lowest share price was 3.25p (2023: 5.02p). The market price of the Group's shares at 30 April 2024 was 6.80p (30 April 2023: 6.50p).

Directors' interests in material contracts

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

Executive Directors' share options

Whilst the issue of equity incentives for executive Directors is primarily focussed on the LTIP scheme as detailed above, the Group does make occasional and targeted use of market price options for Executive Directors outside the LTIP.

The table below shows the movement in the total share options that have been granted to Executive Directors outside the LTIP; these options are not linked to any specified performance criteria:

Director	Date of grant	Exercise price p	At 30 April 2024 number	At 30 April 2023 number	Expiry date
Arnab Basu	20 Nov 2011	20.0	1,000,000	1,000,000	20 Nov 2024
Arnab Basu	14 Dec 2020	12.0	1,250,000	1,250,000	14 Dec 2030
Arnab Basu	29 April 2021	1.0	110,000	110,000	30 April 2025
Arnab Basu	1 May 2021	1.0	400,000	400,000	1 May 2031
Arnab Basu	18 March 2024	5.9	750,000	-	18 March 2034
Paul Farquhar	15 Oct 2020	12.0	1,000,000	1,000,000	15 Oct 2030
Paul Farquhar	1 May 2021	1.0	150,000	150,000	1 May 2031
Paul Farquhar	18 March 2024	5.9	750,000	-	18 March 2034
Berry Beumer[1]	1 Jan 2016	27.0	180,000	180,000	1 Jan 2026
Berry Beumer[1]	14 Dec 2020	12.0	1,250,000	1,250,000	14 Dec 2030
Berry Beumer	29 April 2021	1.0	150,000	150,000	30 April 2025
Berry Beumer	1 May 2021	1.0	150,000	150,000	1 May 2031
Berry Beumer	18 March 2024	5.9	750,000	-	18 March 2034

[1] *Awarded to Mr Beumer prior to him being appointed as a Director*

Jerel Whittingham
Remuneration Committee Chairman
25 October 2024

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Financial Statements

Independent Auditor's Report To The Members of Kromek Group plc

Opinion

We have audited the financial statements of Kromek Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted International Financial Reporting Standards ("IFRS").

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2024 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the Director's assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included, but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern;
- Evaluating the methodology used by the Directors to assess the Group's and Parent Company's ability to continue as a going concern;
- Reviewing the Director's going concern assessment and evaluating the key assumptions used and judgements applied;
- Reviewing the liquidity headroom by applying a number of sensitivities to the base forecast and plausible worst-case forecast, prepared by management, to provide comfort over there being sufficient cash to pay debts as they fall due throughout the going concern period;
- Reviewing forecasts from a short-term, medium-term, and long-term perspective to assess any liquidity issues in the group;
- Obtaining, and reviewing correspondence and other supporting documentation in relation to significant opportunities being explored by management;
- Obtaining, and reviewing correspondence and other supporting documentation, between the Group and potential sources of finance, which may be required in the short to medium term, to ensure that the Group is able to meet its liabilities as and when they fall due;
- Reviewing post year end bank statements to assess cashflow performance of the Group, including reviewing documentation in relation to post year-end financing obtained;
- Where possible, obtaining confirmation directly from potential sources of finance to support the Director's going concern assessment; and
- Reviewing the appropriateness of disclosures in the financial statements.

The Directors have prepared a detailed cashflow forecast including a plausible worst-case scenario. The plausible worst-case scenario indicates a requirement for the Group to obtain additional finance through the issuance of debt or the potential cash that would flow from the significant opportunities being explored in order to increase their working capital and also ensure the Group can continue operating as a going concern throughout the forecast period.

Management have noted that they are exploring a number of significant opportunities which are expected to provide significant cash inflows to the business, and therefore. we have obtained the latest correspondence and assessed how probable these opportunities are. We have also evidenced direct confirmation from an existing shareholder to support the business in the event that these opportunities do not materialise and assessed the shareholder's ability to provide this support.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements and in forming an option. For the purpose of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of a misstatement or an omission from the financial statements, or related disclosures, that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality, which we used to determine the extent of testing need, to reduce to an appropriately low level the risk that the aggregate of uncorrected and undetected misstatement exceeds materiality for the financial statements as a whole.

Materiality for the Group financial statements was set at £358,000. This was determined with reference to 6% of the average normalised loss before tax for the past 5 years. This was selected as an appropriate measure of materiality on the basis that this is one of the main KPI's for the Group and is considered an important metric for external shareholders.

On the basis of our risk assessment and review of the Group's control environment, performance materiality was set at 70% of materiality, being £250,000.

The reporting threshold to the Audit and Risk Committee was set as 5% of materiality, being £18,000. If in our opinion differences below this level warranted reporting on qualitative grounds, these would also be reported.

Materiality for the Parent Company financial statements was set at £268,000. This was determined with reference to gross assets, based on the company being a holding entity with no trading activity outside of the group, and was capped at 75% of Group materiality to ensure that the Parent Company materiality did not exceed component materiality.

On the basis of our risk assessment and review of the Parent Company's control environment, performance materiality was set at 70% of materiality, being £187,600.

The reporting threshold to the Audit and Risk Committee was set as 5% of materiality, being £13,400. If in our opinion in differences below this level warranted reporting on qualitative grounds, these would also be reported.

An overview of the scope of our audit

Our audit scope included all components of the Group. For the three companies that are resident in the UK, we have performed full scope statutory audits.

For the entities registered in the USA, we have performed audit procedures on each entity to varying degrees of detail, with the work performed on the most significant component, eV Products Inc. being equivalent to that of a full scope statutory audit, performed to component materiality. For NOVA R&D Inc., which is considered to be material but not significant, we have performed analytical procedures for areas considered to be low risk, and substantive audit testing for those material balances which are considered to be high risk. For Kromek Inc., which is considered to be relevant but not material or significant, we have performed analytical procedures to group materiality and made enquiries of management, to gain comfort over the inclusion of financial information within the Group financial statements.

Component materiality has been based on 75% of overall Group materiality and is considered to be appropriate to all components of the Group as materiality is based on a trading measure.

We communicated with both the Directors and the audit committee our planned audit work via our audit planning report and our audit planning call.

We communicated audit progress with the Directors through interim progress meetings. We have communicated all significant areas of our audit work with the audit committee and Directors during an interim and final audit committee meeting, in ad hoc communications throughout the audit, and through the issue of our final audit findings report for review at the closing meeting with the Directors and the Audit Committee.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Conclusion related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditors Report *(Continued)*

Key Audit Matter Description	How the matter was addressed in the audit
Presumed risk in revenue recognition Included in the Group Statement of Comprehensive Income is revenue of £19.40m (2023: £17.31m). Revenue is derived from contracts with customers as well as the sale of goods and services. See revenue and profit recognition accounting policy note 2 and note 3 critical accounting estimates and judgements, performance obligations arising from customer contracts for further details regarding revenue recognition. There is a risk that revenue has not been recognised in line with IFRS 15 during the year, for revenue recognised at a point in time as well as for contracts where revenue is recognised over time.	Our audit work considered revenue recognition policies adopted by management for each stream of revenue, as well as reviewing specific contracts. This included but was not limited to: - A review of all revenue in relation to contracts with customers and revenue derived from government grants, and a critical assessment of managements' revenue recognition policies for these revenues streams, against the recognition criteria detailed in IFRS 15; - For all contracts which were assessed by management to be recognised at a point in time, we reviewed and challenged management's assessment to ensure revenue was recorded in line with the stipulations of IFRS 15 and was recognised using the input method with reference to milestones detailed in the contract; - We reviewed contracts where revenue had been recognised over time and challenged management's use of the input method. This was to assess whether contracts were being recognised in line with the stipulations of IFRS 15. - We performed tests of contract revenue on a substantive basis, ensuring that revenue recorded during the year was in line with our expectations based on the supporting documentation, such as contracts, invoices and proof of milestones being achieved; - For product sales, we performed a test in total of all sales in the year. We also performed product walkthroughs for in-year revenue to ensure correct adoption of the incoterms applicable with regards to revenue recognition; - We specifically assessed sales around year-end under ex-works terms. We traced these items to supporting documentation evidencing that IFRS 15 requirements had been met; and - For all revenue streams, we performed testing of revenue around the year end to ensure that revenue was recorded in the correct period. Where product sales around the year end were recognised in accordance with Incoterms 2020, we ensured that the relevant Incoterms applied to each sale were appropriately considered when considering the point in time at which revenue was recognised.

Key Audit Matter Description	How the matter was addressed in the audit
Application of IAS 38, Intangible Assets, and subsequent impairment assessment of intangible assets under IAS 36 Included in the Group Statement of Financial Position are capitalised development costs of £31.29m (2023: £29.13m). The estimated recoverable amount of capitalised developments costs is highly material on a Group level. There is a risk that this balance is materially overstated and that an impairment should be recognised in addition to any amortisation charged in the year. The impairment review of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and assumptions made in relation to future market demand, production capacity and yield, gross margin, and overhead rates. The effect of this is that the recoverable amount of capitalised development costs has a high degree of estimation uncertainty and a potential range of reasonable outcomes greater than materiality for the financial statements. Therefore, there is a risk that they require impairment. There is a further risk that additions in the year are not correctly capitalised on the basis that they do not fulfil the development criteria as they constitute research phase expenditure.	Our audit work focused on assessing the forecasts presented by management to support the valuation of the capitalised development costs. This included but was not limited to: - Reviewing each family of assets with reference to internal and external impairment indicators noted per IAS 36; - Agreeing future revenues included in the forecast to committed contracts; - Verifying the forecast gross margin is appropriate and includes relevant costs; - Agreeing pipeline sales to documentation to support the inclusion of non-committed revenue; - Assessing the appropriateness of the discount factor used in the preparation of the forecasts; - Comparing actuals and historical forecasts, when assessing the reasonableness of current forecasts used to support the year end balances; - Assessing the sensitivity analysis presented by management to detail the headroom for each category of intangible asset; - Performing our own sensitivity analysis to assess the level of headroom regarding the capitalised intangible assets; - Reviewing the disclosures made in the financial statements which reference the impairment review that has taken place, and the key assumptions made as part of this assessment; - Reviewing the sensitivity analysis disclosure in the financial statements in line with the forecasts provided by management as part of their impairment review; and - In line with the requirements of IAS 38, intangible assets, we obtained and scrutinised, management's assessment of capitalised development cost additions to ensure that these met the definition criteria of development costs. We challenged various assumptions made by management and considered alternative recognition in forming our conclusions.

