ANNUAL REPORT 2015

EKF Diagnostics Holdings plc

Diagnostics
for life

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1.0 Strategic Review

Commercial and operational update

A challenging year

2015 was a difficult year for EKF Diagnostics Holdings plc. The company faced challenges from difficult global trading conditions, problematic customers and continuing demands from the molecular division.

- Revenues down 19% to £30.0m (2014 restated to exclude discontinued business: £37.1m)
- Restructuring of company
    - Disposal of Selah Genomics
    - Closure of Walton-on-Thames facility
    - Closure of Dublin facility and end of sales of biomarker products
    - Moth-balled EKF Molecular Diagnostics
    - STI in Sanford, USA remains open
    - Reduced headcount by 85 (to 315)
- Gross profit down 24% to £14.7m (2014 restated: £19.2m)
- Adjusted LBITDA* down to £0.3m loss (2014 restated: £6.7m)
- Cash used in operating activities: £2.9m (2014: £3.3m used)
- Net debt of £8.8m (2014: £2.1m net cash)
- Write-off of Selah Genomics with future annual cost saving of £2m
- Write-off of significant debtors in Mexico

* Excluding exceptional items and share based payments

Green shoots of recovery

Despite the overall picture there were strong performances from core products. This, together with a significant cost reduction program, allowed the company to enter 2016 with renewed optimism.

- Cost savings of £6.7m identified and implemented
- 12,879 analysers sold and 56m tests manufactured
- Large tenders won in :
    - Saudi Arabia (Quo-Test)
    - Turkey (Hemo Control)
    - Peru (Hemo Control)
- Steady performance from core business

EKF's focus in 2016 will be on organic growth. A number of potential opportunities are under consideration including product licensing, entry into new territories and obtaining regulatory approvals in key markets for several products.

19% decrease in revenues year-on-year (based on restated revenues for 2014)

	2015	2014	+/-
Turnover (£m)	**£30.0**	£37.1	-19%
Gross profit (£m)	**£14.7**	£19.2	-23%
Adjusted EBITDA (£m)	**-£0.3**	£6.7	

1.0 Strategic Review

EKF Diagnostics Holdings plc

Background

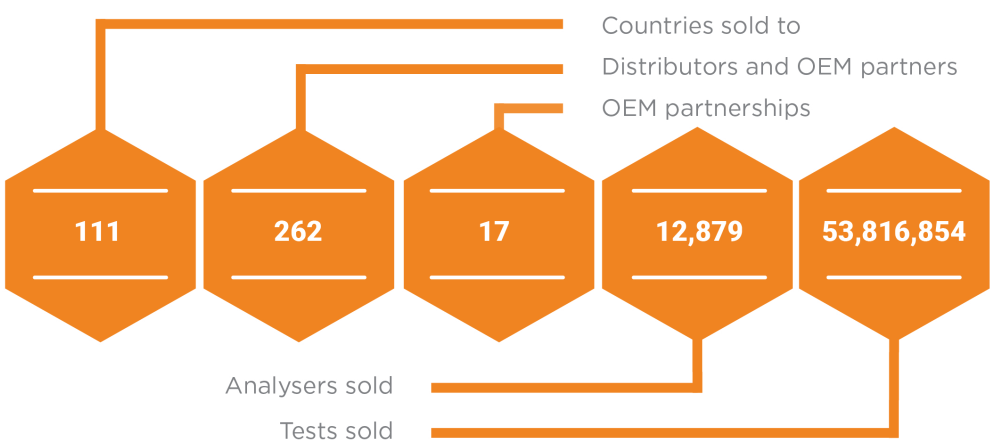
EKF Diagnostics is a global medical diagnostics business with a long history in point-of-care testing and manufacturing reagents for use in central laboratories.

Our point-of-care (POC) products, most of which are designed and manufactured in Germany, have a hard earned reputation for ease of use, reliability and accuracy from professionals working in diabetes, blood banking and sports medicine.

The cornerstone of the POC business is the 90,000 EKF analysers that have been sold around the world since 2008. This installed base requires more than 50 million tests to be manufactured every year in order to service the existing business.

The EKF Central Laboratory range includes clinical reagents, analysers and centrifuges which are manufactured at premises near San Antonio, and in Sandford, Florida.

EKF Life Sciences, based in Elkhart, USA, manufactures diagnostic enzymes and contracted custom products for use in medical diagnostics, pharmaceuticals and industry.



1.0 Strategic Review

Point-of-Care: Hematology

Product portfolio

The hematology product range within EKF Diagnostics, is the largest in terms of revenues and the size of the installed base.

The acquisition of DiaSpect and Separation Technology in 2014 created the largest range of point-of-care hemoglobin analysers on the market.

Hemo Control™

- Uses 'gold standard' methodology (reagent filled microcuvettes)
- Data management capability; provides a hematocrit calculation
- Proven, robust analyser sold worldwide

DiaSpect Tm

- Handheld analyser utilising reagentless methodology
- Benefits of speed to result (one second), and shelf-life of microcuvettes
- Successor to DiaSpect Hemoglobin T

STAT-Site® M Hgb

- Handheld analyser
- Used with cartridges

UltraCrit Plus™

- Hematocrit analyser using unique ultrasound technology
- Strong presence in US blood banking sector
- International version also provides hemoglobin calculation

HemataStat II™

- Laboratory hematocrit centrifuge and analyser
- Processes multiple samples

Strategy

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

To approach these markets EKF has two distinct strategies: firstly, OEM partnerships with international distributor/manufacturers such as Fresenius Kabi; and secondly 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.

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 the Biosen C-Line and Biosen S-Line glucose analysers. More recently HbA1c analysers have been launched that address the diabetes screening market.

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

Quo-Lab® A1c

- HbA1c testing (Glycated Hemoglobin)
- Results in four minutes using a unique methodology
- Targeted at developing world markets

Quo-Test® A1c

- HbA1c testing (Glycated Hemoglobin)
- Same methodology as Quo-Lab but fully automated
- Simple operation requires minimal training

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 well being and their compliance with the 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.

2015 saw the completion of the transfer of Quo-Test and Quo-Lab to EKF's Magdeburg site.

This change has allowed the company to make significant operational savings through the centralisation of manufacturing, warehousing and logistics, and customer service.

1.0 Strategic Review

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 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.

Creamatocrit Plus™

- Small lab centrifuge used in Women and Infant Clinics
- Measure the lipid concentration and caloric density of breast milk
- Allows professionals to guide mothers with underweight infants

Pregnancy kits

- Cassette rapid tests
- Marketed for use in hospital settings

SensPoint

- Handheld lactate analyser with docking station
- Results in 10 seconds
- Developed for use in maternity wards

Strategy

EKF's Maternal and Women's Health market strategy is a long-play strategy.

The SensPoint product team are building key opinion leader relationships in order to educate the future target market on the need for a protocol in the use of lactate in obstetric medicine.

In parallel there is a slowly building commercial interest in this market in Europe. Some settings are using the Lactate Scout+ to provide accurate lactate readings within ten seconds.

Lactate Scout+ uses the same strip system as SensPoint but does not include SensPoint's data management functionality.

Central Laboratory

Product portfolio

EKF, through its wholly owned subsidiary Stanbio Laboratory, has had a presence within central laboratory 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 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.

Altair™ 240

- Automated bench-top analyser
- Runs up to 400 tests per hour and can handle up to 43 different reagents
- Calibrated to run the Stanbio Chemistry range of reagents

Beta-Hydroxybutyrate

- Liquid reagent for the early detection of ketosis
- Primarily sold in USA through national distribution networks

Procalcitonin

- Liquid reagent for the detection of sepsis
- Targeted at certain European markets

Glycated Serum Protein

- 2-3 week indicator of average blood glucose
- Complementary to HbA1c in diagnosis and screening of diabetes

Strategy

The central laboratory market continues to experience relatively low levels of growth. This is in part because sales of chemistry reagents are inextricably linked to the provision of the analysers on which the tests are performed. EKF Diagnostics' approach to the clinical chemistry market changed in late 2015 with the launch of the Altair 240, a benchtop analyser calibrated to run the Stanbio Chemistry range of reagents.

