Diagnostics for life

ANNUAL REPORT **2014**

EKF Diagnostics Holdings plc

Contents

EKF Diagnostics Holdings plc is a global, integrated medical diagnostics business.

Our expertise extends across three core divisions: The design and manufacture of diagnostic equipment including analysers and rapid tests; the manufacture of enzymes and liquid reagents used in clinical chemistry; and molecular diagnostic test kits and a spectrum of molecular testing services.

The fusion of traditional laboratory testing products, modern Point-of-Care technology and next generation molecular testing products and services makes EKF Diagnostics unique in the field of small to mid-sized medtech businesses.

Financial and operational highlights

26% increase in revenues year-on-year with significant contributions from new acquisitions.

- Group revenues of £40.06m (up 26%)
- Organic growth of 6% year-on-year with acquisitions contributing £6.5m
- 38% increase in revenues in the second half of 2014 compared to 2013 (£23.3m v £16.9m)
- Gross profit up 22% to £19.9m
- Adjusted EBITDA up 31% to £6.3m
- Net cash of £2.1m (2013: £0.1m)
- Over 18,000 point-of-care analysers sold
- Almost 56m tests manufactured across the diagnostic analyser portfolio
- Revenues from Hemo Control hemoglobin analysers up by 23%
- Revenues from Quo-Lab HbA1c analysers up by 69%
- Revenues of Beta-Hydroxybutyrate Liquicolor reagent increased by 9%

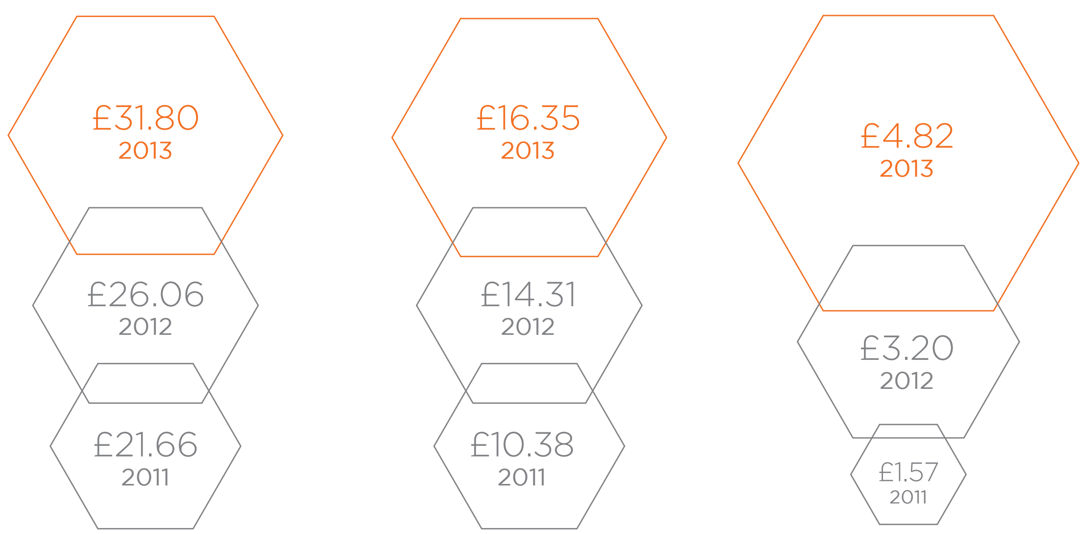
2014 built on the achievements of 2013. The installed base of active point-of-care analysers is estimated to be more than 80,000 providing a consistent demand for tests. Clinical chemistry continues to be a competitive market and yet Beta-Hydroxybutyrate Liquicolor sales grew through a sustained focus in the USA.

Molecular diagnostics contributed revenues for the first time with Selah Genomics, acquired in April 2014, providing new revenue streams from a portfolio of molecular test services. EKF's proprietary molecular testing platform, PointMan™ also delivered revenues from the research-use-only market ahead of the planned release of CE marked products in 2015.

Building momentum

Significant increase across all metrics of financial performance

£40.06	£19.95	£6.26
Turnover (£m)	Gross profit (£m)	Adjusted EBITDA (£m)
+26%	+22%	+31%



1.0 Strategic Review

At a glance

Company history

In the 25 years since EKF was founded it has grown from a humble electrical engineering company based in the hinterland of the east German city of Magdeburg into an international, stock market-listed medical technology business.

The pace of change accelerated at the turn of the 21st Century when EKF-diagnostic made the strategic decision to focus on developing a range of glucose, lactate and hemoglobin analysers.

When, in 2010, EKF-diagnostic was acquired by UK AIM-listed company IBL plc, the process of building a unique international IVD business began in earnest as Quotient Diagnostics Ltd in Walton-on-Thames and Dublin based Argutus Medical were bought. These acquisitions expanded EKF's portfolio to include HbA1c analysers and kidney and liver biomarkers for use in pharmaceutical research.

In 2011 the business, by now known as EKF Diagnostics Holdings plc, bought Stanbio Laboratory, a clinical chemistry manufacturer and distributor of IVD analysers based near San Antonio, Texas. The company's US presence was increased further in 2014 through the purchase of Separation Technology Inc., Florida, a manufacturer of hematocrit analysers and laboratory centrifuges. This was followed by the purchase of DiaSpect Medical A.B. a Swedish owned, German based manufacturer of hematology products.

EKF Molecular Diagnostics was added to the company portfolio in March 2013 following the acquisition of 360 Genomics from Oxitec Limited and others. This first foray into molecular diagnostics was complemented in April 2014 with the purchase of Selah Genomics Inc, Greenville, South Carolina a laboratory specialising in molecular diagnostics for personalised medicine.

A global IVD business

EKF Diagnostics Holdings plc has a global presence with facilities in key markets around the world.

Business model

Acquisition

In 2014 EKF Diagnostics Holdings plc purchased three businesses. In March Separation Technology Inc. (STI) was acquired from Thermo Fisher Scientific Inc. STI manufactures hematology analysers and laboratory centrifuges with the majority of its sales coming from the US blood banking sector.

In April DiaSpect Medical AB was acquired. DiaSpect is a leading brand within reagent-free hemoglobin screening and owns a unique technology that allows EKF to compete head-to-head with the market leader.

The purchase of Selah Genomics, a clinical diagnostic company focused on enabling personalised medicine, provides EKF with an increased presence in the growing molecular diagnostics market. Selah specialises in the detection of molecular biomarkers to diagnose and monitor disease, detect risk, and identify which therapies will work best for individual patients.

Acquisition timeline

2010
EKF-diagnostic GmbH
Quotient Diagnostics Ltd
Argutus Medical Ltd

2011
Stanbio Laboratory

2013
360 Genomics Ltd

2014
Separation Technology Inc.
DiaSpect Medical AB
Selah Genomics Inc.

Organic growth

Although 2014 was a year in which acquisitions provided significant new revenues to EKF Diagnostics Holdings plc, the underlying business saw solid growth of 6%.

This increase was in part attributable to winning new contracts in China through its Biosen glucose platform, and in Mexico where both the hemoglobin and glycated hemoglobin (HbA1c) analyser platforms performed well.

Meanwhile within EKF's clinical chemistry range sales of Beta-Hydroxybutyrate, a biomarker used to detect the presence of ketones in blood, rose 7% year on year. This performance was particularly impressive given the competitive nature of the ketone testing market.

New product development

Significant investment was made throughout the year in preparing the ground for new point-of-care product releases. 2015 will see the launch of new versions of Hemo Control and Biosen as well as a new lactate platform, SensPoint, which is aimed at providing the company with a presence in the maternal medicine market.

EKF's Central Laboratory division launched several new products in 2014 including Procalcitonin (PCT), a marker used in diagnosing and monitoring sepsis, and Glycated Serum Protein (GSP) an indicator of diabetic health.

EKF Molecular Diagnostics' focus in 2014 was on CE marking its PointMan test kits, with first releases expected by Q2 2015.

1.0 Strategic Review

Organisational structure

EKF Diagnostics' expertise extends across three distinct branches of the in-vitro diagnostics sector. Each of the branches plays an important role in shaping the direction of the company today and in the future.

Point-of-Care

Following the acquisitions made in 2014 EKF estimates that there are more than 80,000 EKF analysers in use today on a regular basis in doctor's offices, blood banks, laboratories and clinics. This installed base of devices provides the bedrock for the company's future revenue projections.

The Point-of-Care division is made up of three key markets:

- Hematology
- Diabetes Care
- Maternal & Women's Health

Central Laboratory

EKF's Central Laboratory division comprises of clinical chemistry (also known as chemical pathology, clinical biochemistry or medical biochemistry), blood analysers and a range of centrifuges.

Unlike POCT central laboratory testing is a mature market (CAGR 2007-2012 was 2%) with established suppliers competing for business throughout the world.

Molecular Diagnostics

Following the acquisition of Selah Genomics in April 2014 EKF's presence in the molecular diagnostics market encompasses both products (PointMan) and testing services (Selah).

EKF's vision is to create a single entity for molecular diagnostics by combining these acquisitions into a holistic molecular division.

Point-of-Care: Hematology

Product portfolio

The Hematology business unit within EKF is the largest in terms of revenues and the size of the installed base. The addition of DiaSpect and Separation Technology's products to the portfolio means that EKF now offers the largest selection of point-of-care hemoglobin analysers on the market.

DiaSpect Tm

Handheld analyser utilising reagentless methodology

Benefits of speed to result (1 second), shelf-life of microcuvettes

Successor to DiaSpect Hemoglobin T

Manufactured in Sailauf, Germany

Hemo Control

Uses 'gold standard' methodology (reagent filled microcuvettes)

Data management capability

Provides a hematocrit calculation

Proven, robust analyser sold worldwide

Manufactured in Magdeburg, Germany

UltraCrit™

Hematocrit analyser using unique ultrasound technology

Strong presence in US blood banking sector

International version also provides hemoglobin calculation

Manufactured in Sanford, USA

HemataSTAT®

Hematacrit centrifuge and analyser used in laboratories

Processes multiple samples

Manufactured in Sanford, USA

Strategy

The opportunities for the Hematology business unit are primarily focused around two markets – public health initiatives such as anemia screening programmes and private practices where the cost of testing is paid for by an insurance company or the patient.

EKF has two distinct strategies – OEM partnerships with international distributor/manufacturers such as Alere and Fresenius Kabi and agreements with smaller distributors who are focused on the public health opportunities within their own countries.

The addition of the DiaSpect and UltraCrit models gives EKF an extended portfolio to offer to both market segments, as well as address niche markets such as veterinary and sports medicine. EKF believes that this portfolio can provide it with a competitive advantage to grow its market share in 2015 and beyond.

1.0 Strategic Review

Point-of-Care: Diabetes Care

Product portfolio

Diabetes has been at the core of EKF's strategy for well over 10 years starting with the early models of what became Biosen C-Line and Biosen S-Line. More recently HbA1c analysers have been developed and launched that address the diabetes screening market. And, although they do not strictly belong within a point-of-care framework, clinical chemistry tests such as Glycated Serum Protein and Beta-Hydroxybutyrate add further provenance to EKF's claim to be a significant contributor to diabetes care worldwide.

Biosen

Glucose and/or lactate measurement

Three models, each aimed at different settings

Used as the benchmark for blood glucose monitors in China

Manufactured in Magdeburg, Germany

Quo-Lab A1c

HbA1c testing (glycated hemoglobin)

Results in four minutes using a unique methodology

Targeted at developing world markets

Manufactured in Magdeburg, Germany

Quo-Test A1c

HbA1c testing (glycated hemoglobin)

Same methodology as Quo-Lab but fully automated

Simple operation requires minimal training

Manufactured in Magdeburg, Germany

Strategy

Although glucose testing is the most commonly used method of determining glycaemic control within diabetics, HbA1c is the accepted long term barometer of patient wellbeing and their compliance with their treatment regimes. The growth in popularity of HbA1c measurement has seen an increasing number of entrants to the point-of-care HbA1c market focused on GP surgeries and diabetes clinics. Despite this revenues from Quo-Lab increased by 69% in 2014 as EKF grew the distribution network and registered the product in new markets.

Despite being a relatively mature product in the company's range, Biosen's reputation for accuracy and reliability saw a significant increase in demand in 2014. Unit sales of analysers grew by 9% year on year and this demand is expected to continue into 2015 following an agreement with a Chinese distributor that will see 1,900 analysers shipped between 2014 and the end of 2016.

2014 saw a major operational change within the Diabetes Care business unit as manufacturing of Quo-Test and Quo-Lab was transferred to EKF's Magdeburg site. This change has allowed the company to make significant operational savings as well as centralise the majority of its European-made analysers and tests.

Point-of-Care: Maternal & Women's Health

Product portfolio

Maternal and Women's Health focuses primarily on diagnostics used to address conditions and complications associated with pregnancy and child birth. Sales within this business unit include revenues from creamatocrit centrifuges and hemoglobin meters used in Women and Infant Clinics, pregnancy test kits and HbA1c analysers used to diagnose gestational diabetes in pregnant women.

However the main focus of this new division is to develop the use of lactate within obstetric medicine. Over the past two years EKF's R&D team in Germany have been developing one of the company's existing platforms to provide accurate lactate readings taken during labour as a method of determining whether intervention is needed in the form of a caesarean section. This novel approach will be launched in 2015 alongside a set of guidelines issued by a European panel of experts.

SensPoint

Handheld lactate analyser with docking station

Strip sensor technology

Results in 10 seconds

Developed for use in maternity wards

Manufactured in Magdeburg, Germany

Creamatocrit Plus

Small lab centrifuge

Measures the lipid concentration and caloric density of breast milk

Allows professionals to guide mothers with underweight infants

Manufactured in Sanford, USA

Pregnancy kits

Cassette rapid tests

Marketed for use in hospital settings

Distributed from San Antonio, USA

Strategy

EKF's Maternal and Women's Health business unit is very much in its infancy. The current focus is on distributor engagement and education and on developing a protocol with high level opinion leaders for the use of lactate in obstetric medicine.

EKF is aware of strong commercial interest in this market as a result of a distributor in France starting to develop the market using Lactate Scout+. Lactate Scout+ uses the same strip system as SensPoint but was developed primarily for use in sports science.

With the global trend for elective C-Sections, many of which are an unnecessary expense, as well as the global imperative to improve mother and child welfare, EKF is uniquely placed to take the lead in a developing market.

1.0 Strategic Review

Central Laboratory

Product portfolio

EKF, through its wholly owned subsidiary Stanbio Laboratory, has had a presence within central laboratory sales dating back over 50 years. During this time it has built a global customer base for its clinical chemistry reagents that can be used on most open-channel analyser platforms.

The Central Laboratory business unit also includes the manufacture of enzymes, manufactured at EKF Life Sciences in Elkhart, Indiana. From this facility EKF Life Sciences sells enzymes used in Stanbio's clinical chemistry portfolio as well as providing contract manufacturing services for third parties.

The acquisition of Separation Technology Inc. provided EKF with a third element to its central laboratory offering. As well as being a manufacturer of hematology products, STI has a heritage in manufacturing high quality, US-built, mini-centrifuges.

Beta-Hydroxybutyrate

Automated reagent for the early detection of ketosis

Primarily sold in USA through distribution network

Glycated Serum Protein

2-3 week indicator of average blood glucose

Complementary to HbA1c in diagnosis and screening of diabetes

Micro12

High performance centrifuge

Used for molecular, clinical, cell and bacteriology use

PlasmaPrep-12

Plasma and serum separation

Programmable, multi sample centrifuge

Strategy

The central laboratory market is experiencing relatively small levels of growth compared to point-of-care and molecular diagnostics. This is because it is a mature market that is dominated by large corporations. However opportunities do exist where niche markets can be addressed with high quality products that either create a new market or switch Laboratory Managers away from traditional testing methods.

Beta-Hydroxybutyrate Liquicolor reagent is an excellent example of how EKF has changed the way in which central labs test for ketosis. Almost 1,000 US hospitals now use EKF's ß-HB reagent instead of traditional nitroprusside testing following a concerted sales campaign focusing on the patient and practitioner benefits. A similar approach is planned for EKF's new reagent products Procalcitonin (PCT) and Glycated Serum Protein (GSP).

Molecular Diagnostics

Product portfolio

EKF Molecular Diagnostics was established in March 2013 following the acquisition of 360 Genomics Limited. Since then EKF Molecular has launched seven PointMan™ test kits aimed at the Research Use Only (RUO) and companion diagnostics markets.

PointMan™ is a highly specific and sensitive technology that enhances genetic detection processes. This capability is vital for companion diagnostics particularly in oncology. EKF is currently engaged with a number of collaborators, including the world-renowned cancer centre at Massachusetts General Hospital, to demonstrate the utility of the technology in detecting circulating tumour cells amd circulating free DNA.

The second element within EKF's molecular portfolio is Selah Genomics. Selah, based in South Carolina, USA was acquired in April 2014 as part of EKF's strategy to expand its footprint in the sector. Selah offers a range of molecular testing services to private practices throughout the USA, and is also involved in several collaborations with hospital groups and medtech conglomerates to commercialise new predictive testing models for cancer treatments.

PointMan™

Highly sensitive technology that enables detection of mutant cells

Seven kits available, all within oncology

CE marking of first kits in 2015

PrecisionPath™

Oncology panel of tests from Selah Genomics

Collaborations ongoing to develop predictive model for colon cancer

sTNFR1

Companion diagnostic biomarker

Predictor of End Stage Renal Disease in diabetic patients

Strategy

Molecular diagnostics has begun to gain significant traction in the US where several laboratories specialising in molecular testing services have recently been acquired by international IVD businesses.

EKF's focus in 2015 will be to expand the Selah range of test panels and also integrate PointMan™ into Selah's offering.

The cornerstone of the company's molecular strategy will be the completion and publication of studies and evaluations that demonstrate the utility of its portfolio. Many high level collaborations are already in place, some of which have attracted sponsorship from businesses looking to commercialise the technologies upon the successful completion of the evaluations. EKF expects the developments from PointMan™, PrecisionPath™ and sTNFR1 to attract considerable interest in the next twelve months.

1.0 Strategic Review

Chairman's Statement

Dear Fellow Shareholder

The year past has been a curate's egg of a year for the Company. There have been many positive factors as we have continued to grow both organically and by acquisition but they have been offset by certain events largely beyond our control.

Strategy

From a strategic perspective we believe we needed to achieve three key objectives in 2014.

The first was to underpin our current point of care offering particularly in hemoglobin testing where our existing hemoglobin technology, widely regarded as the Rolls-Royce of instruments, was being threatened by newer technologies. It was against that background that we acquired DiaSpect Medical AB last April for an upfront cash and equity consideration of £16m with an earnout of up to £4.75m, which was subsequently settled by a cash payment of £1.425m in January 2015.

We believe that the DiaSpect product suite allows us to compete more effectively against our principal competitor. I believe the benefit of this acquisition will be more fully evidenced during 2015.

Secondly, we recognised that we needed to embolden our presence in molecular diagnostics. In an ideal world this would have been in Point-of-Care, but given the plethora of technologies in development together with some launched products, not only would we have been playing catch-up with a me-too offering, but the scale of investment was not within our investment capacity.

It was the Board's view that a different approach was necessary and one which sought to build upon the Company's toe-hold in molecular diagnostics through its previous acquisition of 360 Genomics Ltd and the PointMan™ technology.

We sought to do this through the acquisition of Selah Genomics Inc primarily for two reasons; one tactical and the other strategic.

Tactically the DME (Drug Metabolising Enzymes) testing was growing and set to grow further and we believed that it would help underpin our short to medium term growth ambitions. Strategically, we believed, and still do more than ever, that the true value will be evidenced by the work being undertaken at our facility in Greenville which we believe is at the forefront of molecular diagnostic testing in the field of personalised medicine via next-generation sequencing (NGS) testing using both internally developed tests and leveraging externally developed tests.