Independent Auditors Report *(Continued)*

<table>
<tr><th>Key Audit Matter Description</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Valuation of investments in subsidiaries and intercompany receivables

Included in the Parent Company's Statement of Financial Position are investments in subsidiaries of £6.58m (2023: £6.10m) and intercompany receivables of £82.3m (2023: £77.2m).

Given the Group, and each of the subsidiaries to which the balances relate are loss making, there is a risk that the investment and intercompany receivable should be impaired.

The impairment review of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and the assumptions made in relation to the forecasted performance of the subsidiaries to which the investment and receivable balances relate.

The effect of this is that the recoverable amount of investment in subsidiaries and intercompany receivables has a high degree of estimation uncertainty and a potential range of reasonable outcomes greater than materiality for the financial statements. Therefore, there is a risk that they require impairment.</td><td>We obtained and critically assessed management's impairment assessment of these balances, which largely related to forecasts of the subsidiaries' performance to which these balances are attributable. This consisted of, but was not limited to:
- Agreeing future revenues included in the forecast to committed contracts;
- Agreeing pipeline sales to documentation to support the inclusion of non-committed revenue;
- Assessing the appropriateness of the discount factor used in the preparation of the forecasts;
- Comparing actuals and historical forecasts, when assessing the reasonableness of current forecasts used to support the year end balances;
- Assessing the sensitivity analysis presented by management detailing the headroom for each subsidiary;
- Considering external impairment indicators as part of our review of the impairment assessment performed by the Directors; and
- Performing our own sensitivity analysis to assess the level of headroom regarding the balance of investments and intercompany receivables.</td></tr>
</table>

<table>
<tr><th>Key Audit Matter Description</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Recoverability of trade receivables

Included in the Group Statement of Financial Position are amounts receivable for the sale of goods of £10.15m (2023: £4.57m).

The estimated recoverable amount of these receivables is highly material. There is a risk that this balance is materially overstated and that a provision should be recognised in relation to older debts held.

The current provision in the financial statements is £2.55m (2023: £2.50m) which is highly material and is based on management's assessment of the recoverability of receivables.

There is a further risk that the receivables are overstated where the requirements of IFRS 15 with regards to probable collection of consideration are not met.</td><td>We obtained and critically assessed management's assessment of these balances, which largely related to correspondence and documentation to evidence that receipt of the receivables was considered to be probable:
- Agreeing existence of receivables to invoice.
- Agreeing receivables to post year-end receipts.
- Obtaining management's assessment of bad debt with reference to IFRS 9 requirements.
- Performing sensitivity analysis on the IFRS 9 expected credit loss model, to consider if there is evidence of a material misstatement of the provision.
- Challenging management on the key assumptions made with regards to the recoverability of receivables over a year old at the reporting date.
- Obtaining supporting documentation and direct confirmation from customers with regards to receivables and expected payment dates.</td></tr>
</table>

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 24 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified the principal risks of non-compliance with laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

Independent Auditors Report *(Continued)*

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management regarding the relevant laws and regulations that apply to the Group and its subsidiaries;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws, regulation, and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Discussions with management regarding any breaches of AIM rules;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions;
- Challenging assumptions and judgements made by management in their critical accounting estimates particularly relating to assumptions made in preparing value in use calculations for impairment assessments; and
- Reviewing correspondence with third parties for major sales taking place in the year to verify a sale existed at the time it was recorded.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Jon Dawson
(Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP
25 October 2025

10 Queen Street Place
London
EC4R 1AG

Group statement of comprehensive income

For the year ended 30 April 2024

	Note	2024 £'000	2023 £'000
Continuing operations			
Revenue	4	**19,403**	17,309
Cost of sales		**(8,693)**	(8,374)
Gross profit		**10,710**	8,935
Other operating income	5	**-**	121
Distribution costs		**(456)**	(612)
Administrative expenses		**(12,146)**	(14,570)
Change in fair value of derivative		**517**	77
Operating loss (before exceptional items)		**(1,375)**	(6,049)
Exceptional refinancing costs	9	**(246)**	-
Operating results (post exceptional items)		**(1,621)**	(6,049)
Finance income	10	**40**	2
Finance costs	11	**(1,874)**	(1,245)
Loss before tax	6	**(3,455)**	(7,292)
Tax credit	12	**162**	1,192
Loss for the year from continuing operations		**(3,293)**	(6,100)
Loss per share	14		
- basic (p)		**(0.6)**	(1.4)

The notes on pages 68 to 101 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 30 April 2024

	2024 £'000	2023 £'000
Loss for the year	**(3,293)**	(6,100)
Items that are or may be subsequently reclassified to profit or loss:		
Exchange gain/(loss) on translation of foreign operations	**8**	(166)
Total comprehensive loss for the year	**(3,285)**	(6,266)

The notes on pages 68 to 101 form part of these financial statements.

Consolidated statement of financial position

As at 30 April 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Goodwill	15	**1,275**	1,275
Other intangible assets	16	**32,726**	30,554
Property, plant and equipment	17	**8,675**	9,831
Right-of-use asset	18	**3,400**	3,758
		46,076	45,418
Current assets			
Inventories	20	**10,295**	10,894
Trade and other receivables	21	**12,983**	5,529
Current tax assets	21	**372**	940
Cash and bank balances		**466**	1,097
		24,116	18,460
Total assets		**70,192**	63,878
Current liabilities			
Trade and other payables	23	**(7,475)**	(7,436)
Borrowings	25	**(7,573)**	(8,318)
Derivative financial instruments	26	-	(517)
Lease obligation	24	**(452)**	(405)
		(15,500)	(16,676)
Net current assets		**8,616**	1,792
Non-current liabilities			
Deferred income	23	**(920)**	(1,021)
Lease obligation	24	**(3,736)**	(4,089)
Borrowings	25	**(526)**	(568)
Deferred tax liability	22	**(156)**	-
		(5,338)	(5,678)
Total liabilities		**(20,838)**	(22,354)
Net assets		**49,354**	41,524
Equity			
Share capital	27	**6,410**	4,319
Share premium account	28	**81,480**	72,943
Merger reserve		**21,853**	21,853
Translation reserve	29	**1,905**	1,897
Accumulated losses	30	**(62,294)**	(59,488)
Total equity		**49,354**	41,524

The notes on pages 68 to 101 form part of these financial statements.

The financial statements of Kromek Group plc were approved by the Board of Directors and authorised for issue on 25 October 2024. They were signed on its behalf by:

Dr Arnab Basu MBE
Chief Executive Officer

Consolidated statement of changes in equity

For the year ended 30 April 2024

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Retained losses £'000	Total equity £'000
Balance at 1 May 2022	**4,319**	**72,943**	**21,853**	**2,063**	**(53,742)**	**47,436**
Loss for the year	-	-	-	-	(6,100)	(6,100)
Exchange difference on translation of foreign operations	-	-	-	(166)	-	(166)
Total comprehensive loss for the year	-	-	-	(166)	(6,100)	(6,266)
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**
Loss for the year	-	-	-	-	(3,293)	(3,293)
Exchange difference on translation of foreign operations	-	-	-	8	-	8
Total comprehensive gain/(loss) for the year	-	-	-	8)	(3,293)	(3,285)
Issue of shares less issuance costs[1]	1,606	5,873	-	-	-	7,479
Conversion of CLN (see note 26)	485	2,664	-	-	(11)	3,138
Credit to equity for equity-settled share-based payments	-	-	-	-	490	490
Deferred tax movement	-	-	-	-	8	8
Balance at 30 April 2024	**6,410**	**81,480**	**21,853**	**1,905**	**(62,294)**	**49,354**

[1] *The fees associated with issue of shares were £549k.*

The notes on pages 68 to 101 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 April 2024

	Note	2024 £'000	2023 £'000
Net cash generated from/(used in) operating activities	31	**(2,802)**	197
Investing activities			
Interest received	10	**40**	2
Purchases of property, plant and equipment	17	**(146)**	(269)
Purchases of patents and trademarks	16	**(252)**	(183)
Capitalisation of development costs	16	**(4,644)**	(4,821)
Net cash used in investing activities		**(5,002)**	(5,271)
Financing activities			
New borrowings	32	**7,000**	1,100
Proceeds from the issue of convertible loan notes	26	**-**	2,840
Payment of borrowings	32	**(5,822)**	(1,258)
Payment of lease liability	21	**(678)**	(692)
Interest paid	11	**(699)**	(703)
Financing costs		**(102)**	-
Net proceeds on issue of shares		**7,479**	-
Net cash generated from/(used in) financing activities		**7,178**	1,287
Net decrease in cash and cash equivalents		**(626)**	(3,787)
Cash and cash equivalents at beginning of year		**1,097**	5,081
Effect of foreign exchange rate changes		**(5)**	(197)
Cash and cash equivalents at end of year		**466**	1,097

The notes on pages 68 to 101 form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 April 2024

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 prepares its consolidated financial statements in accordance with UK-adopted IFRS.

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

New and amended IFRS Accounting Standards that are effective for the current year
There are a number of standards and amendments to standards which have been issued by the IASB that are effective in future accounting periods that have not been adopted early. The following standard is effective for annual reporting periods beginning on or after 1 January 2024:
- IFRS 17 Insurance Contracts
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Classification of Financial Instruments (Amendments to IFRS 9)
- Non-current liabilities with covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

No new standards or amendments that became effective in the financial year had a material impact in preparing these financial statements.

New and revised IFRS Accounting Standards in issue but not yet effective
The following amendments are effective for annual reporting periods beginning on or after 1 January 2025:
- Guidance on the exchange rate to use when a currency is not exchangeable (Amendments to IAS 21)
- Accounting treatment for the sale or contribution of assets (Amendments to IFRS 10 and IAS 28)

The following standards are effective for annual reporting periods beginning on or after 1 January 2027:
- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The Group's financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ("IFRIC").

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
As at 30 April 2024, the Group had net current assets of £8.6m (30 April 2023: £1.8m) and cash and cash equivalents of £0.5m (30 April 2023: £1.1m) as set out in the consolidated statement of financial position. The Group made a loss before tax of £3.5m in the year (2023: £7.3m).