Further opportunities continue to exist in niche markets. Sales of Beta-Hydroxybutyrate Liquicolor reagent continue to be healthy with a strong performance from US distributors who have developed a market capitalising on the withdrawl of a previous method of testing for ketosis.

More than 1,000 US hospitals now use EKF's Beta-Hydroxybutyrate reagent. A similar approach is being used for Procalcitonin (PCT) in Europe where EKF has undertaken awareness activity using key opinion leaders in target markets.

1.0 Strategic Review

Chairman's Statement

Dear fellow shareholder,

The Board of the Company has considered its strategic options and now intends to rebuild shareholder value by stabilising the business, growing it organically and implementing further reductions in the cost base. There is much work that still needs to be done but our executive team remains confident they can achieve the objectives outlined to shareholders.

The year under review has seen a number of painful decisions, including the closure of the loss making molecular business. Selah has been divested and nearly all the employees of EKF Molecular have been made redundant. Our headcount has been reduced from 400 to 315 with this being the main driver of achieved savings of £6.7 million on an annualised basis.

There are, however, further initiatives in coming years which our management team have identified that could add value to the business. Our executive team, freed from the distraction of acquisitions and the problems of a failed acquisition, are totally committed to optimising the business platform through focussing on profits and driving cash flow.

Cash remains tight due to the impact of the cost associated with the restructuring but as the benefits of the cost reductions flow through, the Board expects the Company to be cash flow positive through the balance of the current year.

Results overview

Please refer to the Chief Executive's statement which contains a review of the year.

Board

During 2015, Paul Foulger, Tito Bacarese-Hamilton, Doris-Ann Williams, and David Toohey all left the board. We thank them for their service. Sadly, Kevin Wilson who gave loyal service to the Group, passed away in November after a short illness, and I offer my condolences to his family. In addition, on 11 April 2016, we announced the resignation of Ron Zwanziger as a non-executive director. The Board has also been informed that Lurene Joseph is not seeking re-election at the AGM and accordingly will step down from the Board at this time. I would like to thank Lurene for her work on the Board and in particular as part of the Audit Committee.

All the Non-Executive Directors have waived their salaries for a three month period (and no fees will be paid in the current year).

I would also like to thank David Evans who is retiring at the AGM due to health issues. Despite the problems of the past year, he has created a valuable business which can prosper in the future.

Outlook

As we rebase the Company, it is key that the expectations are set at a level that reflects the core business without the inclusion of less predictable tender business, an aspect which has been an Achilles heel in the past. On that basis, the Board anticipates 2016 revenues, without tender wins, being just over £30 million with an adjusted EBITDA of between £3 million and £4 million.

I believe the core operations of EKF are fundamentally sound with good prospects. My desire now is to restore the confidence of our shareholders in our management team, as they rebuild value for all shareholders over the medium term.

Christopher Mills

Christopher Mills
Non-Executive Chairman
2 May 2016

Chief Executive's Review

Operational review

This has been a difficult year for EKF Diagnostics. However, after considerable focus being placed on streamlining the business and returning to our point-of-care core, we believe we have stabilised the business and are in a strong position to grow organically.

Restructuring

Molecular diagnostics

The acquisition of Selah Genomics was part of our molecular diagnostics strategy. The value of the business was, in large part, based on reimbursement of genomic testing in the United States. Soon after the acquisition the US Government changed their reimbursement policy and cancelled the funding of these tests.

On 23 December 2015, therefore, we agreed to sell Selah to its management for nominal consideration. The consideration for the acquisition of Selah by EKF was US$35.6 million paid in shares on 17 April 2014. Selah reported a loss after tax for the period from acquisition to 31 December 2014 of £0.6 million and had an unaudited loss after tax for the period from 1 January 2015 to 23 December 2015 of £2.8 million. As at 31 December 2014 Selah was disclosed in the Company's balance sheet in intangible assets at a value of £41.4 million, which has now been written off. Selah as at 31 December 2014 had net liabilities of £3.6 million.

I estimate the future annual cost saving to EKF will be in the region of £2 million. The sale and purchase agreement contains provisions whereby additional consideration will be paid to EKF. In the event that Selah secures further equity funding within twelve months from 23 December 2015, EKF will obtain a 10% equity interest in Selah. Alternatively if no external funding is obtained during that period and if Selah or its business is sold, EKF will receive 10% of the net proceeds of such a sale.

The second part of our molecular diagnostics strategy was PointMan. We have seen technical progress, but commercially it has proven difficult to gain market traction quickly enough to justify the continued investment required at this stage. Further development has been stopped and the staff made redundant. There has been third party interest in acquiring the product line and discussions are ongoing. However, if an attractive enough offer is not received, the Group will retain the intellectual property and assess how best to return shareholder value. The intangible assets associated with the business have been written off.

Mexican debtors

In 2014 EKF sold substantial quantities of analysers and tests to its distributors in Mexico. We have provided in full for the amounts owed to us by two distributors (£5.1m compared to the amount of £6.3m outstanding at December 2014). We are continuing to pursue all legal means possible to recover the amounts due to EKF and to that end we have recovered stock and we are currently assessing to what extent that stock is useable. That stock has no carrying value as of 31 December 2015.

Redundancies, sites and Board

The Group has refocused on point-of-care diagnostics and central laboratory tests. This is the core competency of the whole group from operations through to sales and significantly simplifies the business. As part of this the Group has significantly reduced its workforce with a target reduction of around 20%, including those who have transferred with Selah. To facilitate this, the Group's site at Walton-on-Thames is being closed, and the entire responsibility for the manufacture and support of Quo-Test and Quo-Lab has now been moved to the Group's main production site at Barleben, Germany.

At Board level, I have reassumed direct responsibility for the sales function, while Richard Evans has reassumed responsibility for the finance function. Expenditure that was not going to lead to an immediate return has been cut, including research and development expenditure and the business unit teams. On 8 April 2016 the Board appointed Christopher Mills as Non-Executive Chairman. Christopher has extensive knowledge of our industry.

The restructuring, which has been achieved with great rapidity, has meant that many skilful and committed employees have left the Group, and to these I wish good luck in their future careers. Remaining staff have coped admirably with the many changes that have taken place in a short period, and to these I offer my sincere thanks.

We have made a strategic decision to switch distribution of our HemoPoint H2 hemoglobin analyser from Alere back to our own Stanbio sales team. The Stanbio team will be working with a sub-contracted sales team which operates throughout the USA to ensure a smooth transition. We believe that this decision will benefit the business in the medium term.

Business update

Point-of-Care and Central laboratory

The business has now refocused on its core business of selling point-of-care analysers and their associated consumables, and on the sale of central laboratory tests. During 2015 EKF sold almost 12,000 analysers and over 56 million tests, and was successful in winning significant new contracts in Saudi Arabia, Turkey, and Peru. The award in Saudi Arabia in particular has required us to enhance our ability to deal with demanding government customers, but offers the potential for sales not just in Saudi Arabia itself but also other Gulf countries.

As has been mentioned in previous announcements, all forecasting moving forward will exclude significant tenders. Although we fully expect to win some tenders, the erratic nature of these tenders means that they are impossible to forecast accurately and this has been our Achilles heel in the past.

We have established our core business over many years and over that time we have an installed base of over 90,000 instruments. We have a high quality diabetes range with Biosen, Quo-Test and Quo-Lab, all of which are gaining market share. In addition, we have a comprehensive haemoglobin range and, in our opinion, the DiaSpect Tm is the best point-of-care haemoglobin meter on the market.

Our Central Laboratory business continues to underpin the business and Beta-Hydroxybutyrate liquid reagent (B-HB) continues to grow market share. This is continuing into 2016 where we are seeing continued growth with B-HB.