It was unfortunate that within a very short period of time after the acquisition the local US Medicare Administrative Contractor ('MAC') withdrew reimbursement for the DME panel. We have sought during 2014 to resolve this issue. We have explored a number of avenues and the effort that has been expended has been at the expense of other opportunities. We have come to the conclusion this month that the opportunity cost to us in pursuing DME revenues through the current channels and without the support of the MAC is too high when compared to the more significant and credible upside from PrecisionPath, which provides a panel of clinically validated biomarkers that can be used to design specific personalised treatment plans for cancer patients.

It is beholden upon me to address the key issue of reimbursement at point of acquisition. Whilst the risk to reimbursement was recognised in due diligence, neither ourselves nor the incumbent management perceived the threat to be an immediate one. Given the nature of reimbursement in the USA had we been located in another state such as New Hampshire or Connecticut then the ability to have continued in the execution of our plan would have gone ahead unfettered. However, feeling sorry for oneself is likely to elicit zero sympathy and we believe a more realistic way forward is to work with the MAC in South Carolina to provide to their standard the necessary clinical evidence to support the use of a DME panel in anticipation of reimbursement becoming available again at some stage in the future.

Thirdly, whilst not based on our experience with DME it is clearly evident to those in the industry that health payers worldwide cannot continue to pay for the ever burgeoning number of new diagnostic tests and therapeutics unless clear health economic benefits can be demonstrated not in subjective terms, but in hard cash terms. It was against that strategic backdrop that we have taken a minority position in the Toronto based DxEconomix whose prime objective is to obtain value based pricing for IVD products for its clients. Progress has been slower than I had originally anticipated in that whilst many organisations recognise the need they are not yet fully prepared to pay for it.

Results overview

The Group has seen strong growth during the year with revenue of £40.1m (2013: £31.8m), an increase of 26%. This is despite the impact of a weak dollar and the well publicised issues in Russia, which include a very significant currency deterioration. Revenues would have been higher by £2.6m had they been translated at 2013 rates. Within this, organic growth was 6%.

Adjusted earnings before interest, tax, depreciation, and amortisation (AEBITDA), which excludes share-based payments and exceptional items, is our preferred measurement of income, and is up 31% to £6.3m (2013: £4.8m).

Board

During the year Gordon Hall retired as a Director having been on the EKF Board since 2005. Having known Gordon for over twenty years I would like to thank him for his support both for the Company and for me personally and I wish him well for the future.

Subsequent to Gordon's departure we strengthened the Board's Non-Executive contingent through the appointment of Doris-Ann Williams and David Toohey, both of whom have immense industry knowledge and experience. Their contribution to the Board since joining has been invaluable.

The Board's Executive contingent was strengthened through firstly the appointment of Paul Foulger as Chief Financial Officer – Paul has been with us from the start and it was a natural progression for Paul to make. Secondly, Tito Bacarese-Hamilton was appointed Chief Technology Officer. In the coming year a considerable burden rests on Tito's shoulders as we seek to launch a number of new products.

Regarding the passing of my baton, that will be done when the time is right, we must absolutely deliver on our expectations this year and restore the confidence in our shareholders for the team of which I am part. The pursuit of a significantly more expansionist strategy under different chairmanship cannot be contemplated until that confidence is restored and the share price responds accordingly.

Restructuring

During the year we moved our Quo-Test and Quo-Lab manufacturing to Barleben and closed our Dublin facility.

In 2015 we have refined our existing divisional structure of Point-of-Care and Molecular.

Julian Baines, whilst retaining overall Group CEO responsibilities, has been tasked with the day-to-day running of the Molecular Division with a primary focus of providing diagnostic tests directed at therapeutic intervention and monitoring.

Richard Evans will assume day-to-day responsibility for the whole of our Point of Care Division with that division being split into four main Business Units of Hemoglobin, Diabetes, Maternal & Women's Health, and Central Laboratory.

We believe this focus will bring benefits during 2015 and that the latent value in our molecular diagnostics offering will be realised.

Outlook

As we move into 2015 the overall outlook is positive despite some headwinds; Russia where revenues this year are likely to be no more than 30% of last year's due to the continued impact of sanctions; and, the continued downward pressure on reimbursement globally.

Despite the above and an industry which is experiencing overall growth rates of 5% our ambitions remain to achieve double digit growth and to be able to exploit the opportunities in front of us.

We are under no illusion that we must deliver on sensible expectations and that as we continue to seek to grow we must do this in a non-dilutory fashion. As with all my years with the Company the results are back-end weighted and 2015 appears to be no exception to this.

We will continue to review the frequent approaches from private equity groups as to whether this is to the benefit of Shareholders but thus far none of the approaches represent anything more than opportunism.

The key deliverables for 2015 are set out below.

Point-of-Care

- Further develop the hemoglobin business across the whole spectrum of hemoglobin applications and markets using connected solutions to open new markets in monitoring
- Use EKF's expertise to establish lactate measurement in peri-natal settings as a marker of maternal and neonatal well-being
- Continue to build on EKF's experience in very accurate glucose measurement by introducing the Biosen instrument to new markets, particularly in Asia and Latin America
- Incorporate connectivity and data management in all our major revenue generating product lines
- Development of the first ever POC monitoring system for patients with Phenylketonuria (PKU)

Molecular Diagnostics

- CE Marking for PointMan™ T790M assay
- Reimbursement for PrecisionPath™
- Complete the development of PrecisionPath Discovery
- Launching the initial tests for the Oncomine programme through PrecisionPath Discovery
- Launch the Ferrer Incode products into Private Payer and Corporate Wellness markets
- Transfer the manufacture of PointMan™ into Selah
- Achieve ISO 13485 in the Selah facility
- Progress the colon cancer programme with Becton Dickinson, DecisionQ and Greenville Health System
- Deliver more pharma partnerships

I am buoyed by the opportunities in front of us and in particular the opportunities presented by PrecisionPath™ .

David Evans
Executive Chairman
16 March 2015

1.0 Strategic Review

Chief Executive's Review

During 2014 we made progress as we saw the organic growth of the core business continue to be above the global industry average. Additionally, we made three strategic acquisitions and although at times challenging, these acquisitions have been quickly integrated and have given us significant growth opportunities over the next three years. Year-on-year we have seen continuous improvement in both revenue and AEBITDA despite the decrease in healthcare spending worldwide, reduction in re-imbursement, tighter regulatory controls and the instability in Russia and the Middle East.

We now have a firm footing in the global Point of Care market with over 80,000 instruments installed globally. We have seen a large increase in the sales of our Quo-Lab and Hemo Control instruments. We are also making progress with our Molecular Diagnostics division with the signing of contracts with Massachusetts General Hospital, Gilupi and Angle, supporting our belief that our PointMan™ product will become key to some major new technologies, especially in the detection of circulating tumour cells in whole blood. In addition Selah has given us a valuable platform and relationships that will enable us to deliver significant opportunities in the United States and beyond in 2015.

EKF Group has a lot to deliver in 2015 but those deliverables are clear and defined as we have laid the base foundations in key areas to deliver growth above the industry average.

Operations

Structural change

During the year we have continued to initiate a number of significant structural changes to the business with the aim of improving efficiency, reducing cost, and driving revenue. With minimal disruption we successfully transferred the manufacture of the Quo-Test and Quo-Lab product lines, including both instruments and cartridges, into our main European production base in Barleben, Germany. This involved the commissioning of a new Quo-Lab cartridge production line which was designed and built by EKF's in house production engineering team and which has reduced the cost of manufacture significantly. Having the ability to transfer production and build our own automated production lines is very rare and valuable to EKF.

Our facility in Ireland has been closed following the termination of the building lease. While a small core project management team will remain in place, the majority of development projects, and the manufacture of the biomarker products have been transferred to the Walton-on-Thames site.

With the successful transfer of production of Quo-Test and Quo-Lab instruments and reagents cartridges to the Barleben manufacturing site and the closure of the Dublin site, the Company expects to benefit from operational savings in the region of £0.75m annually. In addition, work has now begun on expanding the Barleben site which will provide increased production capacity.

As production levels rise, the Company expects this to have an additional positive impact on product margins, as well as creating further overhead efficiency opportunities. The Company will also continue to integrate the acquisitions made in 2014 and to exploit cross-selling initiatives and cost efficiency opportunities.

We have recently enhanced and expanded our regional structure, including in China where we are about to open a representative office in Shanghai. At the same time we have improved our distributor support, introducing a Premier Partner Programme, held our first international distributor meeting, and intend to employ a dedicated distribution chain manager.

The strengthening of the Sales and Marketing Infrastructure by bringing in experienced Business Unit Directors from major diagnostic organisations demonstrates that EKF is developing a global presence in the diagnostic industry and investment in this area will be key to continued growth.

Acquisitions

The three acquisitions made in the first half of the year have expanded our product line capabilities in hematology and molecular diagnostics.

Separation Technology, Inc. (STI) brings a successful line of centrifugal separation products all of which are FDA 510(k) approved. Additionally, it brings Ultracrit, an ultrasound based hematology analyser which is being used in a number of major US blood banks. STI has been successfully integrated and has shown continued growth in the US market through the expanded sales coverage via our US sales team.

DiaSpect Medical has designed a hematology instrument which is available in both desktop and handheld formats. Both formats use DiaSpect's patented reagentless cuvette technology, which allows cheaper manufacture, longer shelf life and results in under two seconds, which is particularly useful in blood banks where time to result is critical. The DiaSpect range is sold into blood banks via our partnership with Fresenius, the world's leading supplier of blood bank products. We announced on 5 January 2015 that the Company agreed to make a cash payment of £1.425m as final settlement for the total deferred cash consideration due. The original maximum deferred consideration totalled £4.75m.

Selah Genomics, Inc. is a US CLIA certified supplier of panels of molecular diagnostic tests to patients who are referred by general practitioners or by corporate health teams in the USA. Funding is usually either through Medicare or private health insurers. The company provides EKF with significant opportunities through their relationships with major partners (Becton Dickenson, Greenville Health System, DecisionQ) as well as a high quality product range (PrecisionPath, PrecisionPath Discovery and the Ferrer InCode products). Delivery will be the main focus for the molecular diagnostics business in 2015.

Point-of-Care

During 2014 we focused on improving our distribution channels into major markets. Whilst we still have some way to go we have had success in introducing Human, Arkray, Fresenius, Alere Japan, and Multiclone as distributors, therefore strengthening our global sales capabilities. The current year will be focused on delivery. We have a strong mix of mature and new products and with the strengthening of the commercial team we will aim to continue to grow at a higher rate than the industry average.

The Point-of-Care business continues to perform well, with growth being seen across most products. In particular, Quo-Lab instrument sales are up more than 30% on the previous year with the product now registered in more countries than ever, including Japan, which offers EKF a significant growth opportunity. Quo-Lab is a glycated hemoglobin analyser used in diabetes monitoring.

Biosen instrument sales are showing an increase of more than 8% on the previous year, mainly due to strong growth in Asia where we have signed a multi-million Euro contract with a new partner based in northern China. We do have significant challenges in Russia where Biosen is the major product line; we would expect to see a 70% drop in revenues in Russia due to the reduction in healthcare spending and the impact of the rouble. A large contract win in China will go some way to mitigate this. Biosen is a range of analysers which measure glucose and lactate quickly and precisely in clinics, laboratories and sports medicine facilities.

Hemo Control continues to perform well especially in Mexico and Latin America where we have continued to win significant tenders. The performance by Alere in the US market has been disappointing as the growth has not been as expected but we have continued to increase market share. The new sales infrastructure will enable us to support Alere in continuing to grow the US market. Hemo Control is a point of care device that provides immediate, lab-quality results for both hemoglobin and hematocrit from one simple test.

Central Laboratory

The main product in the Central Laboratory division, ß-HB, grew by 9%. Conversely, the Central Laboratory market is very competitive and we saw a decline overall. In 2014 we took steps to mitigate this and in 2015 we will launch a Procalcitonin marker (PCT) for sepsis diagnosis as a new product and also a new desktop Clinical Chemistry analyser. The Business Unit Director will also be responsible for expanding the Clinical Chemistry Business outside the US.

Molecular Diagnostics

Selah Genomics had a major setback in May 2014 with the announcement that the reimbursement for the DME panel testing was to be significantly reduced. This led to the announcement that revenues for 2014 would be materially lower. Whilst DME testing continues, it will not be the focus of the management in 2015. Alongside PointMan™, Selah offers a significant opportunity for EKF over the next 3 years. In 2015 we will have a number of deliverables as set out in the Chairman's Statement.

To deliver these we will be bringing all molecular products and services under one corporate identity as well as introducing US and UK industry experts to drive the molecular business which has real potential.

In 2014 Selah contributed £3.0m to full year revenues. Whilst we still face some choppy waters in the short term the change of focus has led to increased commercial opportunities and the potential for further significant partnerships. For example, as mentioned earlier, we have announced a collaboration with the Greenville Health System's ITOR facility, DecisionQ, and BD Technologies which will use PrecisionPath as the basis of a system that supports improved clinical decisions in the treatment of colon cancer patients. This is one of a number of opportunities for Selah in 2015.

The initial Selah purchase agreement was drafted to accommodate the risk of reduced reimbursement payments via a reduction in deferred consideration payments if certain performance targets were not met; the lower than anticipated sales from Selah is likely to result in the year one earn-out payment of $17.5m not being payable. We still believe that Selah represents a significant value opportunity to shareholders over the short to medium term if we deliver on the above.

During 2014 the value of PointMan™ to the molecular industry has become clear. PointMan™ significantly enhances the sensitivity of any molecular platform, as well as working on a number of sample types such as biopsy or liquid biopsy (whole blood), and can be utilised in the latest technologies such as circulating tumour cells and circulating free DNA. Additionally this has led to MGH, Gilupi and Angle evaluating PointMan™ on their differing technologies and we look forward to reporting on results in the near future.

1.0 Strategic Review

Chief Executive's Review continued

Our collaboration with The Institute of Life Sciences in Swansea has shown that PointMan™ is effective in isolating and characterising certain low-level DNA mutations in blood, paving the way for the development of a simple cancer screening and diagnostic test based on a blood sample rather than a biopsy. The data highlighted the utility of a blood-based test and critically demonstrated that PointMan™ was highly sensitive and can detect just three mutant cells in a background of 10,000 wild type cells.

The unification of the molecular business, the progress being made with PrecisionPath and the continued development of the commercial offering of PointMan™ provide the Company with confidence that 2015 will be a very significant year for establishing the credentials of the EKF Molecular Diagnostics division and a considerable generator of shareholder value.

New products

During 2014 we introduced or entered late-stage development of a number of new or improved product lines. These include:-

- SensPoint, a POC lactate measuring system designed for use in peri-natal settings.
- Enhancements to major revenue generating product lines to equip our customers with data-management and connectivity capability.
- Procalcitonin - this is a Central Laboratory test for measuring sepsis.
- sTNFR1/2 biomarkers that will predict fast progressors to Chronic Kidney Disease (CKD) in both Type 1 and 2 diabetics. If untreated CKD can lead to End Stage Renal Disease which is one of the costliest conditions for healthcare payers. sTNFR1 has been exclusively licenced from Joslin Diabetes Centre in Boston and is a significant development project for EKF. EKF is working very closely with major pharmaceutical and dialysis companies to incorporate sTNFR1/2 as complementary diagnostics with their therapies.
- Inborn Errors of Metabolism - EKF is developing a POC system for monitoring Phenylalanine levels in PKU (a rare genetic condition that is present from birth). The company is working very closely with a major pharmaceutical company with PKU therapies on the market and significantly improved drugs in late development. In PKU, Phenylalanine (an amino acid) builds up and if untreated can lead to mental retardation, behavioural disorders, seizures and other serious medical problems.

Results

Revenue

Revenue for the year was £40.1m (2013: £31.8m), an increase of 26%. Overall, acquisitions contributed £6.5m to revenues. Underlying organic revenues accounted for £33.6m of total revenues which represented 6% organic growth year-on-year.

Gross profit

Gross profit has increased to £19.9m (2013: £16.3m), which is an increase of 22%. Gross profit as a percentage of revenue is 49.8% (2013: 51.4%), largely as a result of the structurally lower margins on the Selah business because of the arrangements made with their billing and marketing partners.

Administration costs and research and development costs

Administrative expenses have increased by 59.6%. The increase comes from the acquisitions, the additional amortisation associated with the acquisitions, added investment in sales resources, and from a number of exceptional items including the closure costs for our Dublin facility, the costs of moving manufacture of the Quo-Test and Quo-Lab products, and the costs of making the three acquisitions in the year. In addition to the R & D costs, included in administration costs of £1.3m, a further £1.5m of expenditure has been capitalised.

The charge for depreciation of fixed assets and for the amortisation of intangibles is £5.0m (2013: £3.6m).

Operating profit and adjusted earnings before interest tax and depreciation

The Group has made an operating loss of £2.5m (2013: profit of £2.4m) for the reasons outlined above. We consider a more meaningful measure of underlying performance to be adjusted EBITDA which for 2014 was £6.3m (2013: £4.8m). This excludes the effects of share-based payments of £0.5m (2013: £0.7m) and exceptional losses of £3.3m (2013: exceptional gains of £1.8m).

Finance costs

Finance costs have decreased to £1.6m (2013: £1.8m). The decrease is largely a result of fair value adjustments associated with the deferred shares withheld as part of the tax warranty claim.

Tax
There is a tax charge of £1.4m (2013: £1.5m). The charge is largely the result of the utilisation of a deferred tax asset associated with the Quotient business, as well as unrelieved losses made in certain jurisdictions. The effect of the potential tax warranty claim has been reduced following negotiations between the Group's German subsidiary, its tax advisers, and the German tax authorities. We are hopeful this issue will be fully resolved early in 2015. The reduced tax charge has an associated reduction of the warranty claim, this amount has been included in exceptional items.

Balance sheet

Property, plant and equipment
We have invested £1.0m (2013: £1.2m) in property plant and equipment. Major projects include building work at Barleben and additional equipment at Selah, both to increase capacity.

Intangible assets
Intangible assets have increased substantially following the three acquisitions made in March and April, plus further capitalisation of development costs. Following the closure of the Group's Dublin facility, the associated goodwill and trade secret assets, and the capitalised development cost associated with the Renastat project of £1.2m, have been impaired in full.

Deferred consideration
The final payment of deferred consideration of £0.4m in respect of the acquisition of Quotient Diagnostics Ltd was made during the year. The small remaining provision has been credited to exceptional items. The deferred consideration payable to the vendors of DiaSpect Medical was renegotiated down to £1.4m and this was paid in January 2015.

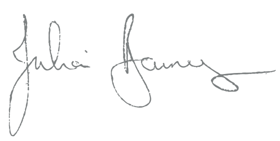
Cash and working capital
Cash used in operations in 2014 is £3.3m (2013: £3.1m generated). Following the fund raising in April, the Group had cash on hand at 31 December 2014 of £8.3m (2013: £2.5m), and a net cash position of £2.1m (2013: £0.1m). Trade debtors at year end are especially high as a result of sales to Mexico made during the year and especially in December. Payment of some of these outstanding amounts totalling £5.5m has been delayed because of slow payments to the relevant distributors by the Mexican Government.

Outlook

Whilst we acknowledge that 2014 was a challenging year where we had setbacks, we performed very creditably with 26% overall growth and we made very significant progress. It is clear what we have to deliver in 2015 and we are very confident that this will be achieved. In 2015 we will see a number of new products being brought to market as well as improvements to some of our important existing products.

The integration of Selah and EKF Molecular Diagnostics into one company will reap short and medium term rewards and Selah's PrecisionPath service, which provides a panel of clinically validated biomarkers that can be used to design specific personalised treatment plans for cancer patients, represents a huge opportunity for growth. This has the potential to become a very high margin reimbursable testing service and the Company will keep Shareholders updated as this progresses. Additionally, it is clear how advantageous PointMan™ will be in the next generation of molecular diagnostic testing.