The Directors have prepared a detailed forecast of the Group's financial performance over the next twelve months from the date of this report (the "base case forecast"). Given the rapidly changing macroeconomic landscape and the Group's forecast financial performance for the next twelve months, management also prepared a financial forecast based on a sensitised and severe but plausible scenario (the "severe but plausible forecast"). It should be noted that in the base case forecast, the Board has specifically excluded any significant upsides from this scenario or mitigating cost reductions. In the severe but plausible forecast, the Board has also excluded available potential but significant upsides but has included likely mitigating cost reductions, as management would act swiftly to reduce the Group's cash outflows (notably by reducing payroll costs and discretionary expenditure).

Whilst the Directors were able to successfully conclude a placing, subscription and open offer which raised £7.4m in H1 2024, as well as securing a new loan facility in the period, there has been continued cash burn in the year, and the current expiry date of the new loan facility is 27 March 2025.

In both the base case forecast and the severe but plausible forecast, the Directors indicate that they have sought the assurance of the lender of the term loan facility that the loan is likely to be extended for a further 12 months from March 2025, which is at the option of

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Going concern *(continued)*
the lender. The Group has a number of significant opportunities available that the Directors are currently exploring, which are expected to provide substantial cash inflows to support the Group's operations to achieve these forecasts and significantly improve the liquidity of the Group. The Board has concluded that it is almost certain that the required outcome will be secured, which will provide sufficient cash inflows to the Group to cover any expected cash outflows for a period of at least twelve months from the date of signing of this Annual Report. Furthermore, the Board has received a confirmation of financial support from one of the Group's largest shareholders, in the event that the available significant opportunities are not taken further and the facility requires extending and/or increasing, to cover any expected cash flow shortfall over the period for at least twelve months from the date of signing. As a consequence, the Board is confident that the Group will have sufficient resources and working capital to meet its present and foreseeable obligations for a period of at least twelve months from approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the Group 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 represent 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.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Transaction price (continued)
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 are 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.
- 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 FCA Delivery Location (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:
(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.

Sale of 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. The Group continued to adopt 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 required 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 and leased cars. 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 intra-Group 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 intra-Group 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 average exchange rate for the month to which the transaction relates. 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 rate at the date of transaction is 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.

Operating result

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

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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, associated with refinancing costs, 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 UK 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-gnerated 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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Internally-gnerated intangible assets – research and development expenditure *(continued)*

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.
- 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. Assets that have been developed are not amortised until they are available for use and commercial sale. 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 9.13% for Advanced Imaging and 11.85% for CBRN and Biological Threat Detection (2023: AI 8.85%, CBRN/Bio 10.92%) 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. See note 15 for further detail.

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. The Group continues to adopt 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 six 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

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

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 Group 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.
- 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 Other Comprehensive Income. 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.

(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 these conditions are not met, the proceeds of the 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.

Convertible loan notes

The convertible loan issued by the Group is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component were determined at initial recognition. The conversion option did not satisfy the fixed-for-fixed equity criterion (fixed number of shares and fixed amount of cash). Conversion features that are derivative liabilities are accounted for separately from the host instrument. The embedded derivative is accounted for as a financial instrument through profit or loss and is initially measured at fair value, and changes therein are recognised in profit or loss. The debt host liability is accounted for at amortised cost. In the case of a hybrid financial instrument, IFRS 9 requires that the fair value of the embedded derivative is calculated first and the residual value (residual proceeds) is assigned to the host financial liability. The initial recognition of the embedded derivative conversion feature has been recognised as a liability on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It has been fair valued using a Black Scholes simulation which was performed at the transaction date and the period end date.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

The debt host liability will be accounted for using the amortised cost basis with an effective interest rate of 5.67%. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date. The carrying amount at the maturity date will equal the cash payment required to be made.

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 Group'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 120 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

Credit losses are measured and assessed on an individual balance by balance basis. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The general approach incorporates a review for any significant increase in counterparty credit risk since inception.

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. If there is recovery of the financial asset, a reversal will be recognised in the profit and loss.

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. The vesting date is determined based on the date an employee is granted options, usually 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.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies
The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Development costs
As described in note 2, Group expenditure on development activities is capitalised if it meets the criteria as per IAS 38. Management have exercised and applied judgement when determining whether the criteria of IAS 38 is satisfied in relation to development costs. As part of this judgement process, management establish the future total addressable market relating to the product or process, evaluate the operational plans to complete the product or process and establish where the development is positioned on the Group's technology road map and asses the costs against IAS 38 criteria. This process involves input from the Group's Chief Technical Officer plus the operational, financial and commercial functions and is based upon detailed project cost analysis of both time and materials.

Performance obligations arising from customer contracts
As described in note 2, the Group recognises revenue as performance obligations are satisfied when control of the goods and services is transferred to the customer. Management have exercised and applied judgment in determining what the performance obligations are and whether they are satisfied over time or at a point in time. In applying this judgement, management considers the nature of the overall contract deliverable, legal form of the contract and economic resources required for the performance obligation to be satisfied. Management disaggregate revenues by sales of goods and services, revenue from development grants (such as Innovate UK) and revenue from contract customers. Typically, revenue from the sales of goods and services is recognised at a point in time. Revenue from development grants and contract customers is recognised either over time or at a point in time depending on the characteristics of the specific contract when applying IFRS 15.

Cash Generating Units
Management have exercised judgement in determining the number of CGUs. As set out in note 15, an asset's CGU is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An asset or group of assets must be identified as a CGU where an active market exists for the output produced by that asset or group of assets, even if some or all of the output is used internally. This is because the asset or group of assets could generate cash inflows that would be largely independent of the cash inflows from other assets or group of assets. The smallest identifiable group of assets identified by management can be split into three markets: advanced imaging, CBRN and biological threat detection. CGUs are not necessarily consistent with the way management monitors the business. Management continues to oversee and monitor the business as two separate operating segments – UK and US – and as three separate CGUs as noted above.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i) Development costs
The key source of estimation uncertainty relates to the estimation of the asset's recoverable amount, which involves assumptions in relation to future uncertainties including discount rates and growth rates. For further details, see note 15.

As disclosed in note 16, development costs are capitalised in accordance with the accounting policy noted above. These capitalised assets are amortised over the period during which the Group is expected to benefit.

ii) Contract revenue
This policy requires forecasts to be made of the outcomes of long-term contracts, which include assessments and judgements on changes in expected costs. A change in the estimate of total forecast contract costs would

impact the stage of completion of those contracts and the level of revenue recognised thereon, which could have a material impact on the results of the Group.

iii) R&D tax credit
The R&D tax credit is calculated using the current rules as prescribed by HMRC. The estimation is based on the actual UK R&D projects that qualify for the scheme that have been carried out in the period. Management estimates the tax credit on a prudent basis and then obtain additional professional input from the Group's tax advisers prior to submission of the claim to HMRC. The Group has assumed 100% of the R&D tax credit is recoverable. If only 95% of the claim were to be accepted by HMRC, this would have the effect of reducing the tax receivable and corresponding tax credit by £19k to £353k.

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

Key sources of estimation uncertainty *(continued)*

iv) Recoverability of receivables and amounts recoverable on contract ("AROC")

Management judges the recoverability at the balance sheet date and makes a provision for impairment where appropriate. The resultant provision for impairment represents management's best estimate of losses incurred in the portfolio at the balance sheet date, assessed on the customer risk scoring and commercial discussions. Further, management estimates the recoverability of any AROC balances relating to customer contracts. This estimate includes an assessment of the probability of receipt, exposure to credit loss and the value of any potential recovery. Management bases this estimate using the most recent and reliable information that can be reasonably obtained at any point of review. A material change in the facts and circumstances could lead to a reversal of impairment proportional to the expected cash inflows supported by this information.

v) Impairment reviews

Management conducts annual impairment reviews of the Group's non-current assets on the consolidated statement of financial position. This includes goodwill annually, development costs where IAS 36 requires it, and other assets as the appropriate standards prescribe. Any impairment review is conducted using the Group's future growth targets regarding its key markets of nuclear detection, medical imaging and security screening. The current carrying value of this class of assets is £46,076k as set out on the Group's consolidated statement of financial position. Sensitivities are applied to the growth assumptions to consider any potential long-term impact of current economic conditions. Provision is made where the recoverable amount is less than the current carrying value of the asset. Further details as to the estimation uncertainty and the key assumptions are set out in note 15.

vi) Calculation of share-based payment charges

The charge related to equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date they are granted, using an appropriate valuation model selected according to

the terms and conditions of the grant. The simplest option pricing model is the Black-Scholes model, which tends to be suitable for simple forms of share awards, in particular where there are no market-based performance conditions. More complex share schemes require the use of a more complex model such as the Monte Carlo Model. Judgement is applied in determining the most appropriate valuation model and estimates are used in determining the inputs to the model. The Group has engaged a third-party expert in FY 2024 to value the LTIPs granted in year using the Monte Carlo Model.

vii) Convertible loan notes

The Group issued £2.8m of convertible loan notes during the prior year. The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The conversion option did not satisfy the fixed-for-fixed equity criterion (fixed number of shares and fixed amount of cash).

During the period, all but one noteholder converted their convertible loan holdings, as well as the interest accrued on that holding into equity. This resulted in the issue of 48,003,042 new ordinary shares during the period. A further 100,000 ordinary shares were issued in lieu of professional fees due in respect of the conversion of the convertible loan notes.

For convertible notes with embedded derivative liabilities, the fair value of the embedded derivative liability is determined first and the residual amount is assigned to the debt host liability.

The embedded derivative has been fair valued using a Black Scholes simulation that was performed at the transaction date and the period end date. The future expected market share price of the Group and the volatility of the share price are the key estimates that are critical in the determination of the fair value of the embedded derivative and subsequently the debt host liability of the convertible loan notes.

4. OPERATING SEGMENTS

Products and services from which reportable segments derive their revenues

For management purposes, the Group is organised into two geographical business segments from which the Group currently operates (US and UK) and it is these operating segments for which the Group is providing disclosure. Whilst there are two operating segments (US and UK), the Group recognises three CGUs (CBRN detection, advanced imaging and biological threat detection) on the basis that operating segments can consist of multiple CGUs. Both operating segments serve the three principal key markets. However, typically, the US business unit focuses principally on advanced imaging and the UK focuses on CBRN detection and biological threat detection. However, this arrangement is flexible and can vary based on the geographical location of the Group's customer.