New products

As part of the restructuring activity the Group's research and development programmes have been reassessed and progress halted on all projects which do not offer the likelihood of immediate reward.

Progress with major projects is as follows:

- SensPoint, a POC lactate measuring system designed for use in peri-natal settings. Further development is currently paused.
- Work is continuing and good progress has been made on providing enhancements to major revenue-generating product lines to equip our customers with data-management and connectivity capability. This is a difficult and complex area because of the variety of different systems and interfaces available.
- Procalcitonin. This central laboratory test for measuring sepsis is now on sale.
- sTNFR1/2 biomarkers that will predict fast progressors to Chronic Kidney Disease (CKD) in both Type 1 and 2 diabetics which have been exclusively licenced from Joslin Diabetes Centre in Boston. EKF is continuing to work very closely with a potential partner.
- Inborn Errors of Metabolism. EKF Diagnostics is developing a POC system for monitoring Phenyalanine levels in PKU (a rare genetic condition that is present from birth). Again, we are continuing to work closely with a proposed partner.

Outlook

We believe that the fast action taken to stabilise the business in the last quarter of the year will bear fruit in the first half of 2016. We have rebased the business on a more sustainable level and refocussed on our core areas of expertise. By simplifying the business and streamlining it is clear that the internal focus has returned.

We have simplified the business back to our core capabilities. This is reflected in a very positive start to 2016 where we are ahead of budget both from a revenue and EBITDA perspective, with Q1 revenue expected to exceed £8m. We still have a long way to go but we are ahead of target regarding stabilising the business.

In addition, the new Chairman and I are completely aligned in our strategic vision. We intend to stabilise EKF over the course of 2016 and to show strong and profitable organic growth. We are determined to achieve this and we will not be making any acquisitions.

By simplifying the business I am confident we can deliver high quality sustainable growth.

Julian Baines
Chief Executive Officer
2 May 2016

Finance Director's Review

Results

2014 results have been restated to treat Selah Genomics as a discontinued business.

Revenue

Revenue for the year was £30.0m (2014 restated: £37.1m). Within Point-of-Care, revenue was impacted by tender activity in Mexico which had been substantial in previous years but suffered from government driven delays in 2015. In addition, changes to the regulatory framework in China for medical devices, which obliged us to suspend sales of two major product lines, have limited the scope for growth in 2015. One of these, plus the consumable for the other, are now able to be sold once again, and we anticipate the second analyser will be re-registered in 2016.

Gross profit

Gross profit reduced to £14.7m (2014 restated: £19.2m), reflecting the reduced revenue. As a percentage of sales, 2015 showed a small decrease to 48.8% (2014 restated: 51.9%) as a result of provisions taken against obsolete and excess stock.

Administration costs and research and development costs

Gross administration costs are £29.2m (2014 restated: £21.6m). The increase in costs is largely a result of exceptional items and increased depreciation and amortisation expenses resulting from the acquisitions in 2014. Net of these items administration costs are £15.4m (2014 restated: £13.5m), with the increase largely a result of increased investment in sales infrastructure, technical and regulatory staff. R&D costs included in administration expenses were £2.3m (2014: £1.3m) with a further £3.1m being capitalised as an intangible asset (2014: £1.5m).

The charge for amortisation of intangible assets and the depreciation of fixed assets is £8.1m (2014: £4.8m).

The exceptional items are mainly the impairment of assets relating to EKF Molecular Diagnostics, EKF Ireland and capitalised research and development costs (£5.9m), and DxEconomix (£0.8m), and the write off of debtors relating to certain customers in Mexico (£5.1m), offset by reductions in deferred consideration on Stanbio and 360 Genomics (£7.4m).

Operating profit and adjusted earnings before interest tax and depreciation

The Group has made an operating loss of £14.3m (2014 restated: loss of £1.9m) for the reasons outlined above. Adjusted EBITDA for 2015 showed a loss of £0.3m (2014 restated: profit of £6.7m). This excludes the effects of share-based payments of £0.2m (2014: £0.5m) and exceptional losses of £5.7m (2014: £3.3m).

Finance costs

Finance costs have decreased to £1.4m (2014 restated: £1.5m). This is mainly because of a lower level of unwinding charges relating to the discounting of deferred consideration.

Tax

There is an income tax credit of £2.2m (2014: charge of £1.4m). This is largely a result of a deferred tax credit relating to the write off of intangible assets.

Balance sheet

Property, plant and equipment

The Group has invested £2.3m (2014: £1.0m) in property, plant and equipment during the year, of which £1.5m is related to building projects at the Group's main manufacturing site at Barleben.

Intangible assets

Intangible assets have reduced from £93.5m to £42.9m, largely as a result of the impairment of the investment in EKF Molecular Diagnostics and the disposal of Selah Genomics. The carrying value of some R & D projects has also been reassessed leading to their impairment.

Deferred consideration

Following the disposal of Selah, deferred consideration totalling £10m has been written back. This has been included in the loss on discontinued business in the income statement Deferred consideration relating to the acquisition of 360 Genomics has been reassessed following the mothballing of EKF Molecular, and reduced by £4.7m to zero. The final deferred consideration of £2.7m under the contract for the acquisition of Stanbio Laboratory expired on 31 December 2015 and this has also been written back. These have been treated as exceptional items in the income statement.

Agreement has been reached with the former owner of EKF-Diagnostic GmbH under which the remaining deferred consideration, which is in shares, will not be paid to him but will revert to the Group. In addition, prior to the sale of Selah it was agreed that shares in escrow would be transferred to the Group and sold. This has not been completed largely because the Group has been unable to trade in its shares for regulatory reasons.

Cash and working capital

Cash and cash equivalents have fallen during the year from £8.3m to £2.0m, while borrowings have increased from £6.2m to £10.8m, as a result of the investments made during the year, and the losses sustained. Inventory has risen to £8.2m (2014: £5.8m) and efforts are being made to reduce this.

During the year a secured convertible loan was received from Zwanziger Family Ventures LLC, (ZFV) a company which is wholly owned by the Zwanziger Family Irrevocable 2012 Trust, the beneficiaries of which are the Zwanziger family. The entire amount of the convertible loan was used for repayment of part of EKF's borrowing with HSBC.

On 15 April 2016 the Group announced that it had given notice of redemption of the ZFV loan, and that North Atlantic Smaller Companies Investment Trust PLC, a company associated with Christopher Mills had agreed to provide a non-convertible loan on broadly similar terms.

Richard Evans
Finance Director and Chief Operating Officer
2 May 2016

1.0 Strategic Review

Board of Directors

Executive Directors

Julian Baines

Chief Executive Officer (aged 51)

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.

Richard Evans

Chief Operating Officer and Finance Director (aged 58)

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 Abbott Diagnostics GmbH in Germany.

Non-Executive Directors

Chistopher Mills

Non-Executive Chairman (aged 63)

Christopher founded Harwood Capital Management in 2011, a successor from its former parent company J.O. Hambro Capital Management, which he co-founded in 1993. He is Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust plc and Chief Investment Officer of Harwood Capital LLP. He is a Non-Executive Director of several companies. Christopher was a Director of Invesco MIM, where he was Head of North American Investments and Venture Capital, and of Samuel Montagu International.

Adam Reynolds

Non-Executive Director (aged 53)

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.

Strategic Report

Review of the business

A review of the business is contained in the Chairman's Statement on page 7, and in the Chief Executive's Review on pages 8 and 9 and the Finance Director's Review on pages 10 and 11.

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. We are in the process of enhancing and formalising our risk management processes and continue our journey of maturing our approach to how we identify and manage risks across the Group, in a consistent and robust manner and enhance our 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.

In 2015 the Group faced a number of issues. In response to these the Group has reduced its risk profile by returning to a strategy based on point-of-care and clinical chemistry and reducing its cost base.

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 Russia which are ultimately largely funded by the government.