We believe that this report provides Shareholders with very clear guidance on our deliverables for 2015. In addition to these operational goals we are determined to deliver sensible financial goals and as such have set as one of our key performance indicators the challenge to deliver at least 10% annual organic growth therefore outperforming our industry peers. We are convinced that by taking a more measured approach we are putting in place all of the factors required to become even more successful and to produce long term sustainable double digit growth, and value for shareholders.



Julian Baines
Chief Executive Officer
16 March 2015

1.0 Strategic Review

Board of Directors

Executive Board

David Evans

Executive Chairman (aged 54)

David has significant experience and contacts worldwide within the IVD industry and is currently Chairman of the following listed companies: Omega Diagnostics Group plc, Collagen Solutions plc, Epistem Holdings plc, Scancell Holdings plc, Venn Life Sciences Holdings plc, Premaitha Health plc, and Opibiotix Health plc. In addition he was formerly Chairman of Immunodiagnostics Systems Holdings plc and BBI Holdings Limited ("BBI") and Joint-Managing Director of Axis-Shield plc. He also sits on the Board of a number of private companies.

Julian Baines

Chief Executive Officer (aged 50)

Julian was Group CEO of BBI where he undertook a management buyout in 2000, a flotation on AIM in 2004 and was responsible for selling the business to Alere Inc. in 2008 for circa £85 million. In December 2009 Julian became CEO of the Group and has subsequently successfully completed fund raisings in 2010, 2011 and 2014, and the acquisition and subsequent integration of eight businesses in seven countries building revenue from zero to over £40m.

Richard Evans

Chief Operating Officer (aged 57)

Richard qualified as a Chartered Management Accountant in 1983 and holds a Bachelor of Commerce in Business Studies and Law from Edinburgh University and an MBA from INSEAD. Before joining EKF Richard was Finance Director, General Manager and finally Global Account Director at Hitachi Data Systems GmbH. He has also held positions at Fisher Scientific, TRW Seat Belt Systems, Maxtor Corporation, United Technologies Carrier and Abbot Diagnostics GmbH in Germany.

Paul Foulger

Finance Director and Company Secretary (aged 45)

Paul is a qualified certified accountant with extensive public and private company experience having been Finance Director at Venn Life Sciences Holdings plc, First Africa Oil plc, Cielo Holdings plc, Elsevier Science, Orogen Gold plc and Porta Communications plc, amongst others. Paul was Finance Director for EKF until September 2011 and was then reappointed in July 2013 when Richard Evans was promoted to Chief Operating Officer; he currently holds several other directorships, including, Autoclenz Group Limited and Arcis Biotechnology Limited. Paul holds an MBA from Warwick Business School.

Tito Bacarese-Hamilton

Chief Technology Officer (aged 57)

Tito is a clinical biochemist by training and brings more than 25 years of research and industrial experience in the medical and life sciences sector. Prior to joining EKF he was Vice President, R&D at LifeScan, a Johnson & Johnson company, where he had global responsibility for the full-scale development and commercial launch of all new products and platforms. Tito was also a founder of Quotient Diagnostics, which was acquired by EKF in 2010. Tito graduated from King's College, London and earned his PhD at the Royal Postgraduate Medical Centre in London. He is a Fellow of the American National Association of Clinical Biochemistry, a member of the European Association for the Study of Diabetes and has published more than 50 peer-reviewed articles on a variety of topics related to pathology, oncology and laboratory medicine.

Non-Executive Board

David Toohey

Non-Executive Director (aged 57)

David has over 30 years' experience in international business; in electronics system design and manufacturing settings and in medical devices. After holding senior positions in Bausch+Lomb and Boston Scientific he joined Inverness Medical (now Alere Inc) in 2001, where he fulfilled a number of roles including VP New Products, President Global Professional Diagnostics and President International Business Operations. He is a Fellow of Engineers Ireland and a Chartered Engineer, holds an MBA and is a member of the Institute Of Directors. He is CEO and founder of Syncrophi Systems Ltd, a company pioneering the development of next-generation frontline patient care and clinical informatics solutions and is on the board of Croi, the non-profit West of Ireland Cardiology Foundation.

Adam Reynolds

Non-Executive Director (aged 52)

Adam is a former stockbroker specialising in corporate finance. He has built, rescued and re-financed a number of public companies. He is currently Chairman of Autoclenz Group Limited, Orogen Gold plc, and Hubco Investments plc and a Director of OptiBiotix Health plc, Premaitha Health plc, and Verdes Management plc.

Doris-Ann Williams MBE

Non-Executive Director (aged 54)

Doris-Ann Williams has been Chief Executive of the British In Vitro Diagnostics Association (BIVDA) since October 2001 and has more than 30 years' experience working in the IVD sector. She has had a variety of experience, initially in R&D and subsequently in commercial roles. She is on the editorial board of IVD Technology, sits on a number of steering groups including that of the Technology Strategy Board and is currently on the NHS Implementation Board for Innovation, Health and Wealth. She also works closely with European Diagnostic Manufacturers Association and other global IVD industry associations. She was awarded an MBE in January 2011 and was recognised as a Friend of the Royal College of Pathologists in November 2012.

Kevin Wilson

Non-Executive Director (aged 64)

Kevin has been on the board of a number of public and private businesses and was Senior Independent Director of BBI from its AIM flotation to its sale in 2008. He has been active in Investment Banking and Stockbroking for 30 years as a corporate finance adviser and is FSA registered. He carries a PhD in Finance and an MBA in Business and is a Visiting Fellow at Manchester Business School and Visiting Senior Lecturer in Finance and Accounting at the University of Lancaster Management School.

Strategic Report for the year ended 31 December 2014

Review of the business

A review of the business is contained in the Chairman's Statement on pages 10 and 11, and in the Chief Executive's Review on pages 12 to 15.

Risk management

We recognise that effective risk management is essential to the successful delivery of the Group's strategy and will help us build a world class in-vitro diagnostic business. As we continue to grow our business we believe it is important to develop and enhance our approach to risk management, and to ensure it remains fit for purpose. In the last quarter of 2014 we began enhancing and formalising our risk management processes and have started the journey of maturing our approach to how we identify and manage risks across the Group, in a consistent and robust manner. As such we are in the process of establishing a Risk Steering Committee, reporting to the Group Chairman and Finance Director, whose aim will be to formally review and manage the Group's risk profile and control environment.

Below we describe our risk management approach, the principal risks and uncertainties faced by the Group and the controls in place to manage them.

Overview of risk management approach

Each business area is responsible for identifying, assessing and managing the risks in their respective area. Risks are identified and assessed by all business areas on a periodic basis and are measured against a defined set of criteria, considering likelihood of occurrence and potential impact. The Executive Board members also conduct a strategic risk identification and assessment exercise to identify risks, including those that could impact the business model, future performance, solvency or liquidity. This risk information is combined with a consolidated view of the business area risks. The most significant risks identified form our Group Risk Profile, which is reported to the Executive Board for review and challenge, ahead of it being submitted to the Group Board for final review, challenge and approval. The Board has the overall accountability for ensuring that risk is effectively managed across the Group and therefore ensuring that it is comfortable with the nature and extent of the principal risks faced in achieving its strategic objectives. During the course of 2015 the policies and the improved internal control environment established will underpin our approach to the risk management.

Principal risks and uncertainties

Set out below are the principal risks which we believe could materially affect the Group's ability to achieve its financial and operating objectives and control or mitigating activities adopted to manage them. The risks are not listed in order of significance.

Key employees
Lack of retention of key employees affects the continuity and effectiveness of on-going relationships with key customers and suppliers.

This risk is minimised by ensuring that a minimum of two individuals manage every relationship with key customers and suppliers. In addition, in retaining the key employees, incentivisation packages are offered through a mixture of sales commission, profit related bonuses and participation in the Group LTIP and share option schemes. Main Board Directors are incentivised as detailed in the Directors' Remuneration Report.

Political risk
A significant proportion of the Group's revenues are accounted for by agreements in developing countries. Any instability in these countries could significantly affect the operations and the revenue of the Group. In particular, the Group has significant revenue from customers in Mexico and Russia which are ultimately largely funded by the governments of those countries.

The Group spreads the risk through seeking a portfolio of diversified revenue streams geographically with a mixture of distribution partners in developing and developed countries.

Supply chain continuity
The Group relies on third party manufacturers for the supply of the majority of raw materials. Problems with obsolescence and manufacturer facilities may lead to delay and disruptions in the supply chain which could have a significant negative impact on the Group. The Group maintains a close dialogue with key suppliers and closely monitors its inventory status and customer demand to ensure that any problems with the supply chain can be managed and back up sources of supply are maintained where possible.

Regulatory risk
There can be no guarantee that any of the Group's products will be able to obtain or maintain the necessary regulatory approvals in any or all of the territories in respect of which applications for such approvals are made. Where regulatory approvals are obtained, there can be no guarantee that the conditions attached to such approvals will not be considered too onerous by the Group or its distribution partners in order to be able to market its products effectively.

The Group seeks to reduce this risk by manufacturing the products to recognised standards, by keeping appraised with changes in the standards geographically, by seeking advice from regulatory advisers, consultations with regulatory approval bodies and by working with experienced distribution partners.

Competition risk
Due to the Group's current and future potential competitors, such as major multinational pharmaceutical and healthcare companies having substantially greater resources than those of the Group, the competitors develop systems and products that are more effective or economic than any of those developed by the Group, rendering the Group's products obsolete or otherwise non-competitive.

The Group seeks to mitigate this risk by securing patent registration protection for its products, maintaining confidentiality agreements regarding the Group's know-how and technology, monitoring technological developments and by selecting leading businesses in their respective fields as distribution partners capable of addressing significant competition, should it arise.

Intellectual property risk
The commercial success of the Group and its ability to compete effectively with other companies depends, amongst other things, on its ability to obtain and maintain patents sufficiently broad in scope to provide protection for the Group's intellectual property rights against third parties and to exploit its products. The absence of any such patents may have a material adverse effect on the Group's ability to develop its business.

The Group mitigates this risk by developing products where legal advice indicates patent protection would be available, seeking patent protection for the Group's products, maintaining confidentiality agreements regarding Group know-how and technology and monitoring technological developments and the registration of patents by other parties. The commercial success of the Group also depends upon not infringing patents granted, now or in the future, to third parties who may have filed applications or who have obtained, or may obtain, patents relating to business processes which might inhibit the Group's ability to develop and exploit its own products.

Foreign exchange risk
The Group has transactional currency exposures as the majority of revenues and expenditure and certain borrowings and deferred consideration are denominated in foreign currencies. Fluctuations in exchange rates between the Group's functional currency of Sterling and the currency of the overseas operations could adversely impact the financial results. In most cases the Group matches the currency receipts and expenditure of the overseas operations. The Group also endeavours to match the foreign currency assets of the foreign operations by funding through borrowings and loans denominated in the currency of the overseas operations, and to negotiate currency protection in major contracts.

Reimbursement levels
There is no guarantee that the Group may be able to sell its products or services profitably if the reimbursement levels from third party payers, including government and private health insurers, is unavailable or limited. Third party payers are increasingly attempting to contain health care costs through measures that could impact the Group including challenging the prices charged for health care products and services, limiting both coverage and the amount of reimbursement for new diagnostics products and services, and denying or limiting coverage for products that are approved by the regulatory agencies but are considered experimental by third party payers.

The Group understands that due to third party dependency it is extremely difficult to eradicate this risk. However, the Group manages this risk with constant dialogue and educating the third party payers on the Group's products and also developing new technologies in order to seek additional reimbursements.

Financial reporting and disclosure
Due to the growth of the Group there is a constant pressure to report accurate financial information in compliance with accounting standards and applicable legislation.

This risk is mitigated with the Group's internal controls over the financial information and reporting overseen by the local financial heads and then reviewed by the central finance team, including the Finance Director. The annual financial statements are also subject to audit by the Group's external auditors.

Review of strategy and business model

The Board of Directors judges the Company's financial performance by reference to the internal budget which it establishes at the beginning of each financial year.

EKF's strategy is to create a world class IVD business through acquisition and organic growth, a so-called "buy and build" strategy. IVD has a wide spectrum, and within this spectrum we have chosen to concentrate on three distinct areas: Point-of-Care, especially in the areas of diabetes, hemotology, and women's health; Central Laboratory; and Molecular Diagnostics.

Strategic Report for the year ended 31 December 2014

We have succeeded in identifying and acquiring businesses in these areas with strong product lines and distribution networks which can benefit from better, more professional management, greater resources, and from the synergistic benefits of being part of a larger group.

We sell worldwide to over 100 countries. In many territories we sell through local distributors, however where appropriate we sell direct to end users which include hospitals, laboratories, and government agencies. Our distributors are supported by a network of regional sales managers and by product managers who are specialists in our product range. We manufacture the majority of the products we sell ourselves, but also distribute a number of carefully chosen products on behalf of others. We have research and development centres in the UK and Germany, and also perform or manage research and development projects in the USA.

The Group works mainly on the principle of selling value priced instrumentation which generates long-term revenue streams from the subsequent sale of consumables. The Molecular Diagnostics division sells kits which are used for the enrichment of samples for DNA testing and provides diagnostic tests to physicians and their patients. The Group has an existing portfolio of technologies which produce revenues and will add technologies which are strategically appropriate to this portfolio should they become available and providing the additions make economic sense.

Future outlook

The Chairman's Statement on pages 10 and 11 and the Chief Executive's Review on pages 12 to 15 give information on the future outlook of the Group, including the main trends and factors likely to affect its future development.

Key Performance Indicators (KPIs)

The key performance indicators currently used by the Group are revenue, gross margin, adjusted EBITDA and cash resources. The Group intends to establish other key performance indicators in due course once the Group has matured sufficiently. The Group does not use and does not at present intend to use non-financial key performance indicators. KPIs are discussed in more detail in the Chief Executive's Review on pages 12 to 15.

Environment

The Directors consider that the nature of the Group's activities is not inherently detrimental to the environment. The Group is committed to minimising any effect on the environment caused by its operations.

Employees

The Group places value on the involvement of its employees and they are regularly briefed on the Group's activities. The Group closely monitors staff attrition rates which it seeks to maintain at current low levels and aims to structure staff compensation levels at competitive rates in order to attract and retain high calibre personnel.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the specific aptitudes of the applicant involved. It is the policy of the Group that the training, career development and promotion of disabled persons, as far as possible, be identical with that of other employees.

Social, community, and human rights

The Board recognises that the Group has a duty to be a good corporate citizen and to respect the laws and where appropriate the customs and culture of the territories in which it operates. The Group has donated products to selected appropriate charities which operate within its area, and supports staff who are taking part in charitable activities which are related to our business areas or customers. It contributes, as far as is practicable, to the local communities in which it operates and takes a responsible and positive approach to employment practices.

The Strategic Report was approved by the Board on 16 March 2015 and signed on its behalf by:

Paul Foulger
Finance Director and Company Secretary

Report of the Directors for the year ended 31 December 2014

The Directors have pleasure in submitting this report together with the audited consolidated financial statements of EKF Diagnostics Holdings plc for the year ended 31 December 2014.

Corporate details

EKF Diagnostics Holdings public limited company is incorporated and registered in England and Wales number 4347937. The registered office is Avon House, 19 Stanwell Road, Penarth, Cardiff CF64 2EZ.

Directors

The Directors who held office during the year and as at the date of signing the financial statements were as follows:

David Evans
Julian Baines
Tito Bacarese-Hamilton (appointed 2 June 2014)
Richard Evans
Paul Foulger
Gordon Hall (resigned 31 March 2014)
Adam Reynolds
David Toohey (appointed 15 August 2014)
Doris-Ann Williams (appointed 15 August 2014)
Kevin Wilson

Principal activities

During the year the principal activities of the Group and Company were the development, manufacture and supply of products into the in-vitro diagnostics (IVD) market place, and the development and supply of products and services into the molecular diagnostics market. Future developments and research and development activities are discussed in the Chairman's Statement on pages 10 and 11 and the Chief Executive's Review on pages 12 to 15.

Dividends

There were no dividends paid or proposed by the Company in either year.

Going concern

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results which show, taking into account reasonably probable changes in financial performance, that the Group should be able to operate within the level of its current funding arrangements.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of preparation for its consolidated financial statements.

Financial risk management

Financial risk management is discussed in Note 3 of the financial statements.

Creditors payment policy

It is the policy of the Group and Company to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individual negotiated contracts) and for payment to be made in accordance with these terms provided the supplier has complied with its obligations. The average numbers of days credit taken by the Group as at 31 December 2014 was 29 days (2013: 23 days).

Employee policies

Employee policies are discussed in the Strategic Report on pages 18 to 20.

2.0 Corporate Governance

Report of the Directors for the year ended 31 December 2014

Directors' interests

The interests of those Directors serving at 31 December 2014 and as at the date of signing of these financial statements, all of which are beneficial, in the share capital of the Company were as follows:

	On 31 December 2014 Ordinary Shares of 1p each	On 1 January 2014* Ordinary Shares of 1p each
David Evans	**1,805,753**	1,534,325
Julian Baines	**1,721,955**	1,550,527
Tito Bacarese-Hamilton	**106,429**	106,429
Richard Evans	**178,842**	96,700
Paul Foulger	**3,488,589**	3,410,018
Adam Reynolds	**3,229,724**	3,176,153
David Toohey	**-**	-
Doris-Ann Williams	**-**	-
Kevin Wilson	**947,846**	897,846

*or at the date of appointment where later.

On 20 March 2014, David Evans subscribed for 71,428 ordinary shares, Julian Baines subscribed for 71,428 ordinary shares, Richard Evans subscribed for 57,142 ordinary shares, Paul Foulger subscribed for 28,571 ordinary shares, and Adam Reynolds subscribed for 28,571 ordinary shares, all at 35p. On 8 May 2014 David Evans purchased 100,000 ordinary shares, Julian Baines purchased 100,000 ordinary shares, Richard Evans purchased 25,000 shares, Paul Foulger purchased 50,000 ordinary shares, Adam Reynolds purchased 25,000 ordinary shares, and Kevin Wilson purchased 50,000 ordinary shares, all at 25.07p. David Evans purchased 100,000 ordinary shares at a purchase price of 23 pence per share on 1 October 2014.

Substantial shareholdings

As at 12 March 2015, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

	Number of shares	Percentage of issued share capital
Chase Nominees Limited	56,110,396	13.3%
Nortrust Nominees Limited	36,306,403	8.6%
HSBC Client Holdings Nominee (UK) Limited	33,019,975	7.8%
HSBC Global Custody Nominee (UK) Limited	32,940,459	7.8%
Vidacos Nominees Limited	23,250,034	5.5%
The Bank of New York (Nominees) Limited	22,512,092	5.3%
Pershing Nominees Limited	21,529,250	5.1%
State Street Nominees Limited	12,718,488	3.0%

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' liability insurance

The Company has entered into deeds of indemnity for the benefit of each Director of the Company in respect of liabilities to which they may become liable in their capacity as Director of the Company and of any Company in the Group. Those indemnities are qualifying third party indemnity provisions for the purposes of Section 234 of the Companies Act 2006 and have been in force during the whole of the financial year and up to the date of approval of the financial statements.

Independent auditors

PricewaterhouseCoopers LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to the Auditors

The Directors who hold office at the date of approval of this report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Corporate Governance

The Company's statement of corporate governance can be found in the Corporate Governance Statement on pages 24 and 25 of these financial statements. The Corporate Governance Statement forms part of this Report of the Directors and is incorporated into it by cross-reference.

Annual General Meeting

The resolutions to be proposed at the forthcoming Annual General Meeting are set out in the formal notice of the meeting, as set out on page 70.

Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and it is unanimously recommended that Shareholders support these proposals as the Board intends to do in respect of their own holdings.

Corporate Governance Statement
for the year ended 31 December 2014

Compliance

The Directors recognise the value of the principles of the UK Corporate Governance Code (the Code). Although, as an AIM Company, compliance with the Code is not required, the Group seeks to apply the Code where practicable and appropriate for a business of its size.

The following statement describes how the Group as at 31 December 2014 sought to address the principles underlying the Code.