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.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

4. OPERATING SEGMENTS *(CONTINUED)*

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

	2024 £'000	2023 £'000
United Kingdom	**3,023**	3,944
North America	**5,937**	6,110
Asia	**1,374**	2,071
Europe	**8,950**	5,031
Other	**119**	153
Total revenue	**19,403**	17,309

The Group has aggregated its CGUs, being CBRN detection, advanced imaging and biological threat detection, 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.

As the CGUs of advanced imaging, CBRN detection, and biological threat detection continue to grow and mature, we are working towards reporting on the basis of two business segments being advanced imaging and CBRN/biological threat detection, rather than the current geographic segments.

4. OPERATING SEGMENTS *(CONTINUED)*

Analysis by geographical area *(continued)*
A geographical analysis of the Group's revenue by origin is as follows:

Year ended 30 April 2024	**UK Operations £'000**	**US Operations £'000**	**Total for Group £'000**
Revenue from sales			
-Sale of goods and services	12,600	15,164	**27,764**
-Revenue from grants	582	-	**582**
-Revenue from contract customers	2,478	-	**2,478**
Total sales by segment	15,660	15,164	**30,824**
Removal of inter-segment sales	(7,770)	(3,651)	**(11,421)**
Total external sales	7,890	11,513	**19,403**
Segment result – operating loss before exceptional items	(153)	(1,222)	**(1,375)**
Interest received	40	-	**40**
Interest expense	(1,636)	(238)	**(1,874)**
Exceptional items	(246)	-	**(246)**
Loss before tax	(1,995)	(1,460)	**(3,455)**
Tax credit	172	(10)	**162**
Loss for the year	(1,823)	(1,470)	**(3,293)**
Reconciliation to adjusted EBITDA:			
Net interest	1,596	238	**1,834**
Tax	(172)	10	**(162)**
Depreciation of PPE and right-of-use assets	977	774	**1,751**
Amortisation of intangible assets	1,466	1,292	**2,758**
Change in fair value of derivative	(517)	-	**(517)**
Share-based payment charge	490	-	**490**
Exceptional items	246	-	**246**
Adjusted EBITDA	2,263	844	**3,107**
Other segment information			
Property, plant and equipment additions	42	104	**146**
Right-of-use assets	2,250	3,765	**6,015**
Release of capital grant	(44)	-	**(44)**
Intangible asset additions	2,471	2,425	**4,896**
Statement of financial position			
Total assets	36,188	34,004	**70,192**
Total liabilities	(14,931)	(5,907)	**(20,838)**

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

4. OPERATING SEGMENTS *(CONTINUED)*

Analysis by geographical area *(continued)*

Year ended 30 April 2023	**UK Operations £'000**	**US Operations £'000**	**Total for Group £'000**
Revenue from sales			
-Sale of goods and services	11,530	14,844	**26,374**
-Revenue from grants	226	-	**226**
-Revenue from contract customers	2,164	51	**2,215**
Total sales by segment	13,920	14,895	**28,815**
Removal of inter-segment sales	(8,529)	(2,977)	**(11,506)**
Total external sales	5,391	11,918	**17,309**
Segment result – operating loss before exceptional items	(1,881)	(4,168)	**(6,049)**
Interest received	2	-	**2**
Interest expense	(975)	(270)	**(1,245)**
Loss before tax	(2,854)	(4,438)	**(7,292)**
Tax credit	1,192	-	**1,192**
Loss for the year	(1,662)	(4,438)	**(6,100)**
Reconciliation to adjusted EBITDA:			
Net interest	973	270	**1,243**
Tax	(1,192)	-	**(1,192)**
Depreciation of PPE and right-of-use assets	1,004	899	**1,903**
Amortisation of intangible assets	1,558	1,333	**2,891**
Share-based payment charge	(77)	-	**(77)**
Exceptional items	354	-	**354**
Adjusted EBITDA	958	(1,936)	**(978)**
Other segment information			
Property, plant and equipment additions	42	227	**269**
Right-of-use assets	2,133	3,752	**5,885**
Release of capital grant	(44)	-	**(44)**
Intangible asset additions	2,761	2,243	**5,004**
Statement of financial position			
Total assets	35,687	28,191	**63,878**
Total liabilities	(16,433)	(5,921)	**(22,354)**

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.

4. OPERATING SEGMENTS *(CONTINUED)*

Revenues from major products and services

The Group's revenues from its major products and services were as follows:	**2024 £'000**	2023 £'000
Product revenue	**16,351**	14,768
Research and development revenue	**3,052**	2,541
Consolidated revenue	**19,403**	17,309

Information about major customers

Included in revenues arising from US operations are revenues of approximately £4,878k (2023: £4,688k) that arose from the Group's largest commercial customer. Included in revenues arising from UK operations are revenues of approximately £2,121k (2023: £1,243k) that arose from a major commercial customer of the Group and the largest commercial customer of the UK operations.

5. OTHER OPERATING INCOME

	2024 £'000	2023 £'000
Miscellaneous	**-**	121
Total other operating income	**-**	121

Miscellaneous income in the prior year related to work undertaken on a duty saving project. An Advance Tariff Ruling application was granted, which resulted in a retrospective duty claim dating back three years.

6. LOSS BEFORE TAX FOR THE YEAR

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

	2024 £'000	2023 £'000
Net foreign exchange gains	**(26)**	(98)
Research and development costs recognised as an expense	**793**	882
Depreciation of property, plant and equipment	**1,751**	1,910
Release of capital grant	**(44)**	(44)
Amortisation of internally-generated intangible assets	**2,758**	2,891
Cost of inventories recognised as expense	**5,590**	4,858
Exceptional item (see note 9)	**246**	-
Staff costs (see note 8)	**10,051**	11,166

7. AUDITOR'S REMUNERATION

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

	2024 £'000	2023 £'000
Fees payable to the Company's auditor and their associates for other services to the Group		
– The audit of the Company and its subsidiaries	**215**	150
Total audit fees	**215**	150

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

8. STAFF COSTS

The average monthly number of employees (excluding Non-Executive Directors) was:

	2024 Number	2023 Number
Directors (executive)	**3**	3
Research and development, production	**136**	149
Sales and marketing	**8**	8
Administration	**15**	13
	162	173

Their aggregate remuneration comprised:

	2024 £'000	2023 £'000
Wages and salaries	**8,176**	9,418
Social security costs	**747**	824
Pension scheme contributions	**638**	570
Share-based payments	**490**	354
	10,051	11,166

Staff costs are shown net of a credit of £1,010k relating to a US Employee Retention Credit included in other debtors at 30 April 2024.

The total Directors' emoluments (including Non-Executive Directors) was £1,044k (2023: £933k). The aggregate value of contributions paid to money purchase pension schemes was £27k (2023: £26k) in respect of four Directors (2023: four Directors). For a breakdown of remuneration by Director, refer to the Directors' emoluments table on page 38. There has been no exercise of share options by the Directors in the period and therefore no gain recognised in the year (2023: £nil).

The highest paid Director received emoluments of £313k (2023: £270k), including an amount paid to a money purchase pension scheme of £4k (2023: £4k).

Key management compensation:

	2024 £'000	2023 £'000
Wages and salaries and other short-term benefits	**1,184**	1,096
Social security costs	**117**	117
Pension scheme contributions	**36**	33
Share-based payment expense	**456**	273
	1,793	1,519

Key management comprise the Executive Directors, Non-Executive Directors and senior operational staff. There were three Executive Directors in 2024 (2023: three); four Non-Executive Directors in 2024 (2023: four) and two senior operational staff in 2024 (2023: two).

9. EXCEPTIONAL ITEMS

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

	2024 £'000	2023 £'000
Refinancing costs	**246**	-
Total exceptional items	**246**	-

The Group recognised an exceptional expense of £246k in relation to refinancing costs in the year to 30 April 2024. This related to the refinancing of the HSBC RCF, which was replaced by a new term loan from Polymer N2 Ltd, which is a current shareholder of the Group.

10. FINANCE INCOME

	2024 £'000	2023 £'000
Bank deposits	**40**	2
Total finance income	**40**	2

11. FINANCE COSTS

	2024 £'000	2023 £'000
Interest on bank overdrafts, loans and borrowings	**1,277**	703
Interest expense for lease arrangements	**244**	262
Interest on convertible loan notes	**353**	280
Total interest expense	**1,874**	1,245

12. TAX

Recognised in the income statement

	2024 £'000	2023 £'000
Current tax credit:		
UK corporation tax on losses in the year	**278**	940
Adjustment in respect of previous periods	**58**	252
Foreign taxes paid	**(10)**	-
Total current tax	**326**	1,192
Deferred tax:		
Origination and reversal of timing differences	**(164)**	-
Total deferred tax	**(164)**	-
Total tax credit in income statement	**162**	1,192

The main rate of UK corporation tax for the financial year was 25% (2023: 19.49%) whilst the US federal corporate tax rate is 21%. The deferred tax asset at 30 April 2024, which has been recognised, has been calculated at 25% (2023: 19.49%).

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

12. TAX *(CONTINUED)*

Reconciliation of tax credit

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

	2024 £'000	2023 £'000
Loss before tax	**(3,455)**	(7,292)
Tax at the UK corporation tax rate of 25% (2023: 19.49%)	**864**	1,422
Non-taxable income/expenses not deductible	**(148)**	36
Effect of R&D	**737**	396
Effect of other tax rates/credits	**(58)**	63
Unrecognised movement on deferred tax	**(1,379)**	(1,251)
Adjustment in respect of previous periods	**58**	252
Effects of overseas tax rates	**96**	274
Deferred tax (charged)/credited directly to equity	**(8)**	-
Total tax credit for the year	**162**	1,192

Further details of deferred tax are given in note 22. 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 25% (2023: 19.49%). The other tax jurisdiction that the Group currently operates in is the US. Any deferred tax arising from the US operations is calculated at 30.99%, which represents the federal plus state tax rate.

13. DIVIDENDS

The Directors do not recommend the payment of a dividend (2023: £nil).

14. LOSSES PER SHARE

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

Losses	**2024 £'000**	2023 £'000
Losses for the purposes of basic and diluted losses per share being net losses attributable to owners of the Group	**(3,293)**	(6,100)

Number of shares	**2024 Number**	2023 Number
Weighted average number of ordinary shares for the purposes of basic losses per share	**595,404,643**	431,851,820
Effect of dilutive potential ordinary shares:		
Share options	**1,018,796**	312,909
Weighted average number of ordinary shares for the purposes of diluted losses per share	**596,423,439**	432,164,729

	2024	2023
Basic loss per share (p)	**(0.6)**	(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.