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 judge 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 organic growth. IVD has a wide spectrum, and within this spectrum we have chosen to concentrate on point-of-care, while maintaining our existing central laboratory business. During 2015 the group has sold or mothballed its molecular diagnostics business.

We have identified and acquired 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 product support centres in the USA and Germany.

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 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 page 7 and the Chief Executive's Review on pages 8 and 9 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 is working to establish other key performance indicators including non-financial measures. KPIs are discussed in more detail in the Finance Directors review on pages 10 and 11.

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 keep at 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 product to selected appropriate charities which operate within its area, and encourages staff to take 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 2 May 2016 and signed on its behalf by:

Richard Evans

Richard Evans
Finance Director and Chief Operating Officer
2 May 2016

Report of the Directors

for the year ended 31 December 2015

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 2015.

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:

- Ron Zwanziger (appointed 11 November 2015, resigned 11 April 2016)
- David Evans
- Julian Baines
- Richard Evans
- Adam Reynolds
- Lurene Joseph (appointed 21 December 2015)
- Tito Bacarese-Hamilton (resigned 10 December 2015)
- Paul Foulger (resigned 2 December 2015)
- David Toohey (resigned 30 November 2015)
- Doris-Ann Williams (resigned 30 November 2015)
- Kevin Wilson (deceased 20 November 2015)
- Christopher Mills (appointed 8 April 2016)

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. Future developments and research and development activities are discussed in the Chairman's Statement on page 7 and the Chief Executive's Review on pages 8 and 9 and the Finance Director's Review on pages 10 and 11.

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.

During 2015, the write down of trade debtors in Mexico caused the Group to breach covenants relating to its banking facilities in the USA. This breach has been waived by the bank, however as a result certain borrowings have been reclassified as current. A convertible loan was provided by the Zwanziger Family Trust and used to reduce bank borrowing.

The loss making molecular business has been sold or mothballed, the sites in Dublin and Walton-on-Thames have been closed, and a redundancy programme put in place. These have together generated annualised cost savings of £6.7m.

Taking these changes into account, and 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.

Employee policies

Employee policies are discussed in the Strategic Report on pages 14 to 16.

Directors' interests

The interests of those Directors serving at 31 December 2015 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 2015 Ordinary Shares of 1p each	On 31 December 2014 Ordinary Shares of 1p each
Ron Zwanziger	33,661,694	33,661,694
David Evans	1,805,753	1,805,753
Julian Baines	1,721,955	1,721,955
Richard Evans	178,842	178,842
Adam Reynolds	3,229,724	3,229,724
Christopher Mills	33,200,000	-

**or at the date of appointment where later.*

There have been no transactions by directors during their period of office during the year. Mr Zwanziger's shares are held in the name of Zwanziger Family Ventures LLC. On 18 March 2016 Harwood Capital LLP and North Atlantic Smaller Companies Investment Trust plc, which are associated with Christopher Mills, acquired 48,000,000 shares, bringing their total holding to 81,200,000 shares.

Substantial shareholdings

As at 28 April 2016, 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
N.Y. Nominees Limited	48,041,369	11.38%
The Bank Of New York (Nominees) Limited	46,440,300	11.00%
Securities Services Nominees Limited	35,375,000	8.38%
Nortrust Nominees Limited	31,751,615	7.52%
HSBC Global Custody Nominee (Uk) Limited	27,990,369	6.63%
Vidacos Nominees Limited	25,673,139	6.08%
Pershing Nominees Limited	20,641,388	4.89%

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 20 to 22 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 69 and 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.

Richard Evans

Richard Evans
Finance Director and Chief Operating Officer

2 May 2016

Corporate Governance Statement

for the year ended 31 December 2015

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 2015 sought to address the principles underlying the Code.

Board composition and responsibility

The Board currently comprises two Executive Directors and four Non-Executive Directors. During the year Paul Foulger and Tito Bacarese-Hamilton resigned as Executive Directors, and David Toohey and Doris-Ann Williams resigned as Non-Executive Directors, Kevin Wilson passed away. Ron Zwanziger joined as Non-Executive Chairman, at which time David Evans became Non-Executive Deputy Chairman, and Lurene Joseph joined as Non-Executive Director, Christopher Mills was appointed Non-Executive Chairman on 8 April 2016. Ron Zwanziger resigned as a director on 11 April 2016. Lurene Joseph and David Evans are not seeking re-election at the next AGM. 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 Christopher Mills and Adam Reynolds 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 revised 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 Board composition at present.

There is a division of responsibilities between the Non-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 Richard Evans, who is the Finance Director and Chief Operating 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

10 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:

Ron Zwanziger (Non-Executive Chairman)	1	(1)
David Evans (formerly Executive Chairman, now Non-Executive Deputy Chairman)	9	(10)
Julian Baines (Chief Executive Officer)	9	(10)
Richard Evans (Chief Operating Officer and Finance Director)	9	(10)
Adam Reynolds (Non-Executive Director)	9	(10)
Lurene Joseph (Non-Executive Director)	-	-
Tito Bacarese-Hamilton (formerly Chief Technology Officer)	10	(10)
Paul Foulger (formerly Finance Director and Company Secretary)	10	(10)
David Toohey (formerly Non-Executive Director)	10	(10)
Doris-Ann Williams (formerly Non-Executive Director)	9	(10)
Kevin Wilson (formerly Non-Executive Director)	8	(9)

Audit Committee

From January 2015 until November 2015 this comprised three Non-Executive Directors, Kevin Wilson (Chairman), David Toohey and Adam Reynolds. Following Board changes the commitee comprises David Evans (Chairman), Adam Reynolds and Lurene Joseph. David Evans 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 twice during 2015.

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 David Evans (Chairman), and Adam Reynolds. 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 met once during 2015.

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 continued its 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 2 May 2016 and signed on its behalf by:

Richard Evans

Richard Evans
Finance Director and COO

Report of the Remuneration Committee

for the year ended 31 December 2015

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 - Audited

The remuneration of the Directors for the year ended 31 December 2015 is shown below:

	Salary and fees £'000	Pension £'000	Benefits in kind £'000	Bonus £'000	2015 £'000	2014 £'000
Executive Directors						
David Evans [1]	42	-	-	-	42	45
Tito Bacarese-Hamilton [3]	336	10	11	-	357	193
Julian Baines	245	12	12	-	269	262
Paul Foulger [3]	212	8	9	-	229	182
Richard Evans	170	5	26	-	201	201
	1,005	35	58	-	1,098	883
Non-Executive Directors						
Ron Zwanziger [2]	-	-	-	-	-	-
Lurene Joseph [2]	-	-	-	-	-	-
David Toohey [3]	28	-	-	-	28	11
Doris-Ann Williams [3]	28	-	-	-	28	11
Kevin Wilson [4]	27	-	-	-	27	25
Adam Reynolds	30	-	3	-	33	28
Gordon Hall		-	-	-	-	12
	113	-	3	-	116	87
Total fees and emoluments	1,118	35	61	-	1,214	970

1. David Evans' remuneration is paid through his personal consultancy, MBA Consultancy. Mr Evans became a Non-Executive Director on 11 November 2015. Mr Evans waived salary totalling £20,000 during the year.
2. Remuneration for Ron Zwanziger and Lurene Joseph is shown from their date of appointment. Both have waived any salary for the period until March 2016.
3. Paul Foulger, Tito -Bacarese-Hamilton, David Toohey, and Doris-Ann Williams' remuneration is shown up to their date of resignation. In addition to his emoluments disclosed above, Paul Foulger received £42,000 for his loss of office.
4. Kevin Wilson's remuneration is shown up to the date of his death.

Directors' share options and Long-Term Incentive Plan

As at 31 December 2015 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	Ordinary Shares under option	Exercise period
David Evans	15p	8,545,638	1 January 2014 – 31 December 2020
Julian Baines	15p	8,545,638	1 January 2014 – 31 December 2020
Richard Evans	20p	4,260,000	1 January 2014 – 31 December 2020

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.