Board composition and responsibility

The Board currently comprises five Executive Directors and four Non-Executive Directors. During the year Gordon Hall resigned as a Non-Executive Director, Tito Bacarese-Hamilton joined as an Executive Director, and David Toohey and Doris-Ann Williams joined as Non-Executive Directors. The Board notes that the Combined Code guidance recommends that at least half the Board should comprise independent Non-Executive Directors. The Board has determined that Kevin Wilson, Adam Reynolds, David Toohey, and Doris-Ann Williams are independent in character and judgement and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement. The Board is satisfied with the balance between Executive and Non-Executive Directors which allows it to exercise objectivity in decision making and proper control of the Company's business. The Board considers its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between executives and non-executives. Due to the structure of the Company it is considered that it is not appropriate to make any further changes to the successful Board composition at present.

There is a division of responsibilities between the Executive Chairman, who is responsible for the overall strategy of the Group and running the Board, and the CEO, who is responsible for implementing the strategy and day to day running of the Group. He is assisted by the Finance Director, Chief Operating Officer, and Chief Technology Officer.

All Directors are subject to election by Shareholders at the first Annual General Meeting after their appointment, and are subject to re-election at least every three years. Non-Executive Directors are appointed for a specific term of office which provides for their removal in certain circumstances, including under section 168 of the Companies Act 2006. The Board does not automatically re-nominate Non-Executive Directors for election by Shareholders. The terms of appointment of the Non-Executive Directors can be obtained by request to the Company Secretary.

The Board's primary objective is to focus on adding value to the assets of the Group by identifying and assessing business opportunities and ensuring that potential risks are identified, monitored and controlled. Matters reserved for Board decisions include strategic long-term objectives and capital structure of major transactions. The implementation of Board decisions and day to day operations of the Group are delegated to Management.

Board meetings

11 Board meetings were held during the year. The Directors' attendance record during the year, along with the number of meetings held during their tenure is as follows:

David Evans (Executive Chairman)	11	(11)
Julian Baines (Chief Executive Officer)	11	(11)
Tito Bacarese-Hamilton (Chief Technology Officer)	6	(6)
Richard Evans (Chief Operating Officer)	10	(11)
Paul Foulger (Finance Director and Company Secretary)	11	(11)
David Toohey (Non-Executive Director)	4	(4)
Doris-Ann Williams (Non-Executive Director)	3	(4)
Kevin Wilson (Non-Executive Director)	10	(11)
Adam Reynolds (Non-Executive Director)	11	(11)
Gordon Hall (Non-Executive Director)	3	(3)

Audit Committee

This comprises three Non-Executive Directors, Kevin Wilson (Chairman), David Toohey, and Adam Reynolds. Kevin Wilson is the Senior Independent Director and has recent and relevant finance experience. The principal duties of the Committee are to review the half-yearly and annual financial statements before their submission to the Board and to consider any matters raised by the auditors. The Committee also reviews the independence and objectivity of the auditors.

The terms of reference of the Committee reflect current best practice, including authority to:

- Recommend the appointment, re-appointment and removal of the external auditors;
- Ensure the objectivity and independence of the auditors including occasions when non-audit services are provided; and
- Ensure appropriate 'whistle-blowing' arrangements are in place.

The Non-Executive Directors may seek information from any employee of the Group and obtain external professional advice at the expense of the Company if considered necessary. Due to the relatively low number of personnel employed within the Group, the nature of the business and the current control and review systems in place, the Board has decided not to establish a separate internal audit department. The Committee met once during 2014.

Remuneration Committee

The Company has established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding his own remuneration.

The remuneration committee is made up of Adam Reynolds (Chairman), Kevin Wilson and Doris-Ann Williams. The Committee considers the employment and performance of individual Executive Directors and determines their terms of service and remuneration. It also has authority to grant options under the Company's Executive Share Option Scheme. The Committee did not meet during 2014 but intends to do so during the current year.

Board appointments

There is no formal Nominations Committee, the appointment of new Directors being considered by the full Board.

Internal control

The Directors are responsible for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that the assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, but not absolute, assurance with respect to the preparation of financial reporting and the safeguarding of assets.

The Group, in administering its business, has put in place strict authorisation, approval and control levels within which senior management operates. These controls reflect the Group's organisational structure and business objectives. The control system includes clear lines of accountability and covers all areas of the organisation. The Board operates procedures which include an appropriate control environment through the definition of the above organisation structure and authority levels and the identification of the major business risks. The Group has commenced a project to enhance and formalise its internal controls including the establishment of a Risk Steering Committee.

Internal financial reporting

The Directors are responsible for establishing and maintaining the Group's system of internal reporting and as such have put in place a framework of controls to ensure that on-going financial performance is measured in a timely and correct manner and that risks are identified as early as is practicably possible. There is a comprehensive budgeting system and monthly management accounts are prepared which compare actual results against both the budget and the previous year. They are reviewed and approved by the Board and revised forecasts are prepared on a regular basis.

Relations with Shareholders

The Company reports to Shareholders twice a year. The Company dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 clear days before the meeting. Each substantially separate issue is the subject of a separate resolution and all Shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The Chair(s) of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their work. The Chairman advises the meeting of the details of proxy votes cast on each of the individual resolutions after they have been voted on in the meeting. The Chairman and the Non-Executive Directors intend to maintain a good and continuing understanding of the objectives and views of the Shareholders.

Corporate social responsibility

The Board recognises that the Group has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment, that it contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices.

The Report of the Directors was approved by the Board on 16 March 2015 and signed on its behalf by:

Paul Foulger
Finance Director and Company Secretary

Report of the Remuneration Committee for the year ended 31 December 2014

Statement of compliance

This report does not constitute a Directors' Remuneration Report in accordance with the Directors' Remuneration Regulations 2007 which do not apply to the Company as it is not fully listed. This report sets out the Group policy on Directors' remuneration, including emoluments, benefits and other share-based awards made to each Director.

Policy on Executive Directors' remuneration

Remuneration packages are designed to motivate and retain Executive Directors to ensure the continued development of the Group and to reward them for enhancing value to shareholders. The main elements of the remuneration package for Executive Directors are basic salary or fees, performance-related bonuses, benefits and share option incentives.

Directors' remuneration

The remuneration of the Directors for the year ended 31 December 2014 is shown below:

	Salary and fees £'000	Pension £'000	Benefits in kind £'000	Bonus £'000	**2014 £'000**	2013 £'000
Executive Directors						
David Evans*	45	-	-	-	**45**	45
Tito Bacarese-Hamilton**	182	4	7	-	**193**	-
Julian Baines	238	12	12	-	**262**	306
Paul Foulger	167	8	7	-	**182**	21
Richard Evans	184	5	12	-	**201**	229
	816	29	38	-	**883**	601
Non-Executive Directors						
David Toohey**	11	-	-	-	**11**	-
Doris-Ann Williams**	11	-	-	-	**11**	-
Kevin Wilson	25	-	-	-	**25**	25
Adam Reynolds	25	-	3	-	**28**	29
Gordon Hall***	12	-	-	-	**12**	25
	84	-	3	-	**87**	79
Total fees and emoluments	900	29	41	-	**970**	680

* David Evans' remuneration is paid through his personal consultancy, MBA Consultancy.
** Remuneration for Tito Bacarese-Hamilton, David Toohey, and Doris-Ann Williams is shown from their date of appointment.
*** Gordon Hall's remuneration is shown up to his date of resignation.

Directors' share options and Long-Term Incentive Plan

As at 31 December 2014 the following options to Directors of the Company existed under the Company's unapproved share-option scheme and Long-Term Incentive Plan:

Option Holder	Option price per Ordinary Share	Number of Ordinary Shares under option	Exercise period
David Evans	15p	8,545,638	1 January 2014 – 31 December 2020
Tito Bacarese-Hamilton	35p	1,300,000	30 May 2017-30 May 2024
Julian Baines	15p	8,545,638	1 January 2014 – 31 December 2020
Richard Evans	20p	4,260,000	1 January 2014 – 31 December 2020
Paul Foulger	35p	1,000,000	17 April 2017 - 17 April 2024

Half of the options granted to David Evans and Julian Baines and all the options of Richard Evans are subject to the achievement of 15% compound annual Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) growth for the three years commencing on 1 January 2011. The base EBITDA was equal to twice the audited EBITDA achieved by the Group for the six months ending 31 December 2010. This condition has now been met. The key terms for the remaining awards were revised on 11 June 2013. The key terms of these are as follows. For each test, the shares will vest if the Company's mid-market closing share price attains the required price or higher for a period of 20 (60p options: 30) consecutive days at any time during the period commencing on 1 January 2011 and ending on 31 December 2016 .

a) 1,709,128 notional shares will vest if the share price attains 30 pence. This condition has now been met.
b) 1,709,128 notional shares will vest if the share price attains 37.5 pence.
c) 1,709,128 notional shares will vest if the share price attains 45 pence.
d) 1,709,128 notional shares will vest if the share price attains 52.5 pence.
e) 1,709,126 notional shares will vest if the share price attains 60 pence.

The options granted to Paul Foulger will vest if the Company's mid-market closing share price attains the required price or higher for a period of 20 consecutive days at any time during the period commencing on 17 April 2014 and ending on 17 April 2024.

a) one third of the notional shares will vest if the share price attains 50 pence.
b) one third of the notional shares will vest if the share price attains 60 pence.
b) one third of the notional shares will vest if the share price attains 70 pence.

Independent Auditors' Report to the members of EKF Diagnostics Holdings plc

Report on the financial statements

Our opinion

In our opinion:

- the financial statements defined below, give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

EKF Diagnostics Holdings plc's financial statements comprise:

- the consolidated and company's statements of financial position as at 31 December 2014;
- the consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- the consolidated and company's statements of cash flows for the year then ended;
- the consolidated and company's statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the members of EKF Diagnostics Holdings plc continued

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mark Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
16 March 2015

Consolidated Income Statement

	Notes	2014 £'000	2013 £'000
Continuing operations			
Revenue	5	**40,062**	31,804
Cost of sales	6	**(20,113)**	(15,459)
Gross profit		**19,949**	16,345
Administrative expenses	6, 7	**(22,793)**	(14,439)
Other income		**371**	495
Operating (loss)/profit		**(2,473)**	2,401
Depreciation and amortisation	5	**(4,950)**	(3,554)
Share-based payment		**(512)**	(709)
Exceptional items	7	**(3,268)**	1,840
EBITDA before exceptional items and share-based payment	5	**6,257**	4,824
Finance income	12	**18**	5
Finance costs	12	**(1,573)**	(1,799)
(Loss)/profit before income tax		**(4,028)**	607
Income tax expense	13	**(1,440)**	(1,500)
Loss for the year		**(5,468)**	(893)
Loss attributable to:			
Owners of the parent		**(5,689)**	(1,126)
Non-controlling interest		**221**	233
		(5,468)	(893)
		Pence	Pence
Loss per Ordinary Share attributable to the owners of the parent during the year			
Basic			
From continuing operations	14	**(1.50)**	(0.41)
Diluted			
From continuing operations	14	**(1.50)**	(0.41)

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement.

The loss for the Parent Company for the year was £2,882,000 (2013: £1,490,000).

Consolidated Statement of Comprehensive Income

	Notes	2014 £'000	2013 £'000
Loss for the year		**(5,468)**	(893)
Other comprehensive income:			
Movement on pension scheme	33	**48**	9
Currency translation differences		**546**	199
Other comprehensive gain for the year		**594**	208
Total comprehensive loss for the year		**(4,874)**	(685)
Attributable to:			
Owners of the parent		**(4,890)**	(881)
Non-controlling interests		**16**	196
Total comprehensive loss for the year		**(4,874)**	(685)

Items stated above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 13.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement.

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.

Consolidated and Company's Statements of Financial Position

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Assets					
Non-current assets					
Property, plant and equipment	16	**10,568**	9,785	**1,576**	1,616
Intangible assets	17	**93,522**	34,725	**-**	–
Investments in subsidiaries	18	**-**	–	**61,043**	16,630
Investments	20	**1,152**	250	**1,152**	250
Trade and other receivables	22	**-**	–	**17,799**	17,799
Deferred tax assets	28	**238**	903	**238**	96
Total non-current assets		**105,480**	45,663	**81,808**	36,391
Current assets					
Inventories	23	**5,793**	5,308	**-**	–
Trade and other receivables	22	**16,115**	7,155	**18,508**	7,275
Deferred tax assets	28	**45**	46	**-**	–
Cash and cash equivalents	24	**8,346**	2,551	**4,390**	159
Total current assets		**30,299**	15,060	**22,898**	7,434
Total assets		**135,779**	60,723	**104,706**	43,825
Equity attributable to owners of the parent					
Share capital	29	**4,221**	2,727	**4,221**	2,727
Share premium account	29	**91,276**	41,783	**91,276**	41,783
Other reserve	32	**41**	41	**-**	–
Foreign currency reserves	32	**26**	(725)	**-**	–
Retained earnings	31	**(8,541)**	(3,412)	**(9,050)**	(6,680)
		87,023	40,414	**86,447**	37,830
Non-controlling interest		**353**	508	**-**	–
Total equity		**87,376**	40,922	**86,447**	37,830
Liabilities					
Non-current liabilities					
Borrowings	26	**2,492**	2,108	**-**	–
Deferred consideration	27	**9,536**	5,471	**3,165**	–
Deferred tax liabilities	28	**13,258**	3,442	**-**	–
Retirement benefit obligation	33	**-**	103	**-**	–
Total non-current liabilities		**25,286**	11,124	**3,165**	–
Current liabilities					
Trade and other payables	25	**7,943**	4,189	**3,758**	4,217
Deferred consideration	27	**8,493**	1,778	**8,493**	1,778
Current income tax liabilities		**2,171**	1,998	**-**	–
Deferred tax liabilities	28	**756**	380	**-**	–
Borrowings	26	**3,754**	332	**2,843**	–
Total current liabilities		**23,117**	8,677	**15,094**	5,995
Total liabilities		**48,403**	19,801	**18,259**	5,995
Total equity and liabilities		**135,779**	60,723	**104,706**	43,825

The notes on pages 35 to 69 are an integral part of these financial statements.
The financial statements were approved and authorised for issue by the Board on 16 March 2015.

Julian Baines
Chief Executive Officer

Paul Foulger
Finance Director

EKF Diagnostics Holdings plc
Registered no: 04347937

Consolidated and Company's Statements of Cash Flows

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Cash flow from operating activities					
Cash (used in)/generated by operations	35	**(3,262)**	3,172	**(12,011)**	65
Interest paid		**(241)**	(152)	**(69)**	–
Income tax paid		**(1,241)**	(1,013)	**(21)**	–
Net cash (used in)/generated by operating activities		**(4,744)**	2,007	**(12,101)**	65
Cash flow from investing activities					
Purchase of investments		**(902)**	–	**(902)**	–
Purchase of property, plant and equipment (PPE)		**(1,038)**	(1,185)	**(17)**	(26)
Purchase of intangibles		**(1,595)**	(1,097)	**-**	–
Purchase of subsidiaries (net of cash acquired)		**(12,379)**		**(10,248)**	–
Proceeds from sale of PPE	35	**22**	61	**-**	–
Interest received		**18**	5	**4**	–
Net cash used in investing activities		**(15,874)**	(2,216)	**(11,163)**	(26)
Cash flow from financing activities					
Proceeds from issuance of Ordinary Shares	29	**25,007**	–	**25,007**	–
New bank loans		**3,764**	477	**2,843**	–
Repayments on borrowings		**(1,855)**	(439)	**-**	–
Dividend payment to non-controlling interest		**(171)**	(169)	**-**	–
Payment of deferred consideration		**(355)**	(1,429)	**(355)**	(616)
Net cash (used in)/generated by financing activities		**26,390**	(1,560)	**27,495**	(616)
Net increase/(decrease) in cash and cash equivalents		**5,772**	(1,769)	**4,231**	(577)
Cash and cash equivalents at beginning of year		**2,551**	4,331	**159**	736
Exchange gains/(losses) on cash and cash equivalents		**23**	(11)	**-**	–
Cash and cash equivalents at end of year	24	**8,346**	2,551	**4,390**	159

Consolidated and Company's Statements of Changes in Equity

Consolidated	Share capital £'000	Share premium account £'000	Other reserve £'000	Foreign currency reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2013	**2,671**	**40,240**	**–**	**(961)**	**(3,004)**	**38,946**	**481**	**39,427**
Comprehensive income								
(Loss)/profit for the year	–	–	–	–	(1,126)	(1,126)	233	(893)
Other comprehensive income								
Actuarial gain on pension	–	–	–	–	9	9	–	9
Currency translation differences	–	–	–	236	–	236	(37)	199
Total comprehensive income	**–**	**–**	**–**	**236**	**(1,117)**	**(881)**	**196**	**(685)**
Transactions with owners								
Proceeds from shares issued	56	1,543	–	–	–	1,599	–	1,599
Issue of convertible loan notes in subsidiary	–	–	41	–	–	41	–	41
Dividends to non-controlling interest	–	–	–	–	–	–	(169)	(169)
Share-based payments	–	–	–	–	709	709	–	709
Total contributions by and distributions to owners	**56**	**1,543**	**41**	**–**	**709**	**2,349**	**(169)**	**2,180**
At 1 January 2014	**2,727**	**41,783**	**41**	**(725)**	**(3,412)**	**40,414**	**508**	**40,922**
Comprehensive income								
(Loss)/profit for the year	-	-	-	-	(5,689)	**(5,689)**	221	**(5,468)**
Other comprehensive income	-	-	-	-				
Movement on pension	-	-	-	-	48	**48**	-	**48**
Currency translation differences	-	-	-	751	-	**751**	(205)	**546**
Total comprehensive income	**-**	**-**	**-**	**751**	**(5,641)**	**(4,890)**	**16**	**(4,874)**
Transactions with owners								
Proceeds from shares issued	1,494	49,493	-	-	-	**50,987**	-	**50,987**
Dividends to non-controlling interest	-	-	-	-	-	**-**	(171)	**(171)**
Share-based payments	-	-	-	-	512	**512**	-	**512**
Total contributions by and distributions to owners	**1,494**	**49,493**	**-**	**-**	**512**	**51,499**	**(171)**	**51,328**
At 31 December 2014	**4,221**	**91,276**	**41**	**26**	**(8,541)**	**87,023**	**353**	**87,376**

Consolidated and Company's Statements of Changes in Equity continued

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2013	**2,671**	**40,240**	**(5,899)**	**37,012**
Comprehensive income				
Loss for the year	–	–	(1,490)	(1,490)
Total comprehensive income	**–**	**–**	**(1,490)**	**(1,490)**
Transactions with owners				
Proceeds from shares issued	56	1,543	–	1,599
Share-based payments	–	–	709	709
Total contributions by and distributions to owners	**56**	**1,543**	**709**	**2,308**
At 1 January 2014	**2,727**	**41,783**	**(6,680)**	**37,830**
Comprehensive income				
Loss for the year	-	-	(2,882)	(2,882)
Total comprehensive income	**-**	**-**	**(2,882)**	**(2,882)**
Transactions with owners				
Proceeds from shares issued	1,494	49,493	-	50,987
Share-based payments	-	-	512	512
Total contributions by and distributions to owners	**1,494**	**49,493**	**512**	**51,499**
At 31 December 2014	**4,221**	**91,276**	**(9,050)**	**86,447**

Notes to the Financial Statements for the year ended 31 December 2014

1. General information

EKF Diagnostics Holdings Plc is a company incorporated and domiciled in the United Kingdom. The Company is a public limited company, which is listed on the AIM market of the London Stock Exchange. The address of the registered office is Avon House, 19 Stanwell Road, Penarth, Cardiff CF64 2EZ.

The principal activity of the Group continued to be the development, manufacture and supply of products and services into the in-vitro diagnostic (IVD) market place, including the molecular diagnostics sector. The Group has presence in the UK, USA, Germany, Poland, Russia, China, and Ireland, and sells throughout the world including Europe, the Americas, Asia, and Africa.