15. INTANGIBLE ASSETS INCLUDING GOODWILL

	£'000
Cost	
At 1 May 2023 and 30 April 2024	1,275
Accumulated impairment losses	
At 1 May 2023 and 30 April 2024	-
Carrying amount	
At 1 May 2023 and 30 April 2024	**1,275**

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

CGU	Goodwill £'000	Intangibles £'000
Advanced Imaging	1,275	14,835
CBRN	-	6,903
Biological Threat Detection	-	10,988
Total	**1,275**	**32,726**

The goodwill arose on the acquisition of Nova R&D, Inc. in 2010, and represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired.

Goodwill has been allocated to the advanced imaging CGU.

Impairment tests
The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired, by comparing the carrying value of the goodwill to its value in use on a discounted cash flow basis.

The Group tests intangible assets with finite lives for impairment if an indicator exists. In undertaking the impairment test, management considered both internal and external sources of information. The impairment testing did not identify any impairments in each of the CGUs.

Forecast cash flows
Management have prepared cash flow forecasts for 10 years (CBRN detection/biological threat detection) and 15 years (advanced imaging) plus a perpetuity. This exceeds the five years as set out in the standard but has been used on the basis that the entity is in the early stage of its maturity and will not have reached steady state after five years. Management have visibility over contracts in place and in the pipeline that enable it to forecast accurately and the cash flows are based on the useful economic life of the 'know how', which is considered to be the essential asset.

Advanced Imaging

The key assumptions to the value-in-use calculations are set out below:

- Growth rate. The 2024 model includes a prudent revenue growth rate in years 1 and 2. This growth rate comprises of increases in raw material to finished product efficiencies, factoring in existing contracts and those in the pipeline and is reflective of historical growth rates as well as and the Group's share of the overall markets the advanced imaging CGU operates in.
- Discount rates. Management have derived a pre-tax discount rate of 9.13% (2023: 8.85%) using the latest market assumptions for the risk-free rate, the equity premium and the net cost of debt, which are all based on publicly available sources, as well as adjustments for forecasting risk for which management considered the historical growth of the entity as well as the visibility of cash flows from a contracted perspective, which are all based on publicly available sources. The discount rate is higher than that used in 2023. The key drivers of this change are the changes in market assumptions for US corporate bond yields and risk-free rates.

The Challenge Model Base Case incorporates the following into the advanced imaging forecast:

- Revised year 1 and year 2 cash flows to match the severe but plausible budget conducted as part of the Going Concern review.
- Modelled a smoother increase in revenues from the year 1 and year 2 budgets to year 15 whilst taking into consideration potential capacity constraints.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

15. INTANGIBLE ASSETS INCLUDING GOODWILL *(CONTINUED)*

CBRN Detection

- Growth rate. The 2024 model includes a growth rate of 25% per annum, which is reflective of recent growth in this particular sector of the business. This growth rate considers existing contracts and those in the pipeline and is reflective of historical growth rates as well as and the Group's share of the overall markets the CBRN detection CGU operates in. No growth is assumed after 10 years.
- Discount rates. Management have derived a pre-tax discount rate of 11.85% (2023: 10.92%) using the latest market assumptions for the risk-free rate, the equity premium and the net cost of debt, which are all based on publicly available sources, as well as adjustments for forecasting risk for which management considered the historical growth of the entity as well as the visibility of cash flows from a contracted perspective. The discount rate is higher than that used in 2023. The key drivers of this change are the changes in market assumptions for UK corporate bond yields and risk-free rates.

The Challenge Model Base Case scenarios incorporates the following into the CBRN detection forecast:

- Revised year 1, 2 and 3 cash flows to match the severe but plausible budget conducted as part of the Going Concern review.
- Modelled a smoother increase in revenues from the year 1 and year 2 budgets to year 10.

Biological Threat Detection

- Growth rate. The 2024 model is based on management's assumption of future programme revenue and product delivery. The forecast revenue consists of known revenue opportunities across four key areas. For prudency, additional upside revenue from other known opportunities has been excluded.
- Discount rates. Management have derived a pre-tax discount rate of 11.85% (2023: 10.92%) using the latest market assumptions for the risk-free rate, the equity premium and the net cost of debt, which are all based on publicly available sources, as well as adjustments for forecasting risk for which management considered the historical growth of the entity as well as the visibility of cash flows from a contracted perspective.

The Challenge Model Base Case scenarios incorporates the following into the biological threat detection forecast:

- Modelled a smoother increase in revenues from the year 1 and year 2 budgets to year 10.

Sensitivities
The headroom in the base case model for each CGU are noted below:

	Advanced Imaging headroom	CBRN headroom	Biological Threat Detection headroom
Base model	£20,977k	£60,317k	£66,206k
Combination of Discount Rate +2% and Challenge model	£17,613k	£51,296k	£56,998k
Combination of Discount Rate -2% and Challenge model	£24,798k	£70,953k	£76,981k

The table below sets out the headroom in the challenge base model for each CGU:

	Advanced Imaging headroom	CBRN headroom	Biological Threat Detection headroom
Challenge base model	£15,489k	£13,200k	£30,780k
Combination of Discount Rate +2% and Challenge model	£11,751k	£9,980k	£26,101k
Combination of Discount Rate -2% and Challenge model	£19,958k	£16,998k	£36,212k

The Directors have reviewed the recoverable amount of each CGU and do not consider there to be any impairment in 2024 or 2023.

16. OTHER INTANGIBLE ASSETS

	Development costs £'000	Patents, trademarks & other intangibles £'000	Total £'000
Cost			
At 1 May 2023	40,705	8,097	**48,802**
Additions	4,644	252	**4,896**
Exchange differences	45	14	**59**
At 30 April 2024	**45,394**	**8,363**	**53,757**
Amortisation			
At 1 May 2023	11,575	6,673	**18,248**
Charge for the year	2,519	239	**2,758**
Exchange differences	12	13	**25**
At 30 April 2024	**14,106**	**6,925**	**21,031**
Carrying amount			
At 30 April 2024	**31,288**	**1,438**	**32,726**
At 30 April 2023	29,130	1,424	30,554

The Group amortises capitalised development costs on a straight-line basis over a period of 2-15 years rather than against product sales directly relating to the development expenditure. Any impairment of development costs are recognised immediately through the profit and loss.

Patents and trademarks are amortised over their estimated useful lives, which is on average 10 years.

The carrying amount of acquired intangible assets arising on the acquisitions of Nova R&D, Inc. and eV Products, Inc. as at 30 April 2024 was £180k (2023: £182k), with amortisation to be charged over the remaining useful lives of these assets, which is between 3 and 13 years.

The amortisation charge on intangible assets is included in administrative expenses in the consolidated income statement.

Further details on impairment testing are set out in note 15.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

17. PROPERTY, PLANT AND EQUIPMENT

	Lab Equipment £'000	Computer Equipment £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost or valuation					
At 1 May 2023	210	1,497	18,849	628	21,184
Additions	-	31	108	7	146
Disposals	-	(35)	-	-	(35)
Exchange differences	-	2	26	1	29
At 30 April 2024	**210**	**1,495**	**18,983**	**636**	**21,324**
Accumulated depreciation and impairment					
At 1 May 2023	117	1,304	9,532	400	11,353
Charge for the year	42	77	1,095	50	1,264
Exchange differences	-	2	29	1	32
At 30 April 2024	**159**	**1,383**	**10,656**	**451**	**12,649**
Carrying amount					
At 30 April 2024	**51**	**112**	**8,327**	**185**	**8,675**
At 30 April 2023	93	193	9,317	228	9,831

18. RIGHT-OF-USE ASSETS

Details of the Group's right-of-use assets and their carrying amount are as follows:

	£'000
Cost	
Cost at 1 May 2023	5,885
Additions	118
Effect of movements in exchange rates	14
Cost at 30 April 2024	**6,017**
Depreciation	
Depreciation at 1 May 2023	2,127
Charge for the year	487
Exchange differences	3
Depreciation at 30 April 2024	**2,617**
Carrying amount	
At 30 April 2024	**3,400**
At 30 April 2023	3,758

19. SUBSIDIARIES

A list of the subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 3 to the Company's separate financial statements.

20. INVENTORIES

	2024 £'000	2023 £'000
Raw materials	**2,167**	2,204
Work-in-progress	**7,914**	8,321
Finished goods	**214**	369
	10,295	10,894

The cost of inventories recognised as an expense during the year in respect of continuing operations was £5,590k (2023: £4,858k).

The write-down of inventories to net realisable value amounted to £1,292k (2023: £1,226k). The reversal of write-downs amounted to £123k (2023: £271k).

21. AMOUNTS RECOVERABLE ON CONTRACTS AND TRADE AND OTHER RECEIVABLES

Trade and Other Receivables	2024 £'000	2023 £'000
Amount receivable for the sale of goods	**10,152**	4,568
Other receivables	**416**	244
Prepayments and accrued income	**2,415**	717
Current tax assets	**372**	940
	13,355	6,469

Amount receivable for the sale of goods
Trade receivables disclosed above are classified as financial assets at amortised cost.

The average credit period taken on sales of goods is 50 days. The Group reviews the recoverability of receivables over 120 days every six months and on an individual balance by balance basis. This impairment review seeks evidence of recoverability, most notably, where specific support is being provided to strategic partners in the marketing of new products. The Group's commercial and finance functions will then determine if the Group should recognise an impairment allowance. When considering the impairment allowance, strategic and commercial relationships are taken into account.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables, with the exception of stock recovered from customers in respect of the doubtful debts disclosed below.