- 1,709,128 notional shares will vest if the share price attains 30 pence. This condition has now been met.
- 1,709,128 notional shares will vest if the share price attains 37.5 pence.
- 1,709,128 notional shares will vest if the share price attains 45 pence.
- 1,709,128 notional shares will vest if the share price attains 52.5 pence.
- 1,709,126 notional shares will vest if the share price attains 60 pence.

On 10 December 2015 Tito Bacarese-Hamilton was granted an option to acquire 1,300,000 ordinary shares in the company at an exercise price of 22.5p. The option can be exercised at any time up to 31 December 2016.

Independent Auditors' Report to the Members of EKF Diagnostics Holdings Plc

Report on the financial statements

Our opinion

In our opinion:

- EKF Diagnostics Holdings Plc's group financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's loss and the group's and the parent 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 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

The financial statements, included within the Annual Report 2015 (the "Annual report"), comprise:

- the consolidated and company's statements of financial position as at 31 December 2015;
- 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.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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 17, 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.

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.

Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff 2 May 2016

3.0 Financial Statements

Consolidated Income Statement

	Notes	2015 £'000	Restated 2014 £'000
Revenue	5	**30,045**	37,106
Cost of sales	6	**(15,376)**	(17,860)
Gross profit	6	**14,669**	19,246
Administrative expenses	6	**(29,156)**	(21,557)
Other income		**139**	371
Operating loss		**(14,348)**	(1,940)
Depreciation and amortisation	5	**(8,052)**	(4,819)
Share-based payments		**(226)**	(512)
Exceptional items	7	**(5,722)**	(3,268)
LBITDA before exceptional items and share-based payments	5	**(348)**	6,659
Finance income	12	**35**	18
Finance costs	12	**(1,457)**	(1,509)
Loss before income tax		**(15,770)**	(3,431)
Income tax credit/(expense)	13	**2,206**	(1,440)
Loss for the year from continuing operations		**(13,564)**	(4,871)
Loss for the year from discontinued operations attributable to the equity holders of the Company	21	**(23,369)**	(597)
Loss for the year		**(36,933)**	(5,468)
Loss attributable to:			
Owners of the parent		**(37,123)**	(5,689)
Non-controlling interest		**190**	221
		(36,933)	(5,468)

Loss per Ordinary Share attributable to the owners of the parent during the year		Pence	Pence
Basic			
From continuing operations	14	**(3.26)**	(1.34)
From discontinued operations	14	**(5.54)**	(0.16)
		(8.80)	(1.50)
Diluted			
From continuing operations	14	**(3.26)**	(1.34)
From discontinued operations	14	**(5.54)**	(0.16)
		(8.80)	(1.50)

The notes on pages 33 to 68 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 £31,595,000 (2014: £2,882,000).

Consolidated Statement Of Comprehensive Income

	Notes	2015 £'000	Restated 2014 £'000
Loss for the year - continuing		**(13,564)**	(4,871)
Loss for the year - discontinued		**(23,369)**	(597)
Loss for the year		**(36,933)**	(5,468)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Movement on pension scheme	31	**-**	48
Items that may be subsequently reclassified to profit or less			
Recycling of currency translations in respect of previously held interest in Selah Genomics Inc	32	**(4,479)**	-
Currency translation differences		**792**	546
Other comprehensive (loss)/gain for the year		**(3,687)**	594
Total comprehensive loss for the year		**(40,620)**	(4,874)
Attributable to:			
Owners of the parent		**(40,756)**	(4,890)
Non-controlling interests		**136**	16
Total comprehensive loss for the year		**(40,620)**	(4,874)

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 33 to 68 are an integral part of these consolidated financial statements.

3.0 Financial Statements

Consolidated and Company's Statements of Financial Position

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Assets					
Non-current assets					
Property, plant and equipment	16	**10,680**	10,568	**1,547**	1,576
Intangible assets	17	**42,927**	93,522	**-**	-
Investments in subsidiaries	18	**-**	-	**30,521**	61,043
Investments	20	**402**	1,152	**402**	1,152
Trade and other receivables	22	**-**	-	**18,550**	17,799
Deferred tax assets	28	**340**	238	**340**	238
Total non-current assets		**54,349**	105,480	**51,360**	81,808
Current assets					
Inventories	23	**8,234**	5,793	**-**	-
Trade and other receivables	22	**7,242**	16,115	**14,549**	18,508
Deferred tax assets	28	**47**	45	**-**	-
Cash and cash equivalents	24	**2,017**	8,346	**11**	4,390
Total current assets		**17,540**	30,299	**14,560**	22,898
Total assets		**71,889**	135,779	**65,920**	104,706
Equity attributable to owners of the parent					
Share capital	29	**4,221**	4,221	**4,221**	4,221
Share premium account	29	**91,276**	91,276	**91,276**	91,276
Other reserve	32	**41**	41	**-**	-
Foreign currency reserves	32	**(3,607)**	26	**-**	-
Retained earnings	31	**(45,438)**	(8,541)	**(40,419)**	(9,050)
		46,493	87,023	**55,078**	86,447
Non-controlling interest		**261**	353	**-**	-
Total equity		**46,754**	87,376	**55,078**	86,447
Liabilities					
Non-current liabilities					
Borrowings	26	**1,167**	2,492	**-**	-
Deferred consideration	27	**-**	9,536	**-**	3,165
Deferred tax liabilities	28	**3,559**	13,258	**-**	-
Total non-current liabilities		**4,726**	25,286	**-**	3,165
Current liabilities					
Trade and other payables	25	**8,331**	7,943	**4,308**	3,758
Deferred consideration	27	**485**	8,493	**485**	8,493
Current income tax liabilities		**1,087**	2,171	**-**	-
Deferred tax liabilities	28	**831**	756	**-**	-
Borrowings	26	**9,675**	3,754	**6,049**	2,843
Total current liabilities		**20,409**	23,117	**10,842**	15,094
Total liabilities		**25,135**	48,403	**10,842**	18,259
Total equity and liabilities		**71,889**	135,779	**65,920**	104,706

The notes on pages 33 to 68 are an integral part of these financial statements.
The financial statements were approved and authorised for issue by the Board on 2 May 2016

Julian Baines
Chief Executive Officer

Richard Evans
Finance Director & Chief Operating Officer

3.0 Financial Statements

Consolidated and Company's Statements of Cash Flows

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Cash flow from operating activities					
Cash used in operations	35	**(2,914)**	**(3,262)**	**(5,970)**	(12,011)
Interest paid		**(370)**	(241)	**(143)**	(69)
Income tax paid		**(1,001)**	(1,241)	**(14)**	(21)
Net cash used in operating activities		**(4,285)**	**(4,744)**	**(6,127)**	**(12,101)**
Of which discontinued		**(2,412)**	(3,630)	**-**	-
Cash flow from investing activities					
Purchase of investments		**-**	(902)	**-**	(902)
Purchase of property, plant and equipment (PPE)		**(2,296)**	(1,038)	**(33)**	(17)
Purchase of intangibles		**(3,096)**	(1,595)	**-**	-
Purchase of subsidiaries (net of cash required)		**-**	(12,379)		(10,248)
Proceeds from sale of PPE		**42**	22	**-**	-
Interest received		**35**	18	**-**	4
Net cash used in investing activities		**(5,315)**	(15,874)	**(33)**	(11,163)
Of which discontinued		**(136)**	(286)	**-**	-
Cash flow from financing activities					
Proceeds from issuance of Ordinary Shares		**-**	25,007	**-**	25,007
New loans		**7,922**	3,764	**6,206**	2,843
Repayments on borrowings		**(3,000)**	(1,855)	**(3,000)**	-
Dividend payment to non-controlling interest		**(228)**	(171)	**-**	-
Payment of deferred consideration		**(1,425)**	(355)	**(1,425)**	(355)
Net cash generated by financing activities		**3,269**	26,390	**1,781**	27,495
Of which discontinued		**2,426**	3,893	**-**	-
Net (decrease)/increase in cash and cash equivalents		**(6,331)**	5,772	**(4,379)**	4,231
Cash and Cash equivalents at beginning of year		**8,346**	2,551	**4,390**	159
Exchange gains/losses on cash and cash equivalents		**2**	23	**-**	-
Cash and cash equivalents at end of year		**2,017**	8,346	**11**	4,390

