

28 October 2024

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

**Final Results and Publication of Annual Report**

Kromek (AIM: KMK), a leading developer of radiation and bio-detection technology solutions for the advanced imaging and CBRN detection segments, announces its final results and gives notice of the publication of its annual report for the year ended 30 April 2024.

**Financial Summary**

- Revenue increased 12% to £19.4m (2023: £17.3m)
- Gross margin improved to 55.2% (2023: 51.6%) due to further efficiencies and sales mix
- Achieved positive adjusted EBITDA of £3.1m (2023: £1.0m loss)\* ahead of market expectations
- Loss before tax was reduced to £3.5m (2023: £7.3m loss)
- Debt facility refinanced with new £5.5m secured term loan
- Cash and cash equivalents at 30 April 2024 were £0.5m (30 April 2023: £1.1m)

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

**Operational Highlights**

*Advanced Imaging*

- Strong revenue growth with delivery under landmark contracts and other component supply agreements
- 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 components for the security screening systems of an existing US-based OEM customer in the homeland security marketplace

*CBRN Detection*

- 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 Group 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

**Dr Arnab Basu, CEO of Kromek, said:** "This has been a pivotal 12 months for Kromek where we recorded a third consecutive year of revenue growth and delivered on all our KPIs. We achieved record revenues, more than halved our losses and our positive adjusted EBITDA exceeded market expectations. We have actively enhanced our operational efficiencies and seen excellent progress in both advanced imaging and CBRN detection where demand remains strong across both market segments. We expect to be broadly cash neutral in H1 and are comfortable that we have sufficient capital to deliver further growth in 2025.

"Looking ahead, we anticipate demand for our CBRN products will continue to be driven by global geopolitical insecurity and the persistence of nuclear threats. Also, an acceleration in the development and commercialisation of SPECT, CT and BMD utilising CZT by major OEMs is expected to translate into increased collaborations, strategic partnerships and more contracts for the advanced imaging segment. Consequently, Kromek is well positioned to deliver future growth and value for shareholders."

#### **For further information, please contact:**

##### **Kromek Group plc**

Arnab Basu, CEO  
Paul Farquhar, CFO

+44 (0)1740 626 060

##### **Cavendish Capital Markets Limited (Nominated Adviser and Broker)**

Geoff Nash/Giles Balleny/Seamus Fricker - Corporate Finance  
Tim Redfern - ECM  
Michael Johnson/Tamar Cranford-Smith - Sales

+44 (0)20 7220 0500

##### **Gracechurch Group (Financial PR)**

Harry Chathli/Claire Norbury/Henry Gamble

+44 (0)20 4582 3500

#### **Kromek Group plc**

Kromek Group plc is a leading developer of radiation detection and bio-detection technology solutions for the advanced imaging and CBRN detection segments. Headquartered in County Durham, UK, Kromek has manufacturing operations in the UK and US, delivering on the vision of enhancing the quality of life through innovative detection technology solutions.

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

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

bombs'.

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

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

Further information is available at [www.kromek.com](http://www.kromek.com).

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

## **Operational Review**

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

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.

#### *Hamessing 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.

## Financial Review

### 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	2023
	£'000	£'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)
<b>EBITDA Adjustments:</b>		
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 items	246	

Exceptional item	£40	-
<b>Adjusted EBITDA*</b>	<b>3,107</b>	<b>(978)</b>

*\*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.

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).

### **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. As also announced today, Polymer N2 Ltd has provided the Group an additional £4.9m secured term loan that carries the same terms as the initial loan facility described above.

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)

## **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.

## Publication of Annual Report

The Company's annual report and accounts for the year ended 30 April 2024 have been made available on the Financial Reports page in the Investor Relations section of the Group's website at <https://www.kromek.com/investor-relations/financial-reports/> and will be posted to those shareholders who have requested paper communications.

### Kromek Group plc Group statement of comprehensive income For the year ended 30 April 2024

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

The accompanying notes form part of these financial statements.

**Group statement of other comprehensive income**  
**For the year ended 30 April 2024**

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

The accompanying notes form part of these financial statements.