Management assessed the requirement for a general bad debt provision under IFRS 9. The expected loss rates are based on the combination of the Group's historical credit losses experienced over a year period coupled with forward looking information. Management also note that the Group generally has a consistent recovery rate on trade and other receivables, due to a significant amount of work being completed for reputable businesses. However, management does note that dealings with businesses can be difficult at times to recover funds owed and as such, provisions have been raised on historic knowledge of each customer's credit risk. During the year, the Group provided for certain accounts receivable balances where the collection of the outstanding amounts is uncertain.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

21. AMOUNTS RECOVERABLE ON CONTRACTS AND TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Amount receivable for the sale of goods *(continued)*

At 30 April 2024, trade receivables are shown net of an impairment allowance of £2,548k (2023: £2,496k) arising from the ordinary course of business, as follows:

	2024 £'000	2023 £'000
Balance at 1 May	**2,496**	1,460
Provided during the year	**106**	1,145
Release during the year	**(61)**	(109)
Impact of foreign exchange	**7**	-
Balance at 30 April	**2,548**	2,496

The doubtful debt provision records impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at which point the amounts considered irrecoverable are written off against the trade receivables directly.

As at 30 April 2024, the lifetime expected loss provision for trade receivables is:

	Current £'000	More than 30 days past due £'000	More than 60 days past due £'000	More than 90 days past due £'000	More than 120 days past due £'000	Total £'000
Expected loss rate	4%	13%	51%	0%	54%	-
Gross carrying amount	7,894	807	3	-	3,996	12,700
Loss provision	302	105	2	-	2,139	2,548

As at 30 April 2022, the lifetime expected loss provision for trade receivables is:

	Current £'000	More than 30 days past due £'000	More than 60 days past due £'000	More than 90 days past due £'000	More than 120 days past due £'000	Total £'000
Expected loss rate	14%	18%	64%	0%	65%	-
Gross carrying amount	3,747	358	83	-	2,876	7,064
Loss provision	508	63	53	-	1,872	2,496

22. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	Fair value revaluation of acquired intangibles £'000	Accelerated capital allowances £'000	Short-term timing differences £'000	Tax losses £'000	Share-based payments £'000	Total £'000
At 1 May 2023	389	7,206	(656)	(6,939)	-	-
(Credit)/charge to profit or loss	-	271	(166)	175	(116)	164
(Credit)/charge to equity	-	-	-	-	(8)	(8)
At 30 April 2024	**389**	**7,477**	**(822)**	**(6,764)**	**(124)**	**156**

22. DEFERRED TAX *(CONTINUED)*

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2024 £'000	2023 £'000
Deferred tax liabilities	**6,917**	6,939
Deferred tax assets	**(6,761)**	(6,939)
	156	-

At the statement of financial position date, the Group has unused tax losses of £58,465k (2023: £56,129k) available for offset against future profits. A deferred tax asset has been recognised in respect of £6,764k (2023: £6,939k) of such losses. The asset is considered recoverable because it can be offset to reduce future tax liabilities arising in the Group. No deferred tax asset has been recognised in respect of the remaining £31,409k (2023: £28,373k) as it is not yet considered sufficiently certain that there will be future taxable profits available. All losses may be carried forward indefinitely subject to a significant change in the nature of the Group's trade with US losses having a maximum life of 20 years.

23. TRADE AND OTHER PAYABLES

Payable within one year:

	2024 £'000	2023 £'000
Trade payables and accruals	**7,345**	7,326
Deferred income	**130**	110
	7,475	7,436

Payable in more than one year:	**2024 £'000**	2023 £'000
Deferred income	**920**	1,021
	920	1,021

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 77 days. For all suppliers, no interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Deferred income relates to government grants received that have been deferred until the conditions attached to the grants are met.

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

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

24. LEASE OBLIGATION

The Group has measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. Details of the Group's liability in respect of right-of-use assets and their carrying amount are as follows:

	2024 £'000	2023 £'000
Opening lease liability at 1 May	**4,494**	4,536
New leases entered into during the year	**118**	392
Finance costs	**244**	262
Payments made during the year	**(678)**	(692)
Impact of foreign exchange	**10**	(4)
At 30 April	**4,188**	4,494
Presented as:		
Lease liability payable within 1 year	**452**	405
Lease liability payable in more than 1 year	**3,736**	4,089
At 30 April	**4,188**	4,494

Rental charges associated with other low value leased assets that fall within the expedient threshold have been expensed to the profit and loss accounts, amounting to £38k (2023: £40k).

25. BORROWINGS

	2024 £'000	2023 £'000
Secured borrowing at amortised cost		
Revolving credit facility and capex facility	**-**	5,000
Term loan facility	**5,767**	-
Other borrowings	**2,298**	1,357
Convertible loan notes (see note 26)	**34**	2,529
	8,099	8,886
Total borrowings		
Amount due for settlement within 12 months	**7,573**	8,318
Amount due for settlement after 12 months	**526**	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 Ltd, 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 30 April 2024, the total loan due to the landlord was £34k (30 April 2023: £0.2m) and was fully repaid post year-end.
- 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 attract interest at a rate of 3.75% per annum and the maturity date is 30 years from the date of the loan.
- A short-term £0.4m loan in September 2023 and a short-term £1.1m loan in March 2024 to aid with working capital requirements.

Convertible loan notes of £2.8m were secured in the prior year. This is discussed further in note 26.

25. BORROWINGS *(CONTINUED)*

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:

	2024 %	2023 %
Term loan facility	**6.38**	6.90
Other borrowing facilities	**2.73**	3.40

26. CONVERTIBLE LOAN NOTES

During the prior year, the Group issued convertible loan notes to the value of £2.8m at an interest rate of 8% per annum, with interest accruing monthly.

The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component were determined at initial recognition. The conversion option did not satisfy the fixed-for-fixed equity criterion (fixed number of shares and fixed amount of cash) and hence these instruments are not considered to contain an equity element.

During the period, all but one noteholder converted their convertible loan holdings, as well as the interest accrued on that holding, into equity. This resulted in the issue of 48,003,042 new ordinary shares during the period. A further 100,000 ordinary shares were issued in lieu of professional fees due in respect of the conversion of the convertible loan notes.

The debt host liability was accounted for using the amortised cost basis with an effective interest rate of 5.67%. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date. The carrying amount at the maturity date will equal the cash payment required to be made.

	Embedded derivative £'000	**Convertible loan note £'000**	**Total £'000**
Balance at 1 May 2023	517	2,526	3,043
Unwinding of discount	-	298	298
Change in fair value	(517)	-	(517)
Extinguished on conversion	-	(2,790)	(2,790)
Balance at 30 April 2024	-	34	34

In September 2023, 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 new ordinary shares.

In January 2024, two noteholders converted 100% of the residual holding, as well as the accrued interest, into equity. This resulted in the issue of 23,639,520 new ordinary shares.

In February 2024, two noteholders converted 100% of their holding, as well as the accrued interest, into equity. This resulted in the issue of 16,532,893 new ordinary shares.

The balance of the loan note liability of £34k at 30 April 2024, as well as the accrued interest, was converted into equity on 22 May 2024.

27. SHARE CAPITAL

	£'000
Allotted, called up and fully paid:	
Balance at 1 May 2023: 431,851,820 Ordinary shares of £0.01 each	**4,319**
Issued in the year: 209,167,414 (2023: nil) Ordinary shares of £0.01 each	**2,091**
Balance at 30 April 2024: 641,019,234 (2023: 431,851,820) Ordinary shares of £0.01 each	**6,410**

During the year, no shares (2023: no shares) were allotted under share option schemes.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

28. SHARE PREMIUM ACCOUNT

	£'000
Balance at 1 May 2023	72,943
Issued in the year	8,537
Balance at 30 April 2024	81,480

29. TRANSLATION RESERVE

	£'000
Balance at 1 May 2023	1,897
Exchange differences on translating the net assets of foreign operations	8
Balance at 30 April 2024	**1,905**

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent Company's functional currency, being sterling, are recognised directly in the translation reserve.

30. ACCUMULATED LOSSES

	£'000
Balance at 1 May 2023	(59,488)
Net loss for the year	(3,293)
Effect of share-based payment credit	490
Conversion of Convertible Loan Notes	(11)
Deferred tax movement	8
Balance at 30 April 2024	**(62,294)**

31. NOTES TO THE CASH FLOW STATEMENT

	2024 £'000	2023 £'000
Loss for the year	**(3,293)**	(6,100)
Adjustments for:		
Finance income	**(40)**	(2)
Finance costs	**1,874**	1,245
Change in fair value of derivative	**(203)**	(77)
Income tax credit	**(322)**	(1,192)
Depreciation of property, plant and equipment and ROU	**1,751**	1,903
Amortisation of intangible assets	**2,758**	2,891
Disposal of fixed asset	**35**	-
Share-based payment expense	**490**	354
Operating cash flow before movements in working capital	**3,050**	(978)
Decrease/(increase) in inventories	**599**	(391)
(Increase)/decrease in receivables	**(7,454)**	900
Decrease in payables	**(62)**	(529)
Cash used in operations	**(3,867)**	(998)
Income taxes received	**1,065**	1,195
Net cash (used in)/from operating activities	**(2,802)**	197

Cash and cash equivalents

	2024 £'000	2023 £'000
Cash and bank balances	**466**	1,097

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.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings £'000	Lease liability £'000
Balance at 1 May 2023	8,886	4,494
Cash flows		
- Repayments	(5,822)	(678)
- Additions and modifications	7,000	-
Non-cash		
- Additions and modifications	(2,571)	118
- Effect of exchange rates	5	10
- Interest applied	601	244
Balance at 30 April 2024	8,099	4,188

33. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group. Options are generally exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The average vesting period is three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire unless, at the discretion of the Remuneration Committee, the options are granted an extension period. Options are forfeited if the employee leaves the Group before the options vest or the employee does not exercise vested options before leaving the Group.