3.0 Financial Statements

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 2014	2,727	41,783	41	(725)	(3,412)	**40,414**	508	**40,922**
Comprehensive income								
(Loss)/profit for the year - continuing	-	-	-	-	(5,092)	**(5,092)**	221	**(4,871)**
(Loss)/profit for the year - discontinued	-	-	-	-	(597)	**(597)**	-	**(597)**
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 1 January 2015	4,221	91,276	41	26	(8,541)	**87,023**	353	**87,376**
Comprehensive income								
(Loss)/profit for the year - continuing	-	-	-	-	(13,754)	**(13,754)**	190	**(13,564)**
(Loss)/profit for the year - discontinued	-	-	-	-	(23,369)	**(23,369)**	-	**(23,369)**
Other comprehensive income								
Recycling of currency translations in respect of previously held interest in Selah Genomics Inc	-	-	-	(4,479)	-	**(4,479)**	-	**(4,479)**
Currency translation differences	-	-	-	846	-	**846**	(54)	**792**
Total comprehensive income	-	-	-	(3,633)	(37,123)	**(40,756)**	136	**(40,620)**
Transactions with owners								
Dividends to non-controlling interest	-	-	-	-	-	**-**	(228)	**(228)**
Share-based payments	-	-	-	-	226	**226**	-	**226**
Total contributions by and distributions to owners	-	-	-	-	226	**226**	(228)	**(2)**
At 31 December 2015	4,221	91,276	41	(3,607)	(45,438)	**46,493**	261	**46,754**

Company	Share capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
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 1 January 2015	**4,221**	91,276	**(9,050)**	86,447
Comprehensive income				
Loss for the year	**-**	-	**(31,595)**	(31,595)
Total comprehensive income	**-**	-	**(31,595)**	(31,595)
Transactions with owners				
Share-based payments	**-**	-	**226**	226
Total contributions by and distributions to owners	**-**	-	**226**	226
At 31 December 2015	**4,221**	91,276	**(40,419)**	55,078

Notes to the financial statements

for the year ended 31 December 2015

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 is the development, manufacture and supply of products and services into the in-vitro diagnostic (IVD) market place. The Group discontinued its service based molecular diagnostics business during the year. This has been accounted for as a discontinued operation. 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 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) New standards, amendments and interpretations adopted by the group. The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015. They do not materially impact on the group results:

- Annual improvements 2011 - 2013

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted

A number of new standards and amendments to standards and interpretations have been endorsed for annual periods beginning after 1 January 2015 (noted below), and have not been early adopted in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group.

- Annual improvements 2014 (2012-2014 cycle)
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation
- Amendments to IAS 16, 'Property, plant and equipment'
- Amendments to IAS 27, 'Separate financial statements' on the equity method
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative
- Amendment to IFRS 10, 11 and 12 on transition guidance
- Amendments to IAS 32 and IFRS 7 Financial instruments on asset and liability offsetting
- IAS 28 (revised), 'Investments in associates and joint ventures'
- IFRS 13, 'Fair value measurement'
- Amendment to IAS 12,'Income taxes' on deferred tax
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures.

A number of new standards and amendments to standards and interpretations have been issued but are not yet endorsed for annual periods beginning after 1 January 2015 (noted below), and have not been adopted in preparing these consolidated financial statements. 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.

- IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)
- IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

Going concern

The Group meets its day-to-day working capital requirements through the use of cash reserves and existing bank facilities.

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.

During 2015, the write down of trade debtors in Mexico caused the Group to breach covenants relating to its banking facilities in the USA. This breach has been waived by the bank, however as a result certain borrowings have been reclassified as current. A convertible loan was provided by the Zwanziger Family Ventures LLC and used to reduce bank borrowing.

On 15 April 2016 the Group announced that it had given notice of redemption of the ZFV loan, and that North Atlantic Smaller Companies Investment Trust PLC, a company associated with Christopher Mills had agreed to provide a non-convertible loan on broadly similar terms.

The loss making molecular business has been sold or mothballed, the sites in Dublin and Walton-on-Thames have been closed, and a redundancy programme put in place. These have together generated annualised cost savings of £6.7m.

The Directors believe 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.

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.

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.

Employee benefits

(a) Pension obligations

Group companies operate various pension schemes all of which are 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.

The Group no longer has any defined benefit schemes.

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 and others 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 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 services is measured at the fair value of the consideration received or receivable and represents the invoiced value for the sale of the services net of sales taxes, rebates and discounts. Revenue from the sale of services is recognised when a Group Company has completed the services and collectability of the related receivables is reasonably assured.

(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 2015**	**Average rate 2014**	**Year end rate 2015**	**Year end rate 2014**
Euro	1.376	1.244	1.359	1.287
Russian Rouble	94.362	64.048	108.480	91.264
Polish Zloty	5.766	5.206	5.808	5.465
US Dollar	1.528	1.647	1.476	1.559

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 £3,000 and £149,000 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 interest-bearing liabilities which relate to borrowings and finance lease obligations in the Group's UK, US and German subsidiaries. Interest rates on cash and cash equivalents are floating whilst interest rates on certain 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 below 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 2015 is the total gross contractual liability should all performance criteria be met, not the estimated liability based on current and forecast performance

	Less than 1 year £'000	Between 1 & 2 years £'000	Between 2 & 5 years £'000	More than 5 years £'000	Total £'000
At 31 December 2015:					
Borrowings (inc. finance leases)	9,917	431	573	234	11,155
Deferred consideration	485	-	-	-	485
Trade and other payables	8,028	-	-	-	8,028
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

(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.

(e) Fair value estimation

The Group has no Level 1, 2 or 3 classified financial assets as at 31 December 2015 (2014: 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) Going concern

The Directors believe that the Group has adequate resources to conduct normal business for the foreseeable future and as a result the Group continues to adopt the going concern basis of preparation for its consolidated financial statements.

In order to reach this conclusion, the Directors have prepared month-by-month forecasts for the period to 31 December 2017. These forecasts are based on sales and profitability being in line with those disclosed in the Chairman's statements, along with estimates for capital expenditure and other balance sheet items which the Directors consider to be reasonable. Working capital estimates assume that inventory levels reduce during the period as a proportion of sales. The Directors have applied sensitivities to these forecasts to model the effect of lower sales and a lower level of inventory reduction. The forecasts assume the continued support of the Group's lenders.

(b) Legal disputes

A dispute has arisen between EKF-diagnostic GmbH and a distributor involving disputed invoices from the distributor, relating mainly to the period prior to the acquisition of the company by the Group. The dispute is not covered by any outstanding warranty from the former owner. Earlier litigation in the UK has been settled in EKF's favour. Having taken legal advice the Directors believe that no provision is required in relation to this dispute.

A dispute has arisen with a second distributor in relation to issues with the registration of a product, for which the distributor is claiming damages. EKF contend that the registration was the distributor's responsibility and that in any case there is no liability for damages. The dispute is likely to go to mediation in the UK. Having taken legal advice, the Directors believe that no provision is required in relation to this dispute.

(c) 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.

(d) 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.

(e) 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. Trade receivables with a gross value of £5.1m are considered to have no value.

(f) 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. The carrying amount of deferred tax assets at the balance sheet date was £387,000 (2014: £283,000). In addition there were £2,532,000 (2014: £1,141,000) of deferred tax assets not recognised.