The financial statements are presented in British Pounds Sterling, the currency of the primary economic environment in which the Company's headquarters is operated. The Group comprises EKF Diagnostics Holdings plc and its subsidiary Companies as set out in note 18.

The registered number of the Company is 04347937.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied throughout the year, unless otherwise stated.

Basis of preparation
The consolidated financial statements of EKF Diagnostics Holdings plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. Practice is continuing to evolve on the application and interpretations of IFRS.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets at fair value through profit or loss and certain financial liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) Standards, amendments and interpretations effective in 2014

The following new IFRS pronouncements relevant to the Group have been adopted in these financial statements:

- Amendments to IAS 32: 'Financial instruments: Presentation' related to offsetting financial assets and financial liabilities
- Amendments to IAS 36: 'Impairment' related to recoverable amount disclosures for non-financial assets

None of the above amendments have had a material impact on the Group consolidated financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

- IFRS 9: 'Financial instruments'
- IFRS 15: 'Revenue from contracts with customers'
- Amendments to IFRS 11: 'Joint arrangements' related to the acquisition of interests in joint operations and the sale or contribution of assets between an investor and its associate or joint venture
- IAS 1: 'Presentation of financial statements'.
- Amendment to IAS 16: 'Property, plant and equipment' and IAS 38: 'Intangible assets' related to the clarification of acceptable methods of depreciation and amortisation
- Annual Improvement Project 2010-2012, 2011-2013 & 2012-2014
- Amendment to IAS 19: 'Employee benefits' related to employee contributions to defined benefit plans.
- Amendment to IAS 27: 'Separate financial statements'

The Directors do not anticipate that the application of the Annual Improvement Projects and the Amendments to IAS 1, IAS 16, IAS 19, IAS 27, IAS 38 and IFRS 11 will have a material impact on the amounts reported and disclosed.

The Group is currently in the process of assessing the impact of IFRS 9 and IFRS 15 and it is currently too early to conclude what impact these standards will have as a detailed impact assessment is required and therefore it is not practicable to provide a quantified estimate of the effects of IFRS 9 and IFRS 15. This will be provided once the Group has completed the detailed reviews.

Going concern
The Group meets its day-to-day working capital requirements through the use of cash reserves and existing bank facilities. The Group has maintained its liquidity profile through the year.

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results which show, taking into account reasonably probable changes in financial performance, that the Group should be able to operate within the level of its current funding arrangements.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason they have adopted the going concern basis in the preparation of the financial statements.

Notes to the Financial Statements continued

for the year ended 31 December 2014

2. Summary of significant accounting policies continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are all entities over which the Group has the power to govern their financial and operating policies generally accompanying a shareholding of more than fifty per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Investments in subsidiaries are accounted for at cost less impairment.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in British Pounds Sterling, which is the Company's functional and presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within 'administrative expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

Government grants

Government grants receivable in connection with expenditure on property, plant and equipment are accounted for as deferred income, which is credited to the income statement over the expected useful economic life of the related assets, on a basis consistent with the depreciation policy. Revenue grants for the reimbursement of costs charged to the income statement are credited to the Income Statement in the year in which the costs are incurred.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to its working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Any borrowing costs associated with qualifying property plant and equipment are capitalised and depreciated at the rate applicable to that asset category.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method or reducing balances method to allocate their cost to its residual values over their estimated useful lives, as follows:

Buildings	2%–2.5%
Fixtures and fittings	20%–25%
Plant and machinery	20%–33.3%
Motor vehicles	25%

The assets' residual values and useful economic lives are reviewed regularly and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on the disposal of assets are determined by comparing the proceeds with the carrying amount and are recognised in administration expenses in the income statement.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill has an infinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Trademarks, trade names and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of between 8 and 12 years and is charged to administrative expenses in the income statement.

(c) Customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of between 6 and 15 years and is charged to administrative expenses in the income statement.

(d) Trade secrets

Trade secrets, including technical know-how, operating procedures, methods and processes, acquired in a business combination are recognised at fair value at the acquisition date. Trade secrets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trade secrets over their estimated useful lives of between 6 and 15 years and is charged to administrative expenses in the income statement.

(e) Development costs

Development costs acquired in a business combination are recognised at fair value at the acquisition date. Development costs have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives of 15 years and is charged to administrative expenses in the income statement.

Expenditure incurred on the development of new or substantially improved products or processes is capitalised, provided that the related project satisfies the criteria for capitalisation, including the project's technical feasibility and likely commercial benefit. All other research and development costs are expensed as incurred.

Development costs are amortised over the estimated useful life of the products with which they are associated. Amortisation commences when a new product is in commercial production. The amortisation is charged to administrative expenses in the income statement. The estimated remaining useful lives of development costs are reviewed at least on an annual basis.

The carrying value of capitalised development costs is reviewed for potential impairment at least annually and if a product becomes unviable and an impairment is identified the deferred development costs are immediately charged to the income statement.

(f) Non-compete agreements

Non-compete agreements arising from a business combination are recognised at fair value at the acquisition date. Non-compete agreements have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of non-compete agreements over their estimated useful lives of three years and is charged to administrative expenses in the income statement.

Notes to the Financial Statements continued

for the year ended 31 December 2014

2. Summary of significant accounting policies continued

Impairment of non-financial assets

Assets that have an indefinite life such as goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's 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 that reflects current market assessments of the time value of the money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in the prior period. A reversal of an impairment loss is recognised in the income statement immediately. If goodwill is impaired however, no reversal of the impairment is recognised in the financial statements.

Investments

Investments where the Group does not have a controlling interest are initially recognised at cost. The carrying value is tested annually for impairment and an impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

Financial assets

Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired and management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale assets are non-derivatives that are either designated in this category or not classified as loans and receivables. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase the asset. Assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the risk and rewards of ownership have been transferred.

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income until the asset is disposed at which time the cumulative gain or loss previously recognised in equity is included in the consolidated income statement for the period. If an available-for-sale investment is determined to be impaired, the cumulative loss previously recognised in equity is included in the income statement for the period.

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost is calculated on a first in and first out basis and includes raw materials, direct labour, other direct costs and attributable production overheads, where appropriate. Net realisable value represents the estimated selling price less all estimated costs of completion and applicable selling costs. Where necessary, provision is made for slow-moving and obsolete inventory. Inventory on consignment and their related obligations are recognised in current assets and payables respectively.

Trade and other receivables

Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Trade receivables that are less than three months past due are not considered impaired unless there are specific financial or commercial reasons that lead management to conclude that the customer will default. Older debts are considered to be impaired unless there is sufficient evidence to the contrary that they will be settled. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of less than three months, reduced by overdrafts to the extent that there is a right of offset against other cash balances.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above net of outstanding bank overdrafts where there is a right of offset.

Share capital
Ordinary Shares are classified as equity. Proceeds in excess of the nominal value of shares issued are allocated to the share premium account and are also classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are deducted from the share premium account.

Financial liabilities
Debt is measured at fair value, being net proceeds after deduction of directly attributable issue costs, with subsequent measurement at amortised cost with the exception of deferred equity consideration which is categorised as a financial liability at fair value through profit and loss. Debt issue costs are recognised in the income statement over the expected term of such instruments at a constant rate on the carrying amount.

Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed in the consolidated Group income statement under the heading ‘finance costs’. Arrangement and facility fees together with bank charges are charged to the income statement under the heading ‘administrative expenses’.

Current and deferred income tax
The tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income where the associated tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in respect of all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill in business combinations.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be sufficient taxable profits against which the future reversal of the underlying temporary differences can be deducted.

The carrying value of the amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions
Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

Leases
Leases which transfer substantially all the risks and rewards of ownership of an asset are treated as a finance lease. Assets held under finance leases are capitalised at their fair value at the inception of the lease and depreciated over the estimated useful economic life of the asset or lease term if shorter. The finance charges are allocated to the income statement in proportion to the capital amount outstanding.

All other leases are classified as operating leases. Operating lease rentals are charged to the income statement in equal annual amounts over the lease term.

Deferred consideration
Deferred consideration is recognised at fair value. Where the value of deferred consideration is based on a future event, management estimate the likelihood of the consideration becoming payable. Deferred consideration is discounted to take account of the time value of money at rates based on those used for the valuation of related intangible assets.

Notes to the Financial Statements continued

for the year ended 31 December 2014

2. Summary of significant accounting policies continued

Employee benefits

(a) Pension obligations

Group companies operate various pension schemes and have both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity with the pension cost charged to the income statement as incurred. The Group has no further obligations once the contributions have been paid.

Under a defined benefit scheme, the amount of retirement benefit that will be received by an employee is defined with respect to periods of service and final salary. The amount recognised in the balance sheet is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the scheme assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

The service cost of providing retirement benefits to employees during the year is charged to operating profit. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the average vesting period.

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments of the Group. Equity-settled share-based payments are measured at fair value at the date of grant and are expensed over the vesting period based on the number of instruments that are expected to vest. For plans where vesting conditions are based on share price targets, the fair value at the date of grant reflects these conditions. Where applicable the Group recognises the impact of revisions to original estimates in the income statement, with a corresponding adjustment to equity for equity-settled schemes. Fair values are measured using appropriate valuation models, taking into account the terms and conditions of the awards.

When the share-based payment awards are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

National insurance on share options

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted under unapproved share-based payment compensation schemes, provision for any National Insurance Contributions has been based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.

Revenue recognition

(a) Sale of goods

Revenue for the sale of medical diagnostic instruments and reagents is measured at the fair value of the consideration received or receivable and represents the invoiced value for the sale of the goods and services net of sales taxes, rebates and discounts. Revenue from the sale of goods is recognised when a Group Company has delivered products to the customer, the customer has accepted delivery of the products and collectability of the related receivables is reasonably assured.

(b) Sale of services

Revenue for the sale of molecular diagnostic testing services is recognised when the test has been completed and the results returned to the patient. Billing is carried out by the Group directly or through third party billing agencies. Sales commissions to third parties are recognised at the same time as revenue is recognised and accrued until due for payment.

(c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(d) Royalty and licence income

Royalty and licence income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Dividend distribution

Dividend distributions to the Company's Shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Shareholders. Interim dividends are recognised when paid.

Other income

Other income includes grant income and R & D tax credits passed through income where this is permitted by the relevant jurisdiction.

Exceptional items

These are items of an unusual or non-recurring nature incurred by the Group and include transactional costs and one off items relating to business combinations, such as acquisition expenses.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and cash flow interest rate risk), credit risk, liquidity risk, capital risk and fair value risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by the head office finance team. It evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management whilst the head office finance team provides specific policy guidance for the operating units in terms of managing foreign exchange risk, credit risk and cash and liquidity management.

(a) Market risk

(i) Foreign exchange – cash flow risk

The Group's presentational currency is sterling although it operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily between GBP, USD, the Euro, Rouble, and Zloty such that the Group's cash flows are affected by fluctuations in the rate of exchange between GBP and the aforementioned foreign currencies.

This exposure is managed by a natural currency hedge as the Group's operating subsidiaries cost base is also denominated in USDs, Euros, Roubles, and Zloty as the Group has subsidiary businesses located in the USA, Germany, Ireland, Russia, and Poland.

Management do not use derivative financial instruments to mitigate the impact of any residual foreign currency exposure not mitigated by the natural hedge within the business model. The Group does not speculate in foreign currencies and no operating Company is permitted to take unmatched positions in any foreign currency.

(ii) Foreign exchange – Fair value risk

Translation exposures that arise on converting the results of overseas subsidiaries are not hedged. Net assets held in foreign currencies are hedged wherever practical by matching borrowings in the same currency. The principal exchange rates used by the Group in translating overseas profits and net assets into GBP are set out in the table below.

Rate compared to GBP	**Average rate 2014**	Average rate 2103	**Year end rate 2014**	Year end rate 2013
Euro	**1.244**	1.183	**1.287**	1.203
Russian Rouble	**64.048**	50.155	**91.264**	54.500
Polish Zloty	**5.206**	4.959	**5.465**	4.983
US Dollar	**1.647**	1.572	**1.559**	1.657

As a guide to the sensitivity of the Group's results to movements in foreign currency exchange rates, a one cent movement in the Euro and US Dollars to Sterling rate would impact annual earnings by approximately £26,000 and £33,000 respectively.

(iii) Cash flow and fair value interest rate risk

The Group has interest-bearing assets in the form of cash and cash equivalents and limited interest-bearing liabilities which relate to long-term borrowing and finance lease obligations in the Group's US and German subsidiaries. Interest rates on cash and cash equivalents are floating whilst interest rates on borrowings have been fixed and therefore expose the Group to fair value interest rate risk. The Group does not speculate on future changes in interest rates.

Where overseas acquisitions are made, it is the Group's policy to arrange any borrowings required in local currency.

It is the Group's policy not to trade in financial instruments. The Group does not use interest rate swaps.

(b) Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local subsidiary and operating business unit is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. It is the Group policy to obtain deposits from customers where possible, particularly overseas customers. In addition if possible the Group will seek confirmed letters of credit for the balances due. Credit risk is managed at the operating business unit level and monitored at the Group level to ensure adherence to Group policies. If there is no independent rating, local management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Where extended credit is granted, this is agreed by the Finance Director.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

(c) Liquidity risk

Cash flow forecasting is performed in the individual operating entities of the Group and is aggregated by Group finance. Group finance monitors cash and cash flow forecasts and it is the Group's liquidity risk management policy to maintain sufficient cash and available funding through an adequate amount of cash and cash equivalents and committed credit facilities from its bankers. Due to the dynamic nature of the underlying businesses, the head office finance team aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents available to fund the requirements of the Group.

The Group's policy in relation to the finance of its overseas operations requires that sufficient liquid funds be maintained in each of its territory subsidiaries to support short and medium-term operational plans. Where necessary, short-term funding is provided by the holding Company. In the UK, the working capital bank facility and the management of liquid funds in excess of operational needs are controlled centrally. Typically excess funds are placed as short-term deposits, to provide a balance between interest earnings and flexibility.

The table overleaf analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. In the case of deferred consideration the amount shown as payable between 2 and 5 years for 31 December 2014 is the total gross contractual liability should all performance criteria be met, not the estimated liability based on current and forecast performance.

Notes to the Financial Statements continued

for the year ended 31 December 2014

3. Financial risk management continued

	Less than one year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Total £'000
At 31 December 2014:					
Borrowings (inc. finance leases)	3,862	343	709	1,576	6,490
Deferred consideration	1,425	3,943	1,522	5,101	11,991
Trade and other payables	7,731	-	-	-	7,731
At 31 December 2013:					
Borrowings (inc. finance leases)	348	268	797	1,220	2,633
Deferred consideration	430	–	7,216	3,198	10,844
Trade and other payables	4,023	–	–	–	4,023

(d) Capital risk management
The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is the sum of net debt plus equity.

The Group is currently largely un-geared, having net cash at 31 December 2014. It is the stated strategy of the Group to grow both organically and through acquisition with acquisitions to be funded through a mixture of debt and equity funding.

(e) Fair value estimation
The Group has no Level 1, 2 or 3 classified financial assets as at 31 December 2014 (2013: none).

4. Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made accounting judgements in the determination of the carrying value of certain assets and liabilities. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates. The following judgements have the most significant effect on the amounts recognised in the financial statements.

(a) Business combinations
The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill.

(i) Goodwill
The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

(ii) Finite lived intangible assets
Finite lived intangible assets include trade secrets and non-compete agreements acquired as part of business combinations. The fair value of these separately identifiable assets is determined by discounting estimated future net cash flows generated by the asset. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets. The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance. When assessing the fair value of EKF Molecular Diagnostics and Selah Genomics, the Group has assumed revenue growth levels which are above industry averages because of the high growth markets in which these units operate, and the relatively early stage of their development.

(iii) Deferred consideration
In some business combinations the purchase price includes deferred consideration which is contingent on future events. The fair value of the deferred consideration is determined by discounting estimated future outflows which are based on management's judgement of the likelihood and timing of future events. The deferred consideration in respect of Selah Genomics, which is based on the achievement of quarterly revenue targets, has been determined by assuming Selah achieves the required revenue pattern after the first year of ownership.

(b) Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as set out in note 17.

(c) Share-based payments
A number of accounting estimates and judgements are incorporated within the calculation of the charge to the income statement in respect of share-based payments. These are described in more detail in note 30.

(d) Impairment of receivables
Trade and other receivables are carried at the contractual amount due less any estimated provision for non-recovery. Provision is made based on a number of factors including the age of the receivable, previous collection experience and the financial circumstances of the counterparty.

The Group has receivables outstanding at year end from certain customers in Mexico totalling $10.2m (£6.5m) some of which are overdue for payment. Settlement has been delayed because payments to the Group's Mexican customers have themselves been delayed. The receivables balance has not been impaired because management judge that the outstanding amounts will be settled in full. Of the outstanding balance £5.5m is overdue for payment.

(e) Deferred tax assets
Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. A deferred tax asset in respect of tax losses relating to the Company has not been recognised as insufficient future taxable profit in the Company is currently forecast. A deferred tax asset has not been recognised in respect of the historic losses within the Group's Irish business as the business is being transferred to other parts of the Group and the goodwill, trade secrets and capitalised development costs relating to the Renastat development at the Irish business have been impaired. The carrying amount of deferred tax assets at the balance sheet date was £283,000 (2013: £949,000). In addition there were £1,141,000 (2013: £872,000) of deferred tax assets not recognised.

(f) Tax warranties
The Group has been advised by its German tax advisers that there is a potential tax and associated interest liability associated with the EKF-diagnostic GmbH business prior to acquisition, of up to €1.19m (£0.93m). Under the warranties of the acquisition agreement EKF has already withheld payment of part of the deferred consideration to cover such liability. The warranty claim effect has reduced as a result of review of the potential liability with the Group's tax advisers and the German tax authorities. The reduction of the potential claim is included within administration costs and has been disclosed as an exceptional item. The determination of both the total tax and interest potentially payable, and the related warranty claim, are based on management judgement.

5. Segmental reporting

Management has determined the Group's operating segments based on the monthly management reports presented to the Chief Operating Decision Maker ('CODM'). The CODM is the Executive Directors and the monthly management reports are used by the Group to make strategic decisions and allocate resources.

The principal activity of the Group is the design, development, manufacture and selling of diagnostic instruments, reagents and certain ancillary products. This activity takes place across various countries, such as the USA, Germany, Poland, Russia, United Kingdom and Ireland, and as such the Board considers the business primarily from a geographic perspective. Although not all the segments meet the quantitative thresholds required by IFRS 8, management has concluded that all segments should be maintained and reported, given potential future growth of the segments. In 2015 a new matrix structure for revenue based partly on disease states will be introduced and this structure will be reflected in the segmental analysis in future years.

The reportable segments derive their revenue primarily from the manufacture and sale of medical diagnostic equipment. Other services include the servicing and distribution of third party company products under separate distribution agreements, and the supply of molecular diagnostic testing services.

Currently the key operating performance measures used by the CODM are Revenue and adjusted EBITDA.