**Kromek Group plc**  
**Consolidated statement of financial position**  
**As at 30 April 2024**

	Note	2024 £'000	2023 £'000
<b>Non-current assets</b>			
Goodwill	10	1,275	1,275
Other intangible assets	11	32,726	30,554
Property, plant and equipment	12	8,675	9,831
Right-of-use assets		<u>3,400</u>	<u>3,758</u>
		<u><b>46,076</b></u>	<u><b>45,418</b></u>
<b>Current assets</b>			
Inventories	13	10,295	10,894
Trade and other receivables		12,983	5,529
Current tax assets		372	940
Cash and bank balances		<u>466</u>	<u>1,097</u>
		<u><b>24,116</b></u>	<u><b>18,460</b></u>
<b>Total assets</b>		<u><b>70,192</b></u>	<u><b>63,878</b></u>
<b>Current liabilities</b>			
Trade and other payables		(7,475)	(7,436)
Borrowings	15	(7,573)	(8,318)
Derivative financial instruments	16	-	(517)
Lease obligation		<u>(452)</u>	<u>(405)</u>
		<u><b>(15,500)</b></u>	<u><b>(16,676)</b></u>
<b>Net current assets</b>		<u><b>8,616</b></u>	<u><b>1,792</b></u>
<b>Non-current liabilities</b>			
Deferred income		(920)	(1,021)
Lease obligation		(3,736)	(4,089)
Borrowings	15	(526)	(568)
Deferred tax liability	14	<u>(156)</u>	<u>-</u>
		<u><b>(5,338)</b></u>	<u><b>(5,678)</b></u>
<b>Total liabilities</b>		<u><b>(20,838)</b></u>	<u><b>(22,354)</b></u>
<b>Net assets</b>		<u><b>49,354</b></u>	<u><b>41,524</b></u>
<b>Equity</b>			
Share capital		6,410	4,319
Share premium account		81,480	72,943
Merger reserve		21,853	21,853
Translation reserve		1,905	1,897
Accumulated losses		<u>(62,294)</u>	<u>(59,488)</u>

<b>Total equity</b>	<b>49,354</b>	<b>41,524</b>
---------------------	---------------	---------------

The accompanying notes 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:

**Arnab Basu MBE**  
Chief Executive Officer

**Kromek Group plc**  
**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 equity £'000	Total £'000
<b>Balance at 1 May 2022</b>	<b>4,319</b>	<b>72,943</b>	<b>21,853</b>	<b>2,063</b>	<b>(53,742)</b>	<b>47,436</b>
Loss for the year	-	-	-	-	(6,100)	(6,100)
Exchange difference on translation of foreign operations	-	-	-	(166)	-	(166)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(166)</b>	<b>(6,100)</b>	<b>(6,266)</b>
Credit to equity for equity-settled share-based payments	-	-	-	-	354	354
<b>Balance at 30 April 2023</b>	<b>4,319</b>	<b>72,943</b>	<b>21,853</b>	<b>1,897</b>	<b>(59,488)</b>	<b>41,524</b>
Loss for the year	-	-	-	-	(3,293)	(3,293)
Exchange difference on translation of foreign operations	-	-	-	8	-	8
<b>Total comprehensive gain/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>(3,293)</b>	<b>(3,285)</b>
Issue shares less issuance costs	1,606	5,873	-	-	-	7,479
Conversion of CLN (see note 16)	485	2,664	-	-	(11)	3,138
Credit to equity for equity-settled share-based payments	-	-	-	-	490	490
Deferred tax movement	-	-	-	-	8	8
<b>Balance at 30 April 2024</b>	<b>6,410</b>	<b>81,480</b>	<b>21,853</b>	<b>1,905</b>	<b>(62,294)</b>	<b>49,354</b>

The fees associated with issue of shares were £549k

The accompanying notes form part of these financial statements.