(g) Tax warranties

The Group has been assessed for and has paid taxation in Germany relating to the periods prior to acquisition by the Group. Under the warranties of the acquisition agreement EKF has withheld payment of part of the deferred consideration. The warranty claim effect has reduced as a result of reduction in the Company's share price. The reduction of the potential claim is included within administration costs and has been disclosed as an exceptional item. The determination of the related warranty claim, is 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. The new matrix structure for revenue based partly on disease states introduced in 2015 has been discontinued and this structure has not therefore been reflected in the segmental analysis.

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..

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

3.0 Financial Statements

5. Segmental reporting continued

The segment information provided to the Board for the reportable segments for the year ended 31 December 2015 is as follows:

2015	Germany £'000	UK £'000	USA £'000	Ireland £'000	Poland £'000	Russia £'000	Discont. £'000	Other £'000	Total £'000
Income statement									
Revenue	12,931	5	16,399	88	1,228	2,243	-	2,175	35,069
Inter segment	(4,075)	(2)	(40)	(58)	(20)	-	-	(829)	(5,024)
External revenue	**8,856**	**3**	**16,359**	**30**	**1,208**	**2,243**	**-**	**1,346**	**30,045**
Adjusted EBITDA*	1,870	(1,968)	2,879	(904)	544	598	-	(3,367)	(348)
Share based payment	-	-	-	-	-	-	-	(226)	(226)
Exceptional items	(351)	(449)	(2,413)	(16)	-	-	-	(2,493)	(5,722)
									-
EBITDA	1,519	(2,417)	466	(920)	544	598	-	(6,086)	(6,296)
Depreciation	(523)	(99)	(367)	(5)	(32)	(20)	-	(127)	(1,173)
Amortisation	(1,855)	(681)	(2,378)	(37)	(102)	(20)	-	(1,806)	(6,879)
Operating profit/(loss)	(859)	(3,197)	(2,279)	(962)	410	558	-	(8,019)	(14,348)
Net finance costs	(101)	(1,054)	(124)	-	10	12	-	(165)	(1,422)
Income tax	75	739	1,672	18	(70)	(113)	-	(115)	2,206
Discontinued operations	-	-	-	-	-	-	(23,369)	-	(23,369)
Retained profit/(loss)	**(885)**	**(3,512)**	**(731)**	**(944)**	**350**	**457**	**(23,369)**	**(8,299)**	**(36,933)**
Segment assets									
Operating assets	25,977	10,717	43,472	969	1,250	470	-	50,456	133,311
Inter segment assets	(454)	(4,957)	(19)	(59)	(446)	(4)	-	(57,500)	(63,439)
External operating assets	25,523	5,760	43,453	910	804	466	-	(7,044)	69,872
Cash	1,239	2	83	86	154	398	-	55	2,017
Total assets	**26,762**	**5,762**	**43,536**	**996**	**958**	**864**	**-**	**(6,989)**	**71,889**
Segment liabilities									
Operating liabilities	12,306	9,707	18,401	4,760	96	91	-	10,181	55,542
Inter segment liabilities	(9,065)	(8,884)	(16,053)	(4,420)		(4)	-	(2,823)	(41,249)
External operating liabilities	**3,241**	**823**	**2,348**	**340**	**96**	**87**	**-**	**7,358**	**14,293**
Borrowings	2,408	182	2,070	-	-	1	-	6,181	10,842
Total liabilities	**5,649**	**1,005**	**4,418**	**340**	**96**	**88**	**-**	**13,539**	**25,135**
Other segmental information									
Non current assets - PPE	4,724	53	4,066	-	127	68	-	1,642	10,680
Non current assets - Intangibles	11,372	5,561	13,978	619	348	125	-	10,924	42,927
Intangible assets - additions	1,225	558	576	697	-	-	-	40	3,096
PPE - additions	1,768	18	427	-	2	41	-	40	2,296

*Adjusted EBITDA excludes exceptional items and share-based payments

5. Segmental reporting continued

2014	Germany £'000	UK £'000	USA £'000	Ireland £'000	Poland £'000	Russia £'000	Discont. £'000	Other £'000	Restated Total £'000
Income statement									
Revenue	15,520	2,539	21,544	373	1,770	3,162	-	1,738	46,646
Inter segment	(7,297)	(1,849)	(29)	-	(22)	-	-	(343)	(9,540)
External revenue	**8,223**	**690**	**21,515**	**373**	**1,748**	**3,162**	**-**	**1,395**	**37,106**
Adjusted EBITDA*	4,460	4,746	4,758	(42)	1,079	717	-	(9,059)	6,659
Share based payment	-	-	-	-	-	-	-	(512)	(512)
Exceptional items	(481)	(663)	-	(170)	-	-	-	(792)	(2,106)
EBITDA	3,979	4,083	4,758	(212)	1,079	717	-	(10,363)	4,041
Depreciation	(609)	(117)	(328)	(11)	(35)	(23)	-	(115)	(1,238)
Exceptional impairment	-	-	-	(1,162)	-	-	-	-	(1,162)
Amortisation	(603)	(624)	(1,464)	(229)	(108)	(24)	-	(529)	(3,581)
Operating profit/(loss)	2,767	3,342	2,966	(1,614)	936	670	-	(11,007)	(1,940)
Net finance costs	(21)	(694)	(167)	-	5	-	-	(614)	(1,491)
Income tax	(58)	(714)	(687)	141	(189)	(131)	-	198	(1,440)
Discontinued operations	-	-	-	-	-	-	(597)	-	(597)
Retained profit/(loss)	**2,688**	**1,934**	**2,112**	**(1,473)**	**752**	**539**	**(597)**	**(11,423)**	**(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	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
Intangible assets - additions	419	696	-	480	-	-	-	-	1,595
PPE - additions	507	22	418	-	13	23	-	55	1,038
Investments - additions	-	-	-	-	-	-	-	902	902

* Adjusted EBITDA excludes exceptional items and share-based payments. 'Other' primarily relates to the holding company and head office costs.

5. Segmental reporting continued

Disclosure of Group revenues by geographic location is as follows:

	2015 £'000	Restated 2014 £'000
Americas		
United States of America	**10,857**	9,755
Mexico	**1,004**	7,560
Rest of Americas	**2,390**	2,440
Europe, Middle East and Africa (EMEA)		
Germany	**5,057**	4,848
United Kingdom	**238**	287
Rest of Europe	**2,637**	2,791
Russia	**2,259**	3,174
Middle East	**1,676**	687
Africa	**916**	1,315
Rest of World		
China	**677**	2,304
Asia	**2,242**	1,892
New Zealand/Australia	**92**	53
Total revenue	**30,045**	**37,106**

6. Expenses – analysis by nature

	2015 £'000	Restated 2014 £'000
Inventories consumed in cost of sales	**6,856**	8,327
Employee benefit expense (note 10)	**20,127**	15,346
Employee costs capitalised as intangible assets	**(837)**	(549)
Depreciation and amortisation	**8,052**	4,819
Transaction costs relating to business combinations (note 7)	**178**	809
Exceptional items	**5,722**	3,268
Research and development expenses	**2,346**	1,275
Foreign exchange	**432**	446
Operating lease payments	**1,263**	492
Other expenses	**393**	4,635
Total cost of sales and administrative expenses	**44,532**	**39,417**

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	2015 £'000	2014 £'000
Warranty claim	a	**(349)**	(281)
Restructuring costs	b	**(727)**	-
Transaction costs relating to business combinations	c	**(178)**	(809)
Impairment charges - goodwill	d	**-**	(254)
Impairment charges - other	d	**(5,948)**	(908)
Release of deferred consideration provisions	e	**7,353**	79
Impairment of investment	f	**(750)**	-
Bad debts written off	g	**(5,123)**	-
Cost of closure and transfer of Quotient manufacturing to Germany		**-**	(925)
Cost of closure and transfer of EKF Ireland to UK		**-**	(170)
Exceptional items		**(5,722)**	**(3,268)**

- **a.** Estimated warranty claim in relation to the acquisition of EKF-diagnostic GmbH reduced because of lower share price
- **b.** Transaction costs in 2015 relate to additional costs of acquisition in the previous year
- **c.** Restructuring costs mainly redundancy and notice costs
- **d.** Impairment of EKF Molecular Diagnostics Ltd, and the remaining value of EKF Ireland and capitalised R&D.
- **e.** Reductions in carrying value of deferred contingent consideration associated with EKF Molecular Diagnostics and Stanbio.
- **f.** Impairment of investment in Dx Economix Inc.
- **g.** Write off of bad debts associated with certain customers in Mexico

8. Auditor remuneration

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

	2015 £'000	2014 £'000
Fees payable to Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	38	38
Fees payable to the Company's auditor and its associates for other services:		
– The audit of Company's subsidiaries	87	111
– Other services	32	71
– Tax compliance services	13	28
	170	**248**

9. Directors' emoluments

	2015 £'000	2014 £'000
Aggregate emoluments	**1,179**	941
Contribution to defined contribution pension scheme	**35**	29
	1,214	**970**

Retirement benefits are accruing to 2 (2014: 4) current directors under a defined contribution scheme. See further disclosures within the Remuneration Report on page 23.