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

	Number of share options	**2024 Weighted average exercise price (£)**	Number of share options	2023 Weighted average exercise price (£)
Outstanding at beginning of the year	**20,101,108**	**0.15**	20,033,991	0.21
Transfer from LTIP	**-**	**-**	-	-
Granted during the year	**8,364,198**	**0.06**	1,202,700	0.10
Exercised during the year	**-**	**-**	-	-
Forfeited during the year	**(1,625,743)**	**0.15**	(1,135,583)	0.16
Outstanding at the end of the year	**26,839,563**	**0.12**	20,101,108	0.15
Exercisable at the end of the year	**17,260,452**	**0.15**	11,446,740	0.21

The options outstanding at 30 April 2024 had a weighted average exercise price of £0.12 (2023: £0.15) and a weighted average remaining contractual life of six years (2023: six years). The range of exercise prices for outstanding share options at 30 April 2024 was 1p to 39p (2023: 1 p to 39p). In 2024, the aggregate of the estimated fair values of the options granted was £55k (2023: £134k). The inputs into the Black-Scholes model are as follows:

	2024	2023
Weighted average share price	**7p**	10p
Weighted average exercise price	**7p**	10p
Expected volatility	**38.67%**	42.87%
Expected life	**5 years**	5 years
Risk-free rate	**3.23**	1.53
Expected dividend yields	**0%**	0%

Expected volatility was determined by calculating the historical volatility of similar listed businesses over the previous three years. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

33. SHARE-BASED PAYMENTS *(CONTINUED)*

The Kromek Group Plc 2013 Long Term Incentive Plan

On 10 October 2013, a Long Term Incentive Plan (“LTIP”) was adopted and then subsequently modified on 14 March 2018. Under the revised plan, awards are made annually to key employees. Subject to the satisfaction of the required Relative Total Shareholder Return (“RTSR”) performance criteria, these grants will vest after a three-year period, with the first having ended on 30 April 2014, and the remainder on subsequent year end dates. Details of the LTIP share options outstanding during and at the end of the year are as follows:

	Number of share options	**2024 Weighted average exercise price (£)**	Number of share options	2023 Weighted average exercise price (£)
Outstanding at beginning of the year	**9,634,741**	**0.01**	4,363,665	0.01
Transfer to share option scheme	**-**	**-**	-	-
Granted during the year	**20,058,850**	**0.01**	7,421,740	0.01
Exercised during the year	**-**	**-**	-	-
Forfeited during the year	**(2,213,001)**	**0.01**	(2,150,664)	0.01
Outstanding at the end of the year	**27,480,590**	**0.01**	9,634,741	0.01
Exercisable at the end of the year	**-**	**-**	-	-

During 2024, 20,058,850 (2023: 7,421,740) options were granted under the 2018 LTIP to a number of key employees, including three (2023: three) Executive Directors of the Group. The fair value of these options granted was £243k (2023: £161k). The amounts recognised as a share-based payment LTIP expense for the year ended 30 April 2024 was £436k (2023: £220k).

The inputs into a Monte Carlo pricing model are as follows:

	2024	**2023**
Weighted average share price	**15p**	15p
Weighted average exercise price	**1p**	1p
Expected volatility	**35.00%**	35.00%
Expected life	**3 years**	3 years
Risk-free rate	**0.32**	0.32
Expected dividend yields	**0%**	0%

In 2024 an assessment of the LTIPs issued in FY 2024 was carried out by an external valuer. As noted in note 3, management believe an external valuation should be carried out every two to three years.

The key inputs are as follows:

	2024
Weighted average share price	6.15p
Weighted average exercise price	1p
Expected volatility	60.00%
Expected life	3 years
Risk-free rate	0.043
Expected dividend yields	0%

The Group recognised a total expense in the year of £490k (2023: £354k) related to all equity-settled share-based payment transactions. This is inclusive of both the equity-settled share option scheme and the 2013 LTIP scheme.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

34. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes
The Group operates defined contribution retirement benefit schemes for all employees. Where there are employees who leave the schemes prior to vesting fully, the contributions payable by the Group are reduced by the amount of forfeited contributions.

There are 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. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £638k (2023: £570k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 30 April 2024, contributions of £117k (2023: £143k) due in respect of the current reporting period had not been paid over to the scheme.

35. FINANCIAL INSTRUMENTS

Financial Instruments
The Group's principal financial instruments are cash and trade receivables.

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

Capital risk
The Group manages its capital to ensure that each entity in the Group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the balance between debt and equity. The Group's overall strategy has remained unchanged between 2023 and 2024.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 25 after deducting cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses as disclosed in notes 27 to 30.

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

The Group's primary source of capital is equity. By pricing products and services commensurate with the level of risk and focusing on the effective collection of cash from customers, the Group aims to maximise revenues and operating cash flows.

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

The Group considers that the current capital structure will provide sufficient flexibility to ensure that appropriate investment can be made, if required, to implement and achieve the longer-term growth strategy of the Group.

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

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

Foreign currency risk
The Group's operations are split between the UK and the US, and as a result the Group incurs costs in currencies other than its presentational currency of pounds sterling. The Group also holds cash and cash equivalents in non-sterling denominated bank accounts.

The following table shows the denomination of the year end cash and cash equivalents balance:

	2024 £'000	2023 £'000
£ sterling	**4,487**	2,215
US$ (sterling equivalent)	**(5,619)**	(1,390)
€ (sterling equivalent)	**1,598**	272

Had the foreign exchange rate between sterling, US$ and € changed by 4% (2023: 9%), this would affect the loss for the year and net assets of the Group by £60k (2023: £379k). 4% (2023: 9%) is considered a reasonable assessment of foreign exchange movement as this has been the movement noted between 2023 and 2024 (2022 and 2023).

35. FINANCIAL INSTRUMENTS *(CONTINUED)*

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

Trade receivables consist of a small number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group's standard credit terms are 30 to 60 days from date of invoice. Invoices greater than 120 days old are assessed as overdue. The maximum exposure to credit risk is the carrying value of each financial asset included on the statement of financial position as summarised in note 21.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good quality.

The Group has adopted the simplified approach when measuring the trade receivable expected credit losses. To measure the expected credit losses, trade and other receivables have been grouped based on market and geographical region. The expected loss rates are reviewed annually, or when there is a significant change in external factors potentially impacting credit risk and are updated where management's expectations of credit losses change.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Further, the Group has a US dollar overdraft facility with a right to offset, which allows US dollars to be drawn at any time provided that the Group maintains sufficient credit balances on other currency accounts to facilitate an offset. Following the offset, the Group has to be in a minimum net credit position of £100 at any time. It is management's intent to offset this overdraft with other credit balances. The purpose of this offset account is to allow the Group operational flexibility in meeting its multicurrency liabilities and to be able to utilise credit from its multicurrency customers. The Group has sufficient cash reserves to facilitate this right of offset.

Notes to the consolidated financial statements *(continued)*

For the year ended 30 April 2024

35. FINANCIAL INSTRUMENTS *(CONTINUED)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	**Total £'000**
Revolving Credit and Capex Facility at 30 April 2023	6.9	-	-	5,000	-	-	**5,000**
Other borrowing facilities at 30 April 2023	3.4	116	531	142	83	485	**1,357**
Lease obligations at 30 April 2023	5.0	35	73	298	1,456	2,632	**4,494**
Convertible loan notes at 30 April 2023	16.0	-	-	2,529	-	-	**2,529**
		151	**604**	**7,969**	**1,539**	**3,117**	**13,380**
Term loan facility at 30 April 2024	6.38	-	-	5,767	-	-	**5,767**
Other borrowing facilities at 30 April 2024	5.68	17	18	1,738	54	471	**2,298**
Lease obligations at 30 April 2024	5.0	37	75	340	1,433	2,303	**4,188**
Convertible loan notes at 30 April 2024	5.67	34	-	-	-	-	**34**
		88	**93**	**7,845**	**1,487**	**2,774**	**12,287**

Significant accounting policies
Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Categories of financial instruments

	2024 £'000	2023 £'000
Financial assets		
Cash and bank balances	**466**	1,097
Loans and receivables	**10,568**	4,812
Financial liabilities		
Amortised cost	**(20,838)**	(22,354)

35. FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair Values of Financial Assets and Financial Liabilities

The following hierarchy classifies each class of financial asset or liability depending on the valuation technique applied in determining its fair value:

Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets of liabilities.

Level 2: The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 3: The fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In these financial statements, all of the above financial instruments are considered to be Level 2 in the fair value hierarchy. There have been no transfers between categories in the current or preceding year. The fair value of financial instruments held at fair value have been determined based on available market information at the balance sheet date of 30 April 2024.

36. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its related parties are disclosed below.

Other than those disclosed within this note and the shareholding transaction with Directors noted in the Directors' Report, there have been no other transactions with related parties.

Loan agreements between Polymer N2 Ltd and Kromek Group were set up during the period. Polymer N2 Ltd is a substantial shareholder of Kromek Group plc as disclosed in the Directors' Report.

The loan 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 ("Ordinary Shares") at the trailing 10-day volume weighted average price of the Company's Ordinary Shares on the date that payment falls due.

37. EVENTS AFTER THE BALANCE SHEET DATE

Post year-end, the Group converted a loan note liability of £34k into equity. This resulted in the issue of 527,092 new ordinary shares.

The Group has received further financing of £3.4m from Polymer N2 Ltd since year-end. The further financing was provided on the same terms as the initial Polymer N2 Ltd loan described above.

Company statement of financial position

As at 30 April 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Investment in subsidiaries	3	**6,580**	6,090
Amounts due from subsidiary company		**82,325**	77,205
		88,905	83,295
Current assets			
Trade and other receivables	5	**99**	100
Cash and cash equivalents		**4,303**	1,919
		4,402	2,019
Total assets		**93,307**	85,314
Current liabilities			
Trade and other payables	6	**(781)**	(698)
Embedded derivative	8	**-**	(517)
Borrowings	7	**(7,530)**	(8,129)
Total liabilities		**(8,311)**	(9,344)
Net current (liabilities)		**(3,909)**	(7,325)
Net assets		**84,996**	75,970
Equity			
Share capital	12	**6,410**	4,319
Share premium account	13	**81,480**	72,943
Merger reserve		**3,221**	3,221
Accumulated losses	14	**(6,115)**	(4,513)
Total Equity		**84,996**	75,970

The loss for the year was £2,081k (2023: £1,638k loss).

The notes on pages 105 to 110 form part of these financial statements.

The financial statements of Kromek Group plc were approved by the Board of Directors and authorised for issue on 25 October 2024. They were signed on its behalf by:

Dr Arnab Basu MBE
Chief Executive Officer

Company statement of changes in equity

For the year ended 30 April 2024

	Equity attributable to equity holders of the Company				
	Share capital £'000	Share premium account £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 May 2022	**4,319**	**72,943**	**3,221**	**(3,229)**	**77,254**
Total comprehensive loss for the year	-	-	-	(1,638)	(1,638)
Settled share-based payment transactions	-	-	-	354	354
Balance at 30 April 2023	**4,319**	**72,943**	**3,221**	**(4,513)**	**75,970**
Total comprehensive loss for the year	-	-	-	(2,081)	(2,081)
Issue of shares less issuance costs[2]	1,606	5,873	-	-	7,479
Settled share-based payment transactions	-	-	-	490	490
Conversion of convertible loan notes (see note 8)	485	2,664	-	(11)	3,138
Balance at 30 April 2024	**6,410**	**81,480**	**3,221**	**(6,115)**	**84,996**

[2]*The fees associated with issue of shares were £549k.*

The notes on pages 105 to 110 form part of these financial statements.