**Kromek Group plc**  
**Consolidated statement of cash flows**  
**For the year ended 30 April 2024**

	Note	2024 £'000	2023 £'000
<b>Net cash (used in)/generated from operating activities</b>	17	<u>(2,802)</u>	<u>197</u>
<b>Investing activities</b>			
Interest received		40	2
Purchases of property, plant and equipment	12	(146)	(269)
Purchases of patents and trademarks	11	(252)	(183)
Capitalisation of development costs	11	<u>(4,644)</u>	<u>(4,821)</u>
<b>Net cash used in investing activities</b>		<u>(5,002)</u>	<u>(5,271)</u>
<b>Financing activities</b>			
New borrowings		7,000	1,100
Proceeds from the issue of convertible loan notes	16	-	2,840
Payment of borrowings		(5,822)	(1,258)
Payment of lease liability		(678)	(692)
Interest paid		(699)	(703)
Financing costs		(102)	-
Net proceeds on issue of shares		<u>7,479</u>	<u>-</u>
<b>Net cash generated from financing activities</b>		<u>7,178</u>	<u>1,287</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(626)</u>	<u>(3,787)</u>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,097</b>	<b>5,081</b>
Effect of foreign exchange rate changes		(5)	(197)
<b>Cash and cash equivalents at end of year</b>		<u><b>466</b></u>	<u><b>1,097</b></u>

The accompanying notes form part of these financial statements.

**Kromek Group plc**  
**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 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 the financial statements. 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

... 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. 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



incurred in the year under review or in previous years. Contract fulfillment 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.

### ***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 the 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.

### **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 scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in income.

#### **Internally-generated intangible assets - research and development expenditure**

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 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 10 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 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

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.

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.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. The vesting date is determined based on the date an employee is granted options, usually three years from date of grant. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions and taking into account the average time in employment across the year. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

#### **Cash**

Cash, for the purposes of the statement of cash flows, comprises cash in hand and term deposits repayable between one and twelve months from balance sheet date, less overdrafts repayable on demand.

### **3. 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 assess 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 10, 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 10.

As disclosed in note 11, 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.

**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 10.

**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 performance 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.

##### 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.

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
<b>Revenue from sales</b>			
-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)
<b>Total external sales</b>	<b>7,890</b>	<b>11,513</b>	<b>19,403</b>
<b>Segment result - operating loss before exceptional items</b>	(153)	(1,222)	(1,375)
Interest received	40	-	40
Interest expense	(1,636)	(238)	(1,874)
Exceptional items	(246)	-	(246)
<b>Loss before tax</b>	<b>(1,995)</b>	<b>(1,460)</b>	<b>(3,455)</b>
Tax credit	172	(10)	162
<b>Loss for the year</b>	<b>(1,823)</b>	<b>(1,470)</b>	<b>(3,293)</b>
<b>Reconciliation to adjusted EBITDA:</b>			
Net interest	1,596	238	1,834
Tax	(172)	10	(162)

	2024	2023	2022
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
<b>Adjusted EBITDA</b>	<b>2,263</b>	<b>844</b>	<b>3,107</b>
<b>Other segment information</b>			
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
<b>Statement of financial position</b>			
Total assets	36,188	34,004	70,192
Total liabilities	(14,931)	(5,907)	(20,838)

#### Year ended 30 April 2023:

	UK Operations £'000	US Operations £'000	Total for Group £'000
<b>Revenue from sales</b>			
-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)
<b>Total external sales</b>	<b>5,391</b>	<b>11,918</b>	<b>17,309</b>
<b>Segment result - operating loss before exceptional items</b>	<b>(1,881)</b>	<b>(4,168)</b>	<b>(6,049)</b>
Interest received	2	-	2
Interest expense	(975)	(270)	(1,245)
<b>Loss before tax</b>	<b>(2,854)</b>	<b>(4,438)</b>	<b>(7,292)</b>
Tax credit	1,192	-	1,192
<b>Loss for the year</b>	<b>(1,662)</b>	<b>(4,438)</b>	<b>(6,100)</b>
<b>Reconciliation to adjusted EBITDA:</b>			
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
<b>Adjusted EBITDA</b>	<b>958</b>	<b>(1,936)</b>	<b>(978)</b>
<b>Other segment information</b>			
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
<b>Statement of financial position</b>			
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.