Notes to the Financial Statements continued

for the year ended 31 December 2014

5. Segmental reporting continued

The segment information provided to the Board for the reportable segments for the year ended 31 December 2014 is as follows:

2014	Germany £'000	UK £'000	USA £'000	Ireland £'000	Poland £'000	Russia £'000	Other £'000	Total £'000
Income statement								
Revenue	15,520	2,539	24,499	373	1,770	3,162	1,738	49,601
Inter-segment	(7,297)	(1,848)	(29)	-	(22)	-	(343)	(9,539)
External revenue	**8,223**	**691**	**24,470**	**373**	**1,748**	**3,162**	**1,395**	**40,062**
Adjusted EBITDA*	**4,460**	**4,746**	**4,579**	**(42)**	**1,079**	**717**	**(9,282)**	**6,257**
Exceptional costs	(481)	(663)	-	(170)	-	-	(792)	(2,106)
Share-based payment	-	-	-	-	-	-	(512)	(512)
EBITDA	**3,979**	**4,083**	**4,579**	**(212)**	**1,079**	**717**	**(10,586)**	**3,639**
Depreciation	(609)	(117)	(458)	(11)	(35)	(23)	(115)	(1,368)
Exceptional impairment	-	-	-	(1,162)	-	-	-	(1,162)
Amortisation	(603)	(624)	(1,465)	(229)	(108)	(24)	(529)	(3,582)
Operating profit/(loss)	**2,767**	**3,342**	**2,656**	**(1,614)**	**936**	**670**	**(11,230)**	**(2,473)**
Net finance costs	(21)	(694)	(231)	-	5	-	(614)	(1,555)
Income tax	(58)	(714)	(687)	141	(189)	(131)	198	(1,440)
Profit/(loss) for the year	**2,688**	**1,934**	**1,738**	**(1,473)**	**752**	**539**	**(11,646)**	**(5,468)**
Segment assets								
Operating assets	26,655	21,147	92,578	1,667	956	623	20,086	163,712
Inter-segment assets	(1,703)	(5,469)	-	-	-	-	(29,107)	(36,279)
External operating assets	24,952	15,678	92,578	1,667	956	623	(9,021)	127,433
Cash and cash equivalents	1,586	378	240	86	1,037	553	4,466	8,346
Total assets	**26,538**	**16,056**	**92,818**	**1,753**	**1,993**	**1,176**	**(4,555)**	**135,779**
Segment liabilities								
Operating liabilities	15,164	11,093	24,845	655	157	119	26,887	78,920
Inter-segment liabilities	(10,665)	(7,165)	(18,985)	-	52	-	-	(36,763)
External operating liabilities	4,499	3,928	5,860	655	209	119	26,887	42,157
Borrowings	441	174	2,591	-	-	-	3,040	6,246
Total liabilities	**4,940**	**4,102**	**8,451**	**655**	**209**	**119**	**29,927**	**48,403**
Other segmental information								
Non-current assets – PPE	3,685	135	4,753	14	167	59	1,755	10,568
Non-current assets – Intangibles	13,130	11,141	55,502	759	478	173	12,339	93,522
Non-current assets – additions	927	718	418	480	13	23	957	3,536

* Adjusted EBITDA excludes exceptional items and share-based payments.

2013	Germany £'000	UK £'000	USA £'000	Ireland £'000	Poland £'000	Russia £'000	Other £'000	Total £'000
Income statement								
Revenue	13,091	3,143	17,338	389	1,241	3,900	–	39,102
Inter-segment	(6,191)	(1,099)	–	–	(8)	–	–	(7,298)
External revenue	**6,900**	**2,044**	**17,338**	**389**	**1,233**	**3,900**	**–**	**31,804**
Adjusted EBITDA*	**3,492**	**(1,341)**	**4,576**	**237**	**418**	**746**	**(3,304)**	**4,824**
Exceptional costs	1,575	757	258	–	–	–	–	2,590
Share-based payment	–	–	–	–	–	–	(709)	(709)
EBITDA	**5,067**	**(584)**	**4,834**	**237**	**418**	**746**	**(4,013)**	**6,705**
Depreciation	(662)	(180)	(299)	(45)	(38)	(15)	(65)	(1,304)
Exceptional impairment	–	–	–	(750)	–	–	–	(750)
Amortisation	(650)	(495)	(728)	(218)	(118)	(41)	–	(2,250)
Operating profit/(loss)	**3,755**	**(1,259)**	**3,807**	**(776)**	**262**	**690**	**(4,078)**	**2,401**
Net finance costs	(247)	(488)	(256)	–	(1)	–	(802)	(1,794)
Income tax	(1,115)	179	(540)	131	(36)	(131)	12	(1,500)
Profit/(loss) for the year	**2,393**	**(1,568)**	**3,011**	**(645)**	**225**	**559**	**(4,868)**	**(893)**
Segment assets								
Operating assets	16,858	14,147	21,101	2,347	1,136	1,052	26,325	82,966
Inter-segment assets	(314)	(43)	–	–	–	–	(24,437)	(24,794)
External operating assets	16,544	14,104	21,101	2,347	1,136	1,052	1,888	58,172
Cash and cash equivalents	1,123	244	42	–	256	727	159	2,551
Total assets	**17,667**	**14,348**	**21,143**	**2,347**	**1,392**	**1,779**	**2,047**	**60,723**
Segment liabilities								
Operating liabilities	7,335	9,891	13,525	402	(126)	179	6,962	38,168
Inter-segment liabilities	(4,663)	(6,350)	(9,981)	–	187	–	–	(20,807)
External operating liabilities	2,672	3,541	3,544	402	61	179	6,962	17,361
Borrowings	481	166	1,789	–	4	–	–	2,440
Total liabilities	**3,153**	**3,707**	**5,333**	**402**	**65**	**179**	**6,962**	**19,801**
Other segmental information								
Non-current assets – PPE	3,386	688	3,769	23	206	87	1,626	9,785
Non-current assets – Intangibles	9,188	11,068	11,758	1,738	642	331	–	34,725
Non-current assets – additions	1,034	5,851	78	394	19	77	27	7,480

* Adjusted EBITDA excludes exceptional items and share-based payments.

'Other' primarily relates to the holding company and head office costs, and to the operations of DiaSpect which is headquartered in Sweden.

Notes to the Financial Statements continued

for the year ended 31 December 2014

5. Segmental reporting continued

Disclosure of Group revenues by geographic location is as follows:

	2014 £'000	2013 £'000
Americas		
United States of America	**12,711**	9,873
Mexico	**7,560**	3,434
Rest of Americas	**2,440**	1,755
Europe, Middle East and Africa (EMEA)		
Germany	**4,848**	4,002
United Kingdom	**287**	251
Rest of Europe	**2,791**	2,702
Russia	**3,174**	3,905
Middle East	**687**	763
Africa	**1,315**	1,114
Rest of World		
China	**2,304**	2,050
Asia	**1,892**	1,913
New Zealand/Australia	**53**	42
Total revenue	**40,062**	31,804

Revenues of approximately £6.0m (2013: £2.5m) are derived from a single external customer located in Mexico.

6. Expenses - analysis by nature

	2014 £'000	2013 £'000
Inventories consumed in cost of sales	**8,726**	7,515
Employee benefit expense (note 10)	**16,524**	13,389
Depreciation and amortisation	**4,950**	3,554
Transaction costs relating to business combinations (note 7)	**809**	93
Research and development expenses	**1,253**	1,241
Foreign exchange	**446**	10
Operating lease payments	**492**	258
Other expenses	**9,706**	3,838
Total cost of sales and administrative expenses	**42,906**	29,898

Included within the above expenses are exceptional items as set out in note 7.

7. Exceptional items

Included within Administrative expenses are exceptional items as shown below:

	Note	2014 £'000	2013 £'000
– Warranty claim	a	**(281)**	1,241
– Exceptional release of provision	a	**-**	334
– Transaction costs relating to business combinations		**(809)**	(93)
– Impairment charges - goodwill	b	**(254)**	(750)
– Impairment charges - other	b	**(908)**	-
– Release of deferred consideration provisions	c	**79**	1,108
– Cost of closure and transfer of Quotient manufacturing to Germany	d	**(925)**	–
– Cost of transfer of EKF Ireland to UK	e	**(170)**	–
Exceptional items – continuing		**(3,268)**	1,840

(a) Estimated warranty claim in relation to the acquisition of EKF-diagnostic GmbH and the release of a previously held provision associated with the tax claim.
(b) Impairment of goodwill and other intangible assets associated with EKF Diagnostics Limited, Ireland.
(c) Release of deferred consideration provisions associated with Quotient Diagnostics Limited.
(d) Costs associated with the move of Quo-Test and Quo-Lab production from the UK to Germany and the closure of the manufacturing operation in the UK. Costs include severance pay of £303,000, and asset write off of £155,000.
(e) Costs associated with the move of Irish biomarker products to the UK and the closure of the majority of the operations in Ireland.

8. Auditor remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2014 £'000	2013 £'000
Fees payable to Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	**38**	39
Fees payable to the Company's auditor and its associates for other services:		
– The audit of Company's subsidiaries	**111**	69
– Other services	**71**	29
– Tax compliance services	**28**	16
	248	153

9. Directors' emoluments

	2014 £'000	2013 £'000
Aggregate emoluments	**941**	672
Contribution to defined contribution pension scheme	**29**	8
	970	680

Retirement benefits are accruing to 4 (2013: 2) Directors under a defined contribution scheme.
See further disclosures within the Remuneration Report on page 26.

Highest paid Director	2014 £'000	2013 £'000
Aggregate emoluments	**250**	299
Contribution to defined contribution pension scheme	**12**	7

10. Employee benefit expense

	2014 £'000	2013 £'000
Wages and salaries	**14,865**	11,091
Social security costs	**1,472**	1,672
Share options granted to Directors and Senior Management	**512**	709
Pension costs – defined contribution plans (note 33)	**225**	208
	17,074	13,680

Employee costs of £0.5m (2013: £0.3m) have been capitalised as part of development costs.

11. Monthly average number of people employed

	2014 Number	2013 Number
Monthly average number of people (including Executive Directors) employed was:		
Administration	**66**	59
Research and development	**32**	29
Sales and marketing	**78**	72
Manufacturing, production and after sales	**192**	160
	368	320

The total number of employees at 31 December 2014 was 395 (2013: 330).

Notes to the Financial Statements continued

for the year ended 31 December 2014

12. Finance income and costs

	2014 £'000	2013 £'000
Finance costs:		
– Bank borrowings	290	135
– Finance lease liabilities	-	6
– IAS 19 interest expense (note 33)	-	4
– Other interest	-	212
– Financial liabilities at fair value through profit or loss – (gains)/losses	(476)	750
– Deferred consideration-unwinding of discount (note 27)	1,751	685
– Convertible debt	8	7
Finance costs	1,573	1,799
Finance income		
– Interest income on cash and short-term deposits	18	2
– Other interest	-	3
Finance income	18	5
Net finance costs	1,555	1,794

13. Income tax

Group	2014 £'000	2013 £'000
Current tax:		
Current tax on loss for the year	1,677	1,602
Adjustments in respect of prior years	(263)	1,022
Total current tax	1,414	2,624
Deferred tax (note 28):		
Origination and reversal of temporary differences	26	(701)
Adjustment arising in previous period	-	–
Impact of deferred tax rate change	-	(423)
Total deferred tax	26	(1,124)
Income tax charge	1,440	1,500

On 21 March 2013 the UK Government announced a reduction in the rate of corporation tax to 21% with effect from 1 April 2014, and to 20% with effect from 1 April 2015.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the standard tax rate applicable to the profits of the consolidated entities as follows:

	2014 £'000	2013 £'000
(Loss)/profit before tax	(4,028)	607
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 21.5% (2013: 23.25%)	(866)	141
Tax effects of:		
– Expenses not deductible for tax purposes	748	398
– Losses carried forward	696	531
– Adjustment in respect of prior years	(263)	1,022
– Impact of different tax rates in other jurisdictions	163	467
– Utilisation of previously unrecognised tax losses	-	(173)
– Effect of reduction in tax rate	-	(423)
– Impact of utilisation of deferred tax asset	1,079	-
– Other movements	(117)	(463)
Tax charge	1,440	1,500

There are no tax effects on the items in the statement of other comprehensive income.

14. Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of Ordinary Shares in issue during the year.

	2014 £'000	2013 £'000
Loss attributable to owners of the parent	**(5,689)**	(1,126)
Weighted average number of Ordinary Shares in issue	**379,633,724**	271,695,776
Basic loss per share	**(1.50) pence**	(0.41) pence

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding assuming conversion of all dilutive potential Ordinary Shares. The Company has two categories of dilutive potential ordinary share: equity-based long-term incentive plans and share options. The potential shares are not dilutive in either 2014 or 2013 as the Group has made a loss per share.

	2014 £'000	2013 £'000
Loss attributable to owners of the parent	**(5,689)**	(1,126)
Weighted average diluted number of Ordinary Shares	**393,511,556**	286,302,764
Diluted loss per share	**(1.50) pence**	(0.41) pence

	2014 £'000	2013 £'000
Weighted average number of Ordinary Shares in issue	**379,633,724**	271,695,776
Adjustment for:		
– Assumed conversion of share awards	**9,833,892**	10,563,048
– Assumed payment of equity deferred consideration	**4,043,940**	4,043,940
Weighted average number of Ordinary Shares for diluted loss per share	**393,511,556**	286,302,764

15. Dividends

There were no dividends paid or proposed by the Company in either year.

Notes to the Financial Statements continued

for the year ended 31 December 2014

16. Property, plant and equipment

Group	Land and buildings £'000	Fixtures and fittings £'000	Plant and machinery £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2013 – restated	5,689	746	6,931	65	13,431
Additions	344	101	669	71	1,185
Transfers	–	–	(114)	–	(114)
Exchange differences	(48)	3	120	(3)	72
Disposals	–	(17)	(87)	(28)	(132)
At 31 December 2013	**5,985**	**833**	**7,519**	**105**	**14,442**
Accumulated depreciation					
At 1 January 2013 – restated	260	281	2,873	3	3,417
Charge for the year	155	170	956	23	1,304
Exchange differences	3	4	10	(2)	15
Disposals	–	(17)	(45)	(17)	(79)
At 31 December 2013	**418**	**438**	**3,794**	**7**	**4,657**
Net book value					
At 31 December 2013	**5,567**	**395**	**3,725**	**98**	**9,785**
Cost					
At 1 January 2014	5,985	833	7,519	105	14,442
Additions	127	141	748	22	1,038
Acquired with subsidiaries	35	7	1,156	-	1,198
Transfers	-	15	(15)	-	-
Exchange differences	147	(11)	(314)	(45)	(223)
Disposals	-	(31)	(81)	-	(112)
At 31 December 2014	**6,294**	**954**	**9,013**	**82**	**16,343**
Accumulated depreciation					
At 1 January 2014	418	438	3,794	7	4,657
Charge for the year	171	154	1,015	28	1,368
Exceptional impairment	-	-	67	-	67
Exchange differences	13	(21)	(196)	(17)	(221)
Disposals	-	(29)	(67)	-	(96)
At 31 December 2014	**602**	**542**	**4,613**	**18**	**5,775**
Net book value					
At 31 December 2014	**5,692**	**412**	**4,400**	**64**	**10,568**

In 2013 opening cost and accumulated depreciation were restated to account for transfers between classifications. The restatement has had no impact in either year on the net book value of property, plant and equipment or the current or prior year income statements.

Property, plant and equipment includes assets under construction which are not depreciated until they are brought into use. In 2013 an asset previously classified as plant and machinery under construction was reclassified as capitalised development expenditure. The effect of this is shown as a transfer.

Depreciation expense of £878,000 (2013: £716,000) has been charged to cost of sales and £557,000 (2013: £588,000) has been charged to administrative expenses, of which £67,000 is included in exceptional items.

16. Property, plant and equipment continued

Company	Land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2013	1,670	16	1,686
Additions	3	23	26
At 31 December 2013	**1,673**	**39**	**1,712**
Accumulated depreciation			
At 1 January 2013	40	5	45
Charge for the year	40	11	51
At 31 December 2013	**80**	**16**	**96**
Net book value			
At 31 December 2013	**1,593**	**23**	**1,616**
Cost			
At 1 January 2014	1,673	39	1,712
Additions	-	17	17
At 31 December 2014	**1,673**	**56**	**1,729**
Accumulated depreciation			
At 1 January 2014	80	16	96
Charge for the year	42	15	57
At 31 December 2014	**122**	**31**	**153**
Net book value			
At 31 December 2014	**1,551**	**25**	**1,576**

The Company's freehold property is in Germany and occupied by its subsidiary undertaking, EKF-diagnostic GmbH Germany. EKF-diagnostic GmbH is paying rental income of €13,900 (£10,800) per month to the parent Company. €167,000 (£130,000) (2013: €167,000 (£139,000)) was paid to the parent Company for the year.

Plant and machinery includes the following amounts where the Group is a lessee under a finance lease arrangement:

	2014 £'000	2013 £'000
Cost – capitalised finance leases	879	262
Accumulated depreciation	(162)	(74)
Net book value	(717)	188

The Group leases various assets under non-cancellable finance lease agreements. The lease terms are between 2 and 6 years.

The Company has no finance lease agreements.

Notes to the Financial Statements continued

for the year ended 31 December 2014

17. Intangible assets

Group	Non-compete agreements £'000	Goodwill £'000	Trademarks, trade name and licences £'000	Customer relationships £'000	Trade secrets £'000	Development costs £'000	Total £'000
Cost							
At 1 January 2013	–	13,442	1,575	8,612	9,548	1,788	34,965
Transfer from PPE	–	–	–	–	–	114	114
Additions	70	1,178	36	–	3,950	1,061	6,295
Exchange differences	–	21	(15)	(133)	154	13	40
At 31 December 2013	**70**	**14,641**	**1,596**	**8,479**	**13,652**	**2,976**	**41,414**
Accumulated amortisation							
At 1 January 2013	–	–	261	1,323	2,000	131	3,715
Exchange differences	–	–	24	(18)	(32)	–	(26)
Impairment charge	–	750	–	–	–	–	750
Charge for the year	18	–	127	789	1,152	164	2,250
At 31 December 2013	**18**	**750**	**412**	**2,094**	**3,120**	**295**	**6,689**
Net book value							
At 31 December 2013	**52**	**13,891**	**1,184**	**6,385**	**10,532**	**2,681**	**34,725**
Cost							
At 1 January 2014	70	14,641	1,596	8,479	13,652	2,976	41,414
Transfer from PPE							
Additions	-	30,899	2,335	9,672	16,985	1,897	61,788
Exchange differences	-	880	76	367	260	(44)	1,539
At 31 December 2014	**70**	**46,420**	**4,007**	**18,518**	**30,897**	**4,829**	**104,741**
Accumulated amortisation							
At 1 January 2014	18	750	412	2,094	3,120	295	6,689
Exchange differences	-	(50)	(5)	(18)	(136)	(5)	(214)
Impairment charge	-	254	-	-	287	621	1,162
Charge for the year	23	-	295	1,268	1,706	290	3.582
At 31 December 2014	**41**	**954**	**702**	**3,344**	**4,977**	**1,201**	**11,219**
Net book value							
At 31 December 2014	**29**	**45,466**	**3,305**	**15,174**	**25,920**	**3,628**	**93,522**

The amortisation charge and impairment of £4,744,000 (2013: £3,000,000) has been charged to administrative expenses in the income statement. Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to geographic operating segment. An operating segment-level summary of the goodwill allocation is presented below.

	2014 £'000	2013 £'000
UK	**4,568**	4,568
Germany	**3,700**	3,959
Poland	**306**	335
Russia	**85**	142
Ireland	**-**	272
US	**28,085**	4,615
Other (primarily relating to DiaSpect)	**8,722**	-
Total	**45,466**	13,891

Goodwill is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2014 was assessed on the basis of value in use. With the exception of the Irish unit, the assessed value exceeded the carrying value and showed significant head room over it and no impairment loss was recognised. The carrying value the Irish unit has been impaired by £254,000 to reflect a reduction in the assessed recoverable amount.

The key assumptions in the calculation to assess value in use are the future revenues and the ability to generate future cash flows. The most recent financial results and initial budgets approved by management for the next year were used and forecasts for a further four years, followed by an extrapolation of expected cash flows at a constant growth rate for each unit and the calculation of a terminal value based upon the longer term growth rates set out below. The projected results were discounted at a rate which is a prudent evaluation of the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating units.

The key assumptions used for value in use calculations in 2014 are as follows:

	Molecular %	Quotient %	EKF Germany %	EKF Poland %	EKF Russia %	Stanbio %	STI %	Selah %	DiaSpect %
Longer-term growth rate	3	3	3	3	3	3	3	4	5
Discount Rate	20	14	13	26	26	12	12	12	10

The discount rates used are primarily based on those used in the initial purchase price appraisal of the acquisitions. The Group's Russian operations are being indirectly affected by economic sanctions and budget cuts by the Russian government, but are expected to return to normal operations in the near future. A higher discount rate has been used for appraisal of the goodwill associated with EKF Russia to reflect the additional risk. During the year the Group announced that its Irish operations would be closed and the operations transferred elsewhere within the Group, with some R & D projects being reassessed for viability. As a result the goodwill and intangible assets associated with the Irish operations other than for certain specific customer relationships have been impaired in full.