Company statement of cash flows

For the year ended 30 April 2024

	Note	2024 £'000	2023 £'000
Net cash used in operating activities	11	**(1,025)**	(573)
Investing activities			
Interest received		**36**	-
Net cash used in investing activities		**36**	-
Financing activities			
Borrowings received		**7,000**	1,100
Convertible loan notes received		**-**	2,840
Borrowings repaid		**(5,600)**	-
Net proceeds on issue of shares		**7,503**	-
Loans made to Group companies		**(5,120)**	(5,537)
Financing costs		**(102)**	-
Net interest paid on bank loans		**(308)**	(449)
Net cash from/(used in) financing activities		**3,373**	(2,046)
Net increase/(decrease) in cash and cash equivalents		**2,384**	(2,619)
Cash and cash equivalents at beginning of year		**1,919**	4,538
Cash and cash equivalents at end of year		**4,303**	1,919

The notes on pages 105 to 110 form part of these financial statements.

Notes to the Company financial statements

For the year ended 30 April 2024

1. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The Company's financial statements are included in the consolidated financial statements of Kromek Group plc. Accordingly, the Company has taken advantage of the exemption from publishing an income statement, and the losses for the Company are shown within the Company Statement of Financial Position.

2. AUDITOR'S REMUNERATION

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

3. SUBSIDIARIES

Details of the Company's direct and indirect subsidiaries as at 30 April 2024 are as follows:

Name	Place of incorporation (or registration) and operation	Class of shares held	Proportion of ownership interest %	Activity
Kromek Limited (Direct)	NETPark, Sedgefield, TS21 3FD, United Kingdom	Ordinary	100	Scientific research and development
Kromek Germany Limited (Indirect through Kromek Limited)	NETPark, Sedgefield, TS21 3FD, United Kingdom	Ordinary	100	Dormant company
Kromek, Inc. (Indirect through Kromek Limited)	143 Zehner School Road, Zelienople, PA 16063, United States of America	Ordinary	100	Holding company
NOVA R&D, Inc. (Indirect through Kromek Limited)	2934 East Garvey Avenue South, Suite 104, West Covina CA 91791 United States of America	Ordinary	100	Scientific research and development
eV Products, Inc. (Indirect through Kromek Limited)	143 Zehner School Road, Zelienople, PA 16063, United States of America	Ordinary	100	Scientific research and development
Durham Scientific Crystals Limited (Indirect through Kromek Limited)	NETPark, Sedgefield, TS21 3FD, United Kingdom	Ordinary	100	Dormant company

The Company owns 100% of the share capital in Kromek Limited. Kromek Limited owns 100% of the share capital in Kromek Inc. and 100% of the share capital in Kromek (Germany) Limited. Kromek Inc. owns 100% of the share capital in eV Products Inc. and NOVA R&D Inc.

The investments in subsidiaries are all stated at cost.

	£,000
At 1 May 2023	6,090
Share option charge	490
At 30 April 2024	**6,580**

Management have considered the current market conditions in conjunction with the full impairment review that has been undertaken on the Group's cash-generating units of which the Company's investments form part. The results of this review are disclosed in note 15 within the consolidated financial statements, including a sensitivity analysis. In this review no impairment has been identified with regard to the Company's investments in subsidiaries.

At 30 April 2024, the Company was owed £82.3m (2023: £77.2m) from its immediate subsidiary company, Kromek Limited. This has been classified as a receivable due in more than one year on the face of the balance sheet as this most accurately reflects the likely repayment timeframe of the balance outstanding. This assessment and amount is based on the future discounted cash flows of Kromek Limited. Based on their assessment, the Directors do not consider there to be any impairment in 2024 or 2023. The loan is unsecured and interest free.

Notes to the Company financial statements *(continued)*

For the year ended 30 April 2024

3. SUBSIDIARIES *(CONTINUED)*

Amounts owed by Group undertakings have been assessed in line with IFRS 9 and an assessment is made of the expected credit loss. No expected credit loss was identified based on the future cash inflows of receivables.

Amounts due from subsidiary undertakings are unsecured, interest free and repayable on demand.

4. STAFF COSTS

The average monthly number of employees (excluding non-executive directors) was:	**2024 Number**	2023 Number
Research and development, production	**2**	2
Sales and marketing	**1**	1
Administration	**5**	4
	8	7

Their aggregate remuneration comprised:	**2024 £'000**	2023 £'000
Wages and salaries	**600**	487
Social security costs	**64**	64
Pension scheme contributions	**74**	61
	738	612

During the year, no Directors were paid through Kromek Group PLC (2023: none).

5. TRADE AND OTHER RECEIVABLES

	2024 £'000	2023 £'000
Prepayments and accrued income	**99**	100
	99	100

6. TRADE AND OTHER PAYABLES

	2024 £'000	2023 £'000
Trade payables and accruals	**556**	589
Social security and other taxation	**225**	109
	781	698

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 72 days. For all suppliers no interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

7. BORROWINGS

Details regarding the borrowings of the Company are disclosed in note 25 to the consolidated financial statements.

8. CONVERTIBLE LOAN NOTES

During the prior year, the Group issued convertible loan notes to the value of £2.8m at an interest rate of 8% per annum, with interest accruing monthly.

The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component were determined at initial recognition. The conversion option did not satisfy the fixed-for-fixed equity criterion (fixed number of shares and fixed amount of cash) and hence these instruments are not considered to contain an equity element.

During the period, all but one noteholder converted their convertible loan holdings, as well as the interest accrued on that holding, into equity. This resulted in the issue of 48,003,042 new ordinary shares during the period. A further 100,000 ordinary shares were issued in lieu of professional fees due in respect of the conversion of the convertible loan notes.

The debt host liability was accounted for using the amortised cost basis with an effective interest rate of 5.67%. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date. The carrying amount at the maturity date will equal the cash payment required to be made.

	Embedded derivative £'000	Convertible loan note £'000	Total £'000
Balance at 1 May 2023	517	2,526	3,043
Unwinding of discount	-	298	298
Change in fair value	(517)	-	(517)
Extinguish on conversion	-	(2,790)	(2,790)
Balance at 30 April 2024	-	34	34

In September 2023, 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 new ordinary shares.

In January 2024, two noteholders converted 100% of the residual holding, as well as the accrued interest, into equity. This resulted in the issue of 23,639,520 new ordinary shares.

In February 2024, two noteholders converted 100% of their holding, as well as the accrued interest, into equity. This resulted in the issue of 16,532,893 new ordinary shares.

The balance of the loan note liability of £34k at 30 April 2024, as well as the accrued interest, was converted into equity on 22 May 2024.

9. FINANCIAL ASSETS

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

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

10. FINANCIAL LIABILITIES

Trade and other payables
Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 72 days. The carrying amount of trade payables approximates their fair value.

Notes to the Company financial statements *(continued)*

For the year ended 30 April 2024

11. NOTES TO THE STATEMENT OF CASH FLOWS

	2024 £'000	2023 £'000
Loss for the year	**(2,081)**	(1,638)
Adjustments for:		
Change in fair value of derivative	**(203)**	(77)
Finance income	**(36)**	-
Finance costs	**1,211**	732
Operating cash flows before movements in working capital	**(1,109)**	(983)
Decrease in receivables	**1**	129
Increase in payables	**83**	281
Net cash used in operating activities	**(1,025)**	(573)

12. SHARE CAPITAL

	£'000
Allotted, called up and fully paid:	
Balance at 1 May 2023: 431,851,820 shares of £0.01 each	4,319
Issued in the Year: 209,167,414 (2023: nil) Ordinary shares of £0.01 each	2,091
Balance at 30 April 2024: 641,019,234 (2023: 431,851,820) Ordinary shares of £0.01 each	6,410

During the year, no shares (2023: no shares) were allotted under share option schemes. See note 33 of the Group financial statements for further details of share-based payments.

13. SHARE PREMIUM ACCOUNT

	£'000
Balance at 1 May 2023	72,943
Issued in the Year	8,537
Balance at 30 April 2024	81,480

14. ACCUMULATED LOSSES

	£'000
Balance at 1 May 2023	(4,513)
Net loss for the year	(2,081)
Settled share-based payments	490
Conversion of convertible loan notes	(11)
Balance at 30 April 2024	**(6,115)**

15. FINANCIAL INSTRUMENTS

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

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

Capital risk
The Company manages its capital to ensure that each entity in the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between debt and equity.

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

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

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

The Company considers that the current capital structure will provide sufficient flexibility to ensure that appropriate investment can be made, if required, to implement and achieve the longer-term growth strategy of the Company.

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

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

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

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

The Company's management considers that all the above financial assets that are not past due for each of the reporting dates under review are of good quality.

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Notes to the Company financial statements *(continued)*

For the year ended 30 April 2024

15. FINANCIAL INSTRUMENTS *(CONTINUED)*

Liquidity risk *(continued)*

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	**Total £'000**
Revolving Credit Facility at 30 April 2023	6.9	-	-	5,000	-	-	**5,000**
Other borrowing facilities at 30 April 2023	2.9	100	500	-	-	-	**600**
Convertible loan notes at 30 April 2023	16.0	-	-	2,529	-	-	**2,529**
		100	**500**	**7,529**	**-**	**-**	**8,129**
Term loan facility at 30 April 2024	6.38	-	-	5,767	-	-	5,767
Other borrowings at 30 April 2024	9.58	-	-	1,729	-	-	1,729
Convertible loan notes at 30 April 2024	5.67	34	-	-	-	-	34
		34	**-**	**7,496**	**-**	**-**	**7,530**

16. ULTIMATE CONTROLLING PARENT AND PARTY

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

17. EVENTS AFTER THE BALANCE SHEET DATE

Post year-end, the Group converted a loan note liability of £34k into equity. This resulted in the issue of 527,092 new ordinary shares.

The Group has received further financing of £3.4m from Polymer N2 Ltd since year-end. The further financing was provided on the same terms as the initial Polymer N2 Ltd loan described above.

Directors, Secretary and Advisers

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Mr R Sharma
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Mr C Wilks

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