#### Revenues from major products and services

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

2024  
2023

2023  
2022

	£'000	£'000
Product revenue	16,351	14,768
Research and development revenue	<u>3,052</u>	<u>2,541</u>
Consolidated revenue	<u>19,403</u>	<u>17,309</u>

#### 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. 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 7)	246	-
Staff costs (see note 6)	<u>10,051</u>	<u>11,166</u>

#### 6. 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	<u>15</u>	<u>13</u>
	<u>162</u>	<u>173</u>

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	<u>490</u>	<u>354</u>
	<u>10,051</u>	<u>11,166</u>

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). A breakdown of remuneration by Director will be provided in the Company's annual report and accounts for the year ended 30 April 2024. 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	<u>117</u>	<u>117</u>

Social security costs	...	...
Pension scheme contributions	36	33
Share-based payment expense	456	273
	<u>1,793</u>	<u>1,519</u>

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).

## 7. Exceptional Items

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

	2024 £'000	2023 £'000
Refinancing costs	246	-
Total exceptional items	<u>246</u>	<u>-</u>

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.

## 8. 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	<u>(164)</u>	<u>-</u>
Total tax credit in income statement	<u>162</u>	<u>1,192</u>

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%).

### 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	<u>162</u>	<u>1,192</u>

Further details of deferred tax are given in note 14. There are no tax items charged to other comprehensive

Further details of deferred tax are given in note 14. 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.

## 9. 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:

	2024 £'000	2023 £'000
<b>Losses</b>		
Losses for the purposes of basic and diluted losses per share being net losses attributable to owners of the Group	<u>(3,293)</u>	<u>(6,100)</u>
<b>Number of shares</b>	<b>2024 Number</b>	<b>2023 Number</b>
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	<u>1,018,796</u>	<u>312,909</u>
Weighted average number of ordinary shares for the purposes of diluted losses per share	<u>596,423,439</u>	<u>432,164,729</u>

	2024	2023
Basic loss per share (p)	<u>(0.6)</u>	<u>(1.4)</u>

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

## 10. Intangible assets including goodwill

	£'000
<b>Cost</b>	
At 1 May 2023 and 30 April 2024	<u>1,275</u>
<b>Accumulated impairment losses</b>	
At 1 May 2023 and 30 April 2024	<u>-</u>
<b>Carrying amount</b>	
At 1 May 2023 and 30 April 2024	<u>1,275</u>

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:

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

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.

### **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 prudence, 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 Detection 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 Detection 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.

### 11. Other intangible assets

Development costs	Patents, trademarks & other intangibles	Total
2023	2023	2023

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

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 10.

## 12. Property, plant and equipment

	Lab equipment £'000	Computer equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>					
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
<b>At 30 April 2024</b>	<b>210</b>	<b>1,495</b>	<b>18,983</b>	<b>636</b>	<b>21,324</b>
<b>Accumulated depreciation and impairment</b>					
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
<b>At 30 April 2024</b>	<b>159</b>	<b>1,383</b>	<b>10,656</b>	<b>451</b>	<b>12,649</b>
<b>Carrying amount</b>					
<b>At 30 April 2024</b>	<b>51</b>	<b>112</b>	<b>8,327</b>	<b>185</b>	<b>8,675</b>
At 30 April 2023	<b>93</b>	<b>193</b>	<b>9,317</b>	<b>228</b>	<b>9,831</b>

## 13. Inventories

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

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).

#### 14. 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)
<b>At 30 April 2024</b>	<b>389</b>	<b>7,477</b>	<b>(822)</b>	<b>(6,764)</b>	<b>(124)</b>	<b>156</b>

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)
	<b>156</b>	<b>-</b>

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.

#### 15. Borrowings

	2024 £'000	2023 £'000
<b>Secured borrowing at amortised cost</b>		
Revolving credit facility and capex facility	-	5,000
Term loan facility	5,767	-
Other borrowings	2,298	1,357
Convertible loan notes (see note 16)	34	2,529
	<b>8,099</b>	<b>8,886</b>
<b>Total borrowings</b>		
Amount due for settlement within 12 months	<b>7,573</b>	<b>8,318</b>
Amount due for settlement after 12 months	<b>526</b>	<b>568</b>

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 16.

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

## 16. 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.

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.

## 17. 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.

## 18. 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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact [rns@lse.com](mailto:rns@lse.com) or visit [www.ms.com](http://www.ms.com).

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

FR QKOBQKBDBNKB