The UK includes the cash generating units Quotient Diagnostics Limited and EKF Molecular Diagnostics Limited (which includes 360 Genomics). The Directors estimate that long-term growth from the EKF Molecular businesses will be high because of the characteristics of its markets. EKF Molecular is a start-up business operating in a high growth segment of the diagnostics market. Revenues and cash flows have been assessed over a six year period. Year 1 of the revenue forecast is the first year of significant revenue. In Years 2 and 3 growth rates of 100% have been used, falling to 17% in Year 4. Because of the low starting base and the potential for this business a long-term growth rate of 10% has been used for Year 5 onwards. If revenues are lower than those forecast by approximately 10%, then impairment will be required.

The main business and assets of Quotient Diagnostics have been transferred to the Group's main German subsidiary.

The US includes the cash generating units Stanbio, STI and Selah. The Selah business is at a fairly early stage of its development and again is starting from a low base. The Group is confident about its future prospects as it is in a high growth sector and there are significant opportunities for PrecisionPath and other products. Revenue and cash flows have been assessed over a six year period. The growth rates used are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Revenue growth rate	Base	67%	124%	84%	17%	3%

A long term growth rate of 4% has been used because of the high growth rate of the sector in which the business operates. There is no significant headroom using these rates so if revenues are lower than forecast then impairment will be necessary.

The impairment assessments for Germany, Poland, Russia, Stanbio and STI showed assessed values that exceeded the carrying value and showed significant headroom.

The remaining average useful lives of the intangibles are as follows:

Trade name	4–9 years
Customer relations	2–15 years
Trade secrets	2–15 years
Development costs	12 years
Non-compete agreements	2 years

The Company has no intangible assets.

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18. Investments in subsidiaries

Company Shares in Group undertakings	2014 £'000	2013 £'000
1 January	**16,630**	15,613
Additions	**46,013**	1,600
Impairment	**(1,600)**	(583)
31 December	**61,043**	16,630

The additions in 2014 relate to the acquisitions of Diaspect Medical AB, and Selah Genomics Inc. (see note 21). The impairment relates to the investment in EKF Diagnostics Limited (Ireland).

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid, less any impairment.

The principal subsidiaries of EKF Diagnostics Holdings plc are as follows:

Name of Company	Note	Proportion Held	Class of Shareholding	Nature of Business
EKF Diagnostics Limited	1	100%	Ordinary	Head Office
Quotient Diagnostics Limited	1	100%	Ordinary	Sale of diagnostic equipment
360 Genomics Limited	1	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment
EKF Molecular Diagnostics Limited	1	100%	Ordinary	Manufacture and sale of diagnostic equipment
DiaSpect Medical AB	2	100%	Ordinary	Head office and IP licencing
DiaSpect Medical GmbH	3	100%	Ordinary	Manufacture and sale of diagnostic equipment
EKF-diagnostic GmbH Germany	3	100%	Ordinary	Manufacture and sale of diagnostic equipment
Senslab GmbH	3	100% (indirect)	Ordinary	Diagnostic testing
EKF Diagnostyka Sp.z.o.o.	4	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment
000 EKF Diagnostika	5	60% (indirect)	Ordinary	Sale of diagnostic equipment
EKF Diagnostics Inc	6	100%	Ordinary	Intermediate holding company
Stanbio Laboratory LP	6	100% (indirect)	Partnership	Manufacture and sale of diagnostic equipment
Stanbio Life Sciences LP	6	100% (indirect)	Partnership	Manufacture and sale of diagnostic equipment
Separation Technology, Inc	6	100%	Ordinary	Manufacture and sale of diagnostic equipment
Selah Genomics Inc	6	100% (Indirect)	Ordinary	Supply of molecular diagnostic services
EKF Diagnostics Limited	7	100%	Ordinary	Manufacture and sale of diagnostic equipment

Notes
1. Incorporated and registered in the United Kingdom.
2. Incorporated in Sweden.
3. Incorporated and registered in Germany.
4. Incorporated and registered in Poland.
5. Incorporated and registered in Russia.
6. Incorporated and registered in the United States of America.
7. Incorporated and registered in Ireland.

All subsidiaries are included in the consolidation. The proportions of voting shares held by the parent Company do not differ from the proportion of Ordinary Shares held.

All UK subsidiaries are exempt from the requirement to file audited accounts by virtue of section 479A of the Companies Act 2006. As part of this process, the Company has provided statutory guarantees to these subsidiaries.

19. Financial instruments by category

(a) Assets

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
31 December				
Assets as per balance sheet				
Trade and other receivables excluding prepayments and corporation tax	**14,947**	6,406	**36,155**	24,996
Cash and cash equivalents	**8,346**	2,551	**4,390**	159
Total	**23,293**	8,957	**40,545**	25,155

Receivables in the analysis above are all categorised as 'loans and receivables' for the Group and Company.

(b) Liabilities

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
31 December				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	**5,348**	2,071	**2,843**	-
Finance lease liabilities	**898**	369	**-**	-
Trade and other payables	**7,731**	4,023	**3,679**	4,166
Deferred consideration	**18,029**	7,249	**11,658**	1,778
Total	**32,006**	13,712	**18,180**	5,944

Liabilities in the analysis above are all categorised as 'other financial liabilities at amortised cost' for the Group and Company, with the exception of deferred equity consideration totalling £880,000 (2013: £1,355,000) that is categorised as a financial liability at fair value through profit and loss.

(c) Credit quality of financial assets

The Group is exposed to credit risk from its operating activities (primarily for trade receivables and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's maximum exposure to credit risk, due to the failure of counterparties to perform their obligations as at 31 December 2014 and 31 December 2013, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the accompanying balance sheets.

Trade receivables
The credit quality of trade receivables that are neither past due nor impaired have been assessed based on historical information about the counterparty default rate. The Group does not hold any other receivable balances with customers, whose past default has resulted in the recovery of the receivables balances.

Cash at bank
The credit quality of cash has been assessed by reference to external credit ratings, based on reputable credit agencies' long-term issuer ratings:

	2014 £'000	2013 £'000
AA-	**4,749**	42
Ratings lower than AA- or unrated	**3,597**	2,509
Total	**8,346**	2,551

20. Investments

Group and Company	2014 £'000	2013 £'000
1 January	**250**	250
Additions	**902**	–
31 December	**1,152**	250

The investment consists of a 2.63% (2013: 2.63%) shareholding in Arcis Biotechnology Holdings Limited, a UK based privately held company operating in the biotechnology industry; a 19.90% holding in DX Economix, Inc., a Canadian based privately held company operating in the healthcare consultancy industry; and a 0.67% holding in Epinex Diagnostics Inc., a US based privately held company operating in the medical diagnostics industry.

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21. Business combinations

Acquisition of Separation Technology Inc.
On 11 March 2014 the Group acquired, through its subsidiary company EKF Diagnostics Inc., 100% of the share capital of Separation Technology Inc. (STI), a US based company which manufactures and sells devices for the hematology testing market.

The goodwill of £833,000 arising from the acquisition is attributable to the expected future benefits arising from the acquired business.

The following table summarises the provisional fair values of the consideration paid for STI and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date. Acquisition related costs of £50,000 have been written off against income and disclosed as an exceptional item.

	Provisional fair values £'000
Consideration	
Cash	**2,400**
	2,400

Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade name – included within intangibles	228
Customer relationships – included in intangibles	1,074
Trade secrets – included in intangibles	210
Plant, property and equipment	177
Cash	72
Inventories	353
Trade and other debtors	310
Trade and other payables	(267)
Deferred tax	(590)
Total identifiable net assets	1,567
Goodwill	**833**

The revenue included in the consolidated statement of comprehensive income since 11 March 2014 contributed by STI was £2.1m. STI also contributed a loss of £0.2m after tax and management charges over the same period.

Had STI been consolidated from 1 January 2014 the consolidated statement of income would show pro forma revenue of £40.5m and loss of £5.2m.

Acquisition of DiaSpect Medical AB
On 17 April 2014 the Group acquired 100% of the share capital of Diaspect Medical AB (DiaSpect), a group based in Sweden and Germany which manufactures and sells point-of-care hemoglobin analysers and their associated consumables.

The goodwill of £9,239,000 arising from the acquisition is attributable to the expected future benefits arising from the acquired business.

The following table summarises the provisional fair values of the consideration paid for DiaSpect and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date. Acquisition related costs are disclosed below.

	Provisional fair values £'000
Consideration	
Cash	**10,248**
Equity instruments	**5,555**
Deferred contingent consideration	**1,288**
	17,091

21. Business combinations continued

Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade name – included within intangibles	840
Customer relationships – included in intangibles	4,049
Trade secrets – included in intangibles	4,140
Development costs – included in intangibles	370
Plant, property and equipment	443
Cash	39
Inventories	841
Trade and other debtors	216
Trade and other payables	(633)
Borrowings	(186)
Deferred tax	(2,267)
Total identifiable net assets	7,852
Goodwill	**9,239**

A revision to the deferred consideration was agreed in December 2014. A single payment of £1,425,000 will be made in 2015. The amount has been discounted to take account of the time value of money.

The revenue included in the consolidated statement of comprehensive income since 17 April 2014 contributed by DiaSpect was £1.4m. DiaSpect also contributed £nil after tax and management charges over the same period.

Had Diaspect been consolidated from 1 January 2014 the consolidated statement of income would show pro forma revenue of £40.7m and loss of £5.4m.

Acquisition of Selah Genomics Inc.
On 17 April 2014 the Group acquired 100% of the share capital of Selah Genomics Inc. (Selah), a US company which develops molecular diagnostics for personalised medicine.

The goodwill of £20,827,000 arising from the acquisition is attributable to the expected future benefits arising from the acquired business.

The following table summarises the provisional fair values of the consideration paid for Selah and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date. Costs relating to the acquisitions of both DiaSpect and Selah of £759,000 have been written off against income and disclosed as an exceptional item. Because the acquisitions of DiaSpect and Selah were simultaneous it is not possible to split the costs.

	Provisional fair values £'000
Consideration	
Equity instruments	**20,425**
Deferred contingent consideration	**8,497**
	28,922

Recognised amounts of identifiable assets acquired and liabilities assumed	
Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade name – included within intangibles	1,199
Customer relationships – included in intangibles	4,549
Trade secrets – included in intangibles	12,635
PPE	578
Cash	158
Inventories	149
Trade and other debtors	628
Trade and other payables	(2,978)
Borrowings	(1,286)
Deferred tax	(7,537)
Total identifiable net assets	8,095
Goodwill	**20,827**

Notes to the Financial Statements continued

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The deferred contingent consideration is payable over a period of up to two years, and is contingent upon the achievement of certain revenue milestones. The maximum contingent consideration payable is $35,000,000 however the Board's judgement based on revenue forecasts is that the deferred consideration relating to revenue in the first year after acquisition ($17,500,000) will not be paid and this has not been provided. The amount has been discounted at a rate of 13.2% to take account of the time value of money.

The revenue included in the consolidated statement of comprehensive income since 17 April 2014 contributed by Selah was £3.0m. Selah also contributed a loss of £0.6m after tax and management charges over the same period.

Had Selah been consolidated from 1 January 2014 the consolidated statement of income would show pro forma revenue of £41.4m and loss of £5.6m.

Had all three acquisitions been consolidated from 1 January 2014 the consolidated statement of income would show pro forma revenue of £42.4m and loss of £5.3m.

22. Trade and other receivables

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Non-current				
Amounts owed by subsidiary undertakings	**-**	-	**17,799**	17,799
Current				
Trade receivables	**12,763**	4,896	**-**	-
Less: provision for impairment of trade receivables	**(978)**	(91)	**-**	-
Trade receivables – net	**11,785**	4,805	**-**	-
Prepayments	**331**	270	**152**	78
Amounts owed by subsidiary undertakings	**-**	-	**18,315**	7,142
Corporation tax receivable	**837**	479	**-**	-
Other receivables	**3,162**	1,601	**41**	55
	16,115	7,155	**18,508**	7,275

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

As of 31 December 2014, trade receivables of £6,842,000 (2013: £62,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Up to 3 months	**4,498**	62	**-**	-
3 to 6 months	**2,330**	-	**-**	-
6 months to 12 months	**14**	-	**-**	-
	6,842	62	**-**	-

As of 31 December 2014, trade receivables of £978,000 (2013: £91,000) were impaired and provided for. The ageing of these impaired receivables is as follows:

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Up to 3 months	**6**	-	**-**	-
3 to 6 months	**329**	-	**-**	-
6 months to 12 months	**643**	91	**-**	-

Movements on the provision for impairment of trade receivables are as follows:

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
At 1 January	**91**	334	**-**	-
Provision for receivables impairment	**613**	41	**-**	-
Acquired with subsidiaries	**349**	-	**-**	-
Receivables written off during the year as uncollectible	**-**	(284)	**-**	-
Unused amounts reversed	**(70)**	-	**-**	-
Exchange differences	**(5)**	-	**-**	-
At 31 December	**978**	91	**-**	-

Notes to the Financial Statements continued

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22. Trade and other receivables continued

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Group's trade and other receivables denominated in foreign currencies were as follows:

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
UK Sterling	**356**	682	**7,359**	6,483
Euros	**4,739**	2,452	**9,458**	7,146
US dollar	**10,712**	3,716	**19,490**	11,445
Russian rouble	**70**	104	**-**	-
Polish zloty	**238**	201	**-**	-
	16,115	7,155	**36,307**	25,074

23. Inventories

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Raw materials	**3,225**	3,615	**-**	-
Work in progress	**553**	501	**-**	-
Finished goods	**2,015**	1,192	**-**	-
	5,793	5,308	**-**	-

The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above. The carrying values above are stated net of impairment provisions of £969,000 (2013: £445,000).
The cost of inventories recognised as expense and included in 'cost of sales' amounted to £8,726,000 (2013: £7,515,000).
The Company held no inventories.

24. Cash and cash equivalents

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Cash at bank and in hand	**4,422**	2,275	**595**	159
Short-term bank deposits	**3,924**	276	**3,795**	-
Cash and cash equivalents (excluding bank overdrafts)	**8,346**	2,551	**4,390**	159

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

25. Trade and other payables

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Trade payables	**1,500**	959	**209**	145
Amounts due to subsidiary undertakings	**-**	-	**2,913**	2,837
Social security and other taxes	**212**	166	**79**	51
Other payables	**2,354**	412	**-**	-
Accrued expenses and deferred income	**3,877**	2,652	**557**	1,184
Cash and cash equivalents (excluding bank overdrafts)	**7,943**	4,189	**3,758**	4,217

26. Borrowings

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Non-current				
Bank borrowings	**1,668**	1,614	**-**	-
Convertible loan	**174**	166	**-**	-
Finance lease liabilities	**650**	328	**-**	-
	2,492	2,108	**-**	-
Current				
Bank borrowings	**3,506**	291	**2,843**	-
Finance lease liabilities	**248**	41	**-**	-
	3,754	332	**2,843**	-

The maturity profile of borrowings was as follows:

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Amounts falling due				
Within 1 year	**3,754**	332	**2,843**	-
Between 1 and 2 years	**320**	246	**-**	-
Between 2 and 5 years	**653**	512	**-**	-
More than 5 years	**1,519**	1,350	**-**	-
Total borrowings	**6,246**	2,440	**2,843**	-

(a) Bank borrowings
Bank borrowings have maturity profiles from 2015 through to 2022 and bear an average fixed coupon of 3.19% annually (2013: 4.79%).

Bank borrowings are secured against certain assets of the Group. The Parent Company has also provided guarantees against those bank borrowings which are denominated in foreign currencies.

The Group facility, and the US Dollar and Euro denominated borrowings have covenants attached to them. The Group has been compliant with these covenants throughout the year.

The bank borrowings are repayable by either monthly or quarterly instalments, or at the end of a six month loan period.

The Group is not exposed to interest rate changes or contractual re-pricing dates at the end of the reporting period, as the borrowings are fixed in nature.

The fair value of both current and non-current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5% (2013: 5%).

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Euros	**398**	413	**-**	-
US Dollar	**4,776**	1,488	**2,843**	-
Polish Zloty	**-**	4	**-**	-
	5,174	1,905	**2,843**	-

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26. Borrowings continued

(b) Convertible loan
Andrew Webb has loaned £200,000 to EKF Molecular Diagnostics Limited in return for a convertible loan note. The note is redeemable on 31 December 2017 or convertible under certain circumstances on or before 30 November 2017 into shares representing 20% of the share capital of EKF Molecular Diagnostics Limited. Interest only becomes payable in the event of a default. The principal has been split into a debt element and an equity element. The equity element is disclosed in Other Reserves. The note is denominated in sterling.

(c) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2014 £'000	2013 £'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**294**	45
Later than 1 year and no later than 5 years	**442**	68
Later than 5 years	**308**	263
	1,044	376
Future finance charges on finance leases	**(146)**	(7)
Present value of finance lease liabilities	**898**	369

The present value of finance lease liabilities is as follows:

	2014 £'000	2013 £'000
No later than 1 year	**248**	44
Later than 1 year and no later than 5 years	**408**	66
Later than 5 years	**242**	259
	898	369

27. Deferred consideration

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
At 1 January	**7,249**	5,714	**1,778**	2,439
On acquisition of subsidiaries	**9,785**	2,639	**9,785**	-
Unwinding of discount (note 12)	**1,751**	685	**1,004**	55
Fair value adjustment	**(475)**	750	**(475)**	750
Reduction of provisions	**(79)**	(1,108)	**(79)**	(850)
Payments made	**(355)**	(1,429)	**(355)**	(616)
Exchange differences	**153**	(2)	**-**	-
At 31 December	**18,029**	7,249	**11,658**	1,778
Current portion	**8,493**	1,778	**8,493**	1,778
Non-current portion	**9,536**	5,471	**3,165**	-

The deferred consideration is made up as follows:
- 4,043,940 Ordinary Shares originally valued at £605,000 to be issued as part of the consideration paid for acquisition of EKF-diagnostic GmbH Germany. The value of the shares has been adjusted to its fair value at 31 December 2014 of £880,000.
- $4,000,000 contingent consideration payable in respect of the acquisition of Stanbio Laboratory LP. The discounted value at the year-end amounted to £2,566,000 (2013: £2,352,000). The contingent consideration is mainly based on achieving targets prior to 31 December 2015.
- £8,000,000 contingent consideration payable in respect of the acquisition of 360 Genomics Limited. The discounted value at the year end amounted to £3,805,000 (2013: £3,119,000). The contingent consideration is based on achieving revenue targets or a sale of the business.
- £1,425,000 consideration for the acquisition of DiaSpect Medical AB. The discounted value at the year end amounted to £1,410,000 (2013: £nil). This was paid in January 2015.
- $17,500,000 contingent consideration payable in Ordinary Shares of the Company as part of the consideration for acquisition of Selah Genomics, Inc. The contingent consideration is based on achieving revenue targets in the period to 31 March 2016. The discounted value at the year-end amounted to £9,368,000 (2013: £nil).
- The contingent consideration payable as part of the consideration for Quotient Diagnostics Limited has been satisfied in full during the year.

28. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The amounts concerned are as follows:

Group	2014 £'000	2013 £'000
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	**(45)**	(46)
Deferred tax asset to be recovered after more than 12 months	**(238)**	(903)
	(283)	(949)
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**13,258**	3,442
Deferred tax liability to be recovered within 12 months	**756**	380
	14,014	3,822
Deferred tax liabilities – net	**13,731**	2,873

The gross movement on the deferred income tax account is as follows:

	2014 £'000	2013 £'000
At 1 January	**2,873**	3,193
Exchange differences	**438**	-
On acquisition of subsidiaries	**10,394**	804
Effect of reduction in tax rate	**-**	(423)
Income statement movement (note 13)	**26**	(701)
At 31 December	**13,731**	2,873

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation £'000	Total £'000
At 1 January 2013	4,210	4,210
Credited to the income statement	(652)	(652)
On acquisition of subsidiaries	804	804
Impact of deferred tax rate change	(539)	(539)
Exchange differences	(1)	(1)
At 31 December 2013	**3,822**	**3,822**
At 1 January 2014	3,822	3,822
Credited to the income statement	(638)	(638)
On acquisition of subsidiaries	10,394	10,394
Exchange differences	436	436
At 31 December 2014	**14,014**	**14,014**

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28. Deferred income tax continued

Deferred tax assets	Tax losses £'000	Other £'000	Total £'000
At 1 January 2013	(935)	(82)	(1,017)
Charged to the income statement	(35)	(14)	(49)
Impact of deferred tax rate change	116		116
Exchange differences	1	–	1
At 31 December 2013	**(853)**	**(96)**	**(949)**
At 1 January 2014	(853)	(96)	(949)
Charged to the income statement	806	(142)	664
Exchange differences	2	-	2
At 31 December 2014	**(45)**	**(238)**	**(283)**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £1,141,000 (2013: £872,000) mainly in respect of tax losses amounting to £5,707,000 (2013: £4,154,000) that can be carried forward against future taxable income.

Company	**2014 £'000**	2013 £'000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**238**	96
Deferred tax	**238**	96

29. Share capital and premium

Group and Company	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2014	**272,717,369**	**2,727**	**41,783**	**44,510**
Issue of shares	149,339,705	1,494	49,493	50,987
At 31 December 2014	**422,057,074**	**4,221**	**91,276**	**95,497**

The shares issued during the year were as follows:

Reason	Date	Number of Shares	Price
Exercise of share options by former employee	27 January 2014	225,000	18p
Exercise of share options by Mr G Hall	26 March 2014	600,000	1p
In association with the acquisitions of Diaspect Medical AB and Selah Genomics Inc	26 March 2014	14,285,714	35p
In association with the acquisitions of Diaspect Medical AB and Selah Genomics Inc	17 April 2014	134,228,991	35p
		149,339,705	

Transaction costs in respect of the equity fund raising associated with the acquisitions of Diaspect and Selah of £1,040,000 have been offset against the share premium account.

30. Share options and share-based payments

The shares issued during the year were as follows:

(a) Long-term Incentive Plans ('LTIP')

	2014 number of notional shares	2013 number of notional shares
At 1 January 2014 and 31 December 2014	**17,091,276**	17,091,276

Long-term incentive plan share awards over notional shares totalling 17,091,276 have been granted to two Executive Directors. The key terms of the awards were revised on 11 June 2013. The key terms of the awards relating to the grants noted above are as follows.

a) 1,709,128 notional shares, with an exercise price of 15p will vest if the Company's mid-market closing share price attains 30 pence or higher per share for a period of 20 consecutive days (on which The London Stock Exchange is open for business) at any time during the period commencing on 1 January 2011 and ending on 31 December 2016. This condition has been met.

b) 1,709,128 notional shares, with an exercise price of 15p will vest if the Company's mid-market closing share price attains 37.5 pence or higher per share for a period of 20 consecutive days (on which The London Stock Exchange is open for business) at any time during the period commencing on 1 January 2011 and ending on 31 December 2016.

c) 1,709,128 notional shares, with an exercise price of 15p will vest if the Company's mid-market closing share price attains 45 pence or higher per share for a period of 20 consecutive days (on which The London Stock Exchange is open for business) at any time during the period commencing on 1 January 2011 and ending on 31 December 2016.

d) 1,709,128 notional shares, with an exercise price of 15p will vest if the Company's mid-market closing share price attains 52.5 pence or higher per share for a period of 20 consecutive days (on which The London Stock Exchange is open for business) at any time during the period commencing on 1 January 2011 and ending on 31 December 2016.

e) 1,709,126 notional shares, with an exercise price of 15p will vest if the Company's mid-market closing share price attains 60 pence or higher per share for a period of 30 consecutive days (on which The London Stock Exchange is open for business) at any time during the period commencing on 1 January 2011 and ending on 31 December 2016.

f) 8,545,638 notional shares, with an exercise price of 15p will vest if the Company's EBITDA for the year to 31 December 2013 is at least 52.0875% (being growth at 15% per annum compounded) higher than twice the EBITDA for the six months to 31 December 2010. For these purposes EBITDA shall mean EBITDA (earnings before interest, taxes, depreciation and amortisation) as shown in the audited financial statements for the period in question, as adjusted to remove any adjustment, accrual or expense in respect of the grant of or exercise of the Award granted to the Award holder. This condition has been met.

(b) Unapproved share option scheme

	2014		2013	
Group and Company	Av. Exercise price per share (£)	Options (Number)	Av. Exercise price per share (£)	Options (Number)
At 1 January	**0.224**	**7,735,000**	0.221	7,085,000
Granted	**0.359**	**3,600,000**	0.273	1,150,000
Exercised	**0.180**	**(225,000)**	-	-
Forfeited	**0.264**	**(900,000)**	0.252	(500,000)
At 31 December	**0.270**	**10,210,000**	0.224	7,735,000

The unapproved share options include the following:

- 4,260,000 options were in issue at an exercise price of 20p per share. The shares will vest if the Company's EBITDA for the year to 31 December 2013 is at least 52.0875% (being growth at 15% per annum compounded) higher than the target adjusted EBITDA of £777,408. All EBITDA contribution from current and future acquisitions of the Company will be used in assessing if the annual compound growth rate is achieved. For these purposes EBITDA shall mean EBITDA (earnings before interest, taxes, depreciation and amortisation) as shown in the audited financial statements for the period in question. This condition has been met.
- 1,700,000 options were in issue to senior employees of the Group at an exercise price of 25.25p per share. The shares will vest if the Company's EBITDA for the year to 31 December 2013 is at least 52.0875% (being growth at 15% per annum compounded) higher than the target adjusted EBITDA of £777,408. All EBITDA contribution from future acquisitions of the Company will be excluded in assessing if the annual compound growth rate is achieved. For these purposes EBITDA shall mean EBITDA (earnings before interest, taxes, depreciation and amortisation) as shown in the audited financial statements for the period in question. This condition has now been met.

Notes to the Financial Statements continued

for the year ended 31 December 2014

30. Share options and share-based payments continued

- 650,000 options were issued on 7 July 2013 to senior employees at an exercise price of 27.25p per share. These options are exercisable from the third anniversary of grant with a maximum term of 10 years.
- 1,300,000 options were issued on 21 January 2014 to senior employees at an exercise price of 37.625p per share. These options are exercisable from the third anniversary of grant with a maximum term of 10 years.
- 1,000,000 options were issued to a director on 17 April 2014 at an exercise price of 35p. The options granted will vest if the Company's mid-market closing share price attains the required price or higher for a period of 20 consecutive days at any time during the period commencing on 17 April 2014 and ending on 17 April 2024.
  a) 333,333 of the notional shares will vest if the share price attains 50 pence.
  b) 333,333 of the notional shares will vest if the share price attains 60 pence.
  c) 333,334 of the notional shares will vest if the share price attains 70 pence.
- 1,300,000 options were issued to a director on 30 May 2014 at an exercise price of 35p. These options are exercisable from the third anniversary of grant with a maximum term of 10 years.

All share option awards are equity settled. Out of the 10,210,000 (2013: 7,735,000) outstanding options 5,960,000 (2013: 4,485,000) were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	2014		2013	
Expiry Date	Exercise price per share (£)	Options (Number)	Exercise price per share (£)	Options (Number)
29.01.2014	-	-	0.180	225,000
16.06.2021	0.200	4,260,000	0.200	4,260,000
28.09.2021	0.252	1,700,000	0.252	1,700,000
19.04.2022	-	-	0.252	400,000
07.07.2023	0.2725	650,000	0.2725	1,150,000
21.01.2024	0.37625	1,300,000	-	-
17.04.2024	0.35	1,000,000	-	-
30.05.2024	0.35	1,300,000	-	-
		10,210,000		7,735,000

The weighted average fair value of options granted during 2014 determined using the Black-Scholes valuation model was £0.109 (2013: £0.113). The significant inputs into the model are detailed below:

	2014	2013
Weighted average share price	**31.44p**	27.25p
Weighted average option exercise price	**36.31p**	27.25p
Expected volatility	**41.3%**	44.6%
Risk-free interest rate	**0.50**	0.70
Expected volatility	**6.5 years**	6.5 years
Dividend yield	**-**	-

Expected volatility was determined by calculating the volatility in the historic share price over a period consistent with the expected exercise period of the option. This level of volatility has then been benchmarked by comparing the level of share price volatility for other quoted medical diagnostic businesses over a three to ten year period.

The weighted average fair value of options granted during 2014 determined using the Monte Carlo valuation model was £0.095 (2013: nil). The significant inputs into the model are detailed below:

	2014	2013
Share price at date of grant	**35p**	-
Exercise price	**35p**	-
Expected volatility	**47.1%**	-
Risk-free interest rate	**0.40%**	-
Expected option life (years)	**1.06**	-
Dividend yield	**-**	-

Expected volatility was determined by calculating the volatility in the historic share price over a period consistent with the expected exercise period of the option. This level of volatility has then been benchmarked by comparing the level of share price volatility for other quoted medical diagnostic businesses over a three to ten year period.

(c) Bonus and share incentive scheme ('BAPSI')

	2014 number of notional shares	2013 number of notional shares
At 1 January	**600,000**	600,000
Exercised	**(600,000)**	**-**
At 31 December	**-**	600,000

The remaining 600,000 BAPSI options were exercised during the year.

31. Retained earnings

	Group £'000	Company £'000
At 1 January 2013	(3,004)	(5,899)
Loss for the year	(1,126)	(1,490)
Share-based payment	709	709
Actuarial gain on pension scheme	9	-
At 31 December 2013	**(3,412)**	**(6,680)**
At 1 January 2014		
Loss for the year	**(5,689)**	**(2,882)**
Share-based payment	**512**	**512**
Movement on pension scheme	**48**	**-**
At 31 December 2014	**(8,541)**	**(9,050)**

Notes to the Financial Statements continued

for the year ended 31 December 2014

32. Other reserves

Group	Foreign currency £'000	Other £'000	Total £'000
At 1 January 2013	(961)	-	(961)
Currency translation differences	236	-	236
Issue of convertible loan notes in subsidiary	-	41	41
At 31 December 2013	(725)	41	(684)
At 1 January 2014			
Currency translation differences	751	-	751
At 31 December 2014	26	41	67

In return for a payment of £200,000, Andrew Webb has been granted a loan note convertible into equity in EKF Molecular Diagnostics Limited. The equity element has been included in other reserves. The debt element is included in borrowings.

33. Retirement benefit obligations

Group	**2014 £'000**	2013 £'000
Liability in the balance sheet for pension benefits	**-**	103
Income statement charge for:		
Pension benefits	**-**	4
Actuarial (gains)/losses recognised in the statement of other comprehensive income in the year	**(48)**	(9)
Cumulative actuarial losses recognised in the statement of other comprehensive income	**-**	21

Pension benefits

The Group operated a funded defined benefit plan for Berthold Walter, the former owner of EKF-diagnostic GmbH Germany. This has now been closed.

The Group operates a defined contribution pension scheme the assets of which are held separately from those of the Company in an independently administered fund. The pension cost for the year represents contributions made by the Company to the fund and amounted to £225,000 (2013: £208,000).

34. Commitments

a) Capital commitments

The Group has contracted approximately £nil (2013 – £0.1m) capital expenditure at the end of the reporting period that had not yet been incurred.

b) Operating lease commitments

The Group leases various offices and manufacturing buildings under non-cancellable operating lease agreements. The lease terms are between one and five years.

The Group also leases various office equipment and assets under non-cancellable operating lease agreements. The lease terms are between one and ten years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
Group	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
No later than 1 year	**303**	29	**126**	-
Later than 1 year no later than 5 years	**1,344**	175	**243**	89
Later than 5 years	**609**	665	**34**	-
Total	**2,256**	869	**403**	89

35. Cash used in operations

	Group		Company	
	2014 £'000	2013 £'000	**2013 £'000**	2013 £'000
(Loss)/profit before tax	**(4,028)**	607	**(3,003)**	(1,458)
Adjustments for:				
Depreciation	**1,368**	1,304	**57**	51
Amortisation	**3,582**	2,250	**-**	-
Impairment	**1,229**	750	**1,600**	583
Warranty claim	**281**	(1,241)	**-**	-
Profit on disposal of fixed assets	**(6)**	(8)	**-**	-
Profit on disposal of available-for-sale assets	**-**	-	**-**	-
Share-based payments	**512**	709	**512**	709
Release of deferred consideration	**(79)**	(1,108)	**(79)**	(850)
Fair value adjustment	**(476)**	750	**-**	750
Release of provision	**-**	(334)	**-**	-
Exchange movements on operating activities	**-**	-	**(678)**	-
Net finance costs/(income)	**2,031**	1,044	**(132)**	55
Changes in working capital				
Inventories	**728**	(298)	**-**	-
Trade and other receivables	**(8,467)**	(1,930)	**(9,829)**	(404)
Trade and other payables	**63**	677	**(459)**	629
Net cash (used in)/generated by operations	**(3,262)**	3,172	**(12,011)**	65

In the statement of cash flows, proceeds from the sale of property, plant and equipment comprise:

Group	**2014 £'000**	2013 £'000
Net book value	**16**	53
Profit on disposal of property, plant and equipment	**6**	8
Proceeds from disposal of property, plant and equipment	**22**	61

Non-cash transactions
The principal non-cash transactions are the issue of Ordinary shares in relation to the acquisition of DiaSpect Medical AB and Selah Genomics Inc.; the release of the deferred consideration provision; the fair value adjustment relating to the deferred equity consideration in respect of EKF Germany, the warranty claim, and the impairment charge in relation to Ireland.

36. Related Party Disclosures

Directors
The Group was invoiced £18,000 (2013: £18,000) by J & K (Cardiff) Limited for property rent. Julian Baines is a Director of J & K (Cardiff) Limited.

Directors' emoluments are set out in the Remuneration Committee report and in note 9.

Key management compensation
Key management compensation for the year was as follows:

	2014 £'000	2013 £'000
Salaries and other short-term employee benefits	**941**	627
Share-based payments	**414**	663
Employee contribution to pension scheme	**29**	8
	1,384	1,298

Key management includes all the Directors only.

The Company
During the year the Company invoiced management charges of £2,526,000 (2013 – £1,485,000) and interest of £726,000 (2013 – £1,180,000) to its subsidiary companies. It purchased goods and services from subsidiaries totalling £619,000 (2013 – £303,000). At 31 December 2014 the Company was owed £36,307,000 (2013 – £24,941,000) by its subsidiaries and owed £2,913,000 (2013 – £2,837,000) to other subsidiaries.

Notice of Annual General Meeting

EKF Diagnostics Holdings PLC (Company)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (Meeting) of EKF Diagnostics Holdings plc (Company) will be held at the offices of Panmure Gordon & Co, One New Change, 1 New Change, London EC4M 9AF on 19 May 2015 at 2.00 p.m. for the following purposes:

Ordinary Resolutions

1. To receive and adopt the statement of accounts for the year ended 31 December 2014 together with the reports of the Directors and the auditors thereon.

2. To re-elect Richard Evans, Tito Bacarese-Hamilton, David Toohey, and Doris-Ann Williams, who retire by rotation, as Directors.

3. To re-appoint Messrs PricewaterhouseCoopers LLP as auditors to act as such until the conclusion of the next General Meeting of the Company at which the requirements of section 437 of the Companies Act 2006 are complied with and to authorise the Directors of the Company to fix their remuneration.

4. That in substitution for any existing such authority, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to allot Relevant Securities of the Company:

   (i) up to a maximum nominal amount of £273,012.76 (in pursuance of the exercise of outstanding share options granted by the Company but for no other purpose);

   (ii) up to an aggregate nominal amount of £422,057.07 (in addition to the authorities conferred in sub-paragraphs (i) above) representing approximately 10% of the Company's Issued Share Capital,

   such authorities (unless previously renewed, revoked or varied) to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2016, save that the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

5. To approve the Directors remuneration report for the financial year ending 31 December 2014. Shareholders should note that this vote is advisory only and does not affect the actual remuneration paid to any individual director. The Directors' remuneration report is set out in full in the Annual Report.

6. Special Resolution

   That, subject to the passing of the above Resolution the Directors be given the general power to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by the Resolution above as if section 561(1) of the 2006 Act did not apply to any such allotments provided that this power shall be limited to:

   (i) the allotment of equity securities on the exercise of the share options granted by the Company;

   (ii) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i) above) for cash in connection with any rights issue or pre-emptive offer in favour of holders of equity securities generally; and

   (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities for cash up to an aggregate nominal amount of £422,057.07 representing approximately 10% of the Company's Issued Share Capital;

   provided that such power (unless previously renewed, revoked or varied) shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2016, save that the Company may, before such power expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

BY ORDER OF THE BOARD
Paul Foulger
Director and Company Secretary

Registered Office

Avon House
19 Stanwell Road
Penarth
CF64 2EZ
16 March 2015

Notes:

(1) The Company specifies that only those members registered on the Company's register of members at 6.00 p.m. on 17 May 2015 or if this general meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the General Meeting.

(2) If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a Proxy Form with this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the Proxy Form.

(3) A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the chairman of the General Meeting or another person as your proxy using the Proxy Form are set out in the notes to the Proxy Form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.

(4) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars at the address set out in note 5.

(5) The notes to the Proxy Form explain how to direct your proxy how to vote on each resolution or withhold their vote.
To appoint a proxy using the Proxy Form, the Proxy Form must be:

(a) completed and signed;

(b) sent or delivered to Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU; and

(c) received by Capita Asset Services, at the address provided in paragraph 5(b) above no later than 2.00 p.m. on 17 May 2015.
In the case of a member which is a company, the Proxy Form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.

(6) In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

(7) To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services at the address noted in note 5 above.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

(8) In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services at PXS, 34 Beckenham Road, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
The revocation notice must be received by Capita Asset Services no later than 2.00 p.m. on 17 May 2015.
If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
Appointment of a proxy does not preclude you from attending the general meeting and voting in person. If you have appointed a proxy and attend the general meeting in person, your proxy appointment will automatically be terminated.

(9) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.

(10) Voting on all resolutions will be conducted by way of a poll rather than on a show of hands.

(11) As at 5.00 p.m. on the day immediately prior to the date of posting of this notice, the Company's issued share capital comprised 422,057,074 Ordinary Shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the day immediately prior to the date of posting of this notice is 422,057,074.

Company Information

EKF Diagnostics Holdings PLC (Company)

Directors:
David Evans (Executive Chairman)
Julian Baines (Chief Executive Officer)
Richard Evans (Chief Operating Officer)
Paul Foulger (Finance Director and Company Secretary)
Tito Bacareses-Hamilton (Chief Technology Officer)

David Toohey (Non-Executive Director)
Doris-Ann Williams (Non-Executive Director)
Kevin Wilson (Non-Executive Director)
Adam Reynolds (Non-Executive Director)

Registered Office and Head Office:
Avon House
19 Stanwell Road
Penarth
Cardiff
CF64 2EZ

Place of incorporation:
England and Wales (Company number – 4347937)

Independent Auditors:
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW

Nominated Advisor and Broker:
Panmure Gordon & Co
One New Change
London
EC4M 9AF

Solicitors to the Company:
Berry Smith LLP
Haywood House
Dumfries Place
Cardiff
CF10 3GA

Registrars:
Capita Asset Services
PXS
34 Beckenham Road
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Kent
BR3 4TU

If you have a query regarding your shareholding please call 0871 664 0300 (calls cost 10p per minute plus network extras) or e-mail ssd@capitaregistrars.com

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