10. Employee benefit expense

	2015 £'000	Restated 2014 £'000
Wages and salaries	**16,920**	13,242
Social security costs	**2,663**	1,368
Share options granted to Directors and senior management	**226**	512
Pension costs – defined contribution plans (note 33)	**318**	224
	20,127	**15,346**

Employee costs of £0.8m (2014: £0.5m) have been capitalised as part of development costs.

11. Monthly average number of people employed

	2015 £'000	2014 £'000
Monthly average number of people (including Executive Directors) employed was:		
Administration	**80**	66
Research and development	**35**	32
Sales and marketing	**87**	78
Manufacturing, production and after sales	**195**	192
	397	**368**

The total number of employees at 31 December 2015 was 365 (2014: 395).

12. Finance income and costs

	2015 £'000	Restated 2014 £'000
Finance costs:		
– Bank borrowings	**312**	226
– Other interest	**50**	-
– Financial liabilities at fair value through profit or loss – (gains)/losses	**(395)**	(476)
– Deferred consideration-unwinding of discount (note 27)	**1,482**	1,751
– Convertible debt	**8**	8
Finance costs	**1,457**	**1,509**
Finance income		
– Interest income on cash and short-term deposits	**34**	18
– Other interest	**1**	-
Finance income	**35**	**18**
Net finance costs	**1,422**	**1,491**

13. Income tax

Group	2015 £'000	2014 £'000
Current tax:		
Current tax on loss for the year	**220**	1,677
Adjustments for prior periods	**(76)**	(263)
Total current tax	**144**	1,414
Deferred tax (note 28):		
Origination and reversal of temporary differences	**(2,350)**	26
Total deferred tax	**(2,350)**	**26**
Income tax (credit)/charge	**(2,206)**	**1,440**

The Finance Act 2015 which was substantially enacted on 26 October 2015 included legislation to reduce the main rate of corporation tax to 19% from 1 April 2019 and 18% from 1 April 2020. On 16 March 2016, the government announced that the corporation tax rate applicable from 1 April 2020 will be 17%. The proposed reductions in the rate of corporation tax are expected to be enacted, and the impact accounted for in 2016.

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:

	2015 £'000	Restated 2014 £'000
Loss before tax	**(15,770)**	**(3,431)**
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 20% (2014: 21.5%)	**(3,154)**	(738)
Tax effects of:		
– Expenses not deductible for tax purposes	**5,518**	748
– Losses carried forward	**(4,628)**	696
– Adjustment in respect of prior years	**76**	(263)
– Impact of different tax rates in other jurisdictions	**(272)**	163
- Impact of utilisation of deferred tax asset	**-**	1,079
– Other movements	**254**	(245)
Tax charge	**(2,206)**	**1,440**

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.

	2015 £'000	Restated 2014 £'000
Loss attributable to owners of the parent	(37,123)	(5,689)
Loss from continuing operations attributable to equity holders of the company	(13,754)	(5,092)
Loss from discontinued operations attributable to equity holders of the company	(23,369)	(597)
Weighted average number of Ordinary Shares in issue	422,057,074	379,633,724
Basic loss per share	(8.80) pence	(1.50) pence
Basic loss per share from continuing operations	(3.26) pence	(1.34) pence
Basic loss per share from discontinued operations	(5.54) pence	(0.16) 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 2015 or 2014 as the Group has made a loss per share.

	2015 £'000	Restated 2014 £'000
Loss attributable to owners of the parent	(37,123)	(5,689)
Loss from continuing operations attributable to equity holders of the company	(13,754)	(5,092)
Loss from discontinued operations attributable to equity holders of the company	(23,369)	(597)
Weighted average dilutive number of Ordinary Shares	422,057,074	379,633,724
Diluted loss per share	(8.80) pence	(1.50) pence
Basic loss per share from continuing operations	(3.26) pence	(1.34) pence
Basic loss per share from discontinued operations	(5.54) pence	(0.16) pence

	2015 £'000	2014 £'000
Weighted average number of Ordinary Shares in issue	422,057,074	379,633,724
Adjustment for:		
– Assumed conversion of share awards	4,272,819	9,833,892
– Assumed payment of equity deferred consideration	4,043,940	4,043,940
Weighted average number of Ordinary Shares including potentially dilutive shares	430,373,833	393,511,556

15. Dividends

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

16. Property, plant and equipment

Group	Lands & buildings £'000	Fixtures & fittings £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
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**
Cost					
At 1 January 2015	6,294	954	9,013	82	16,343
Additions	1,476	146	634	40	2,296
Disposal with subsidiaries	(40)	-	(1,009)	-	(1,049)
Transfers	-	57	(57)	-	-
Exchange differences	147	2	(260)	(16)	(127)
Disposals	-	(79)	(250)	(9)	(338)
At 31 December 2015	**7,877**	**1,080**	**8,071**	**97**	**17,125**
Accumulated depreciation					
At 1 January 2015	602	542	4,613	18	5,775
Charge for the year	171	152	825	25	1,173
Charge - discontinued business	-	-	232	-	232
Disposal with subsidiaries	(9)	-	(299)	-	(308)
Transfers	-	29	(29)	-	-
Exchange differences	18	(5)	(141)	(8)	(136)
Disposals	-	(63)	(225)	(3)	(291)
At 31 December 2015	**782**	**655**	**4,976**	**32**	**6,445**
Net book value					
At 31 December 2015	**7,095**	**425**	**3,095**	**65**	**10,680**

Depreciation expense of £742,000 (2014: £878,000) has been charged to cost of sales and £431,000 (2014: £557,000) has been charged to administrative expenses.

16. Property, plant and equipment continued

Company	Lands & buildings £'000	Fixtures & fittings £'000	Total £'000
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**
Cost			
At 1 January 2015	1,673	56	1,729
Additions	-	33	33
At 31 December 2015	**1,673**	**89**	**1,762**
Accumulated depreciation			
At 1 January 2015	**122**	**31**	**153**
Charge for the year	41	21	62
At 31 December 2015	**163**	**52**	**215**
Net book value			
At 31 December 2015	**1,510**	**37**	**1,547**

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) (2014: €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:

Group	2015 £'000	2014 £'000
Cost – capitalised finance leases	**372**	879
Accumulated depreciation	**(71)**	(162)
Net book value	**301**	717

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.

17. Intangible assets

Group	Non Compete agreements £'000	Goodwill £'000	Trademarks Tradenames & Licences £'000	Customer relationships £'000	Trade secrets £'000	Development costs £'000	Total £'000
Cost							
At 1 January 2014	70	14,641	1,596	8,479	13,652	2,976	41,414
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**
Cost							
At 1 January 2015	**70**	**46,420**	**4,007**	**18,518**	**30,897**	**4,829**	**104,741**
Additions	-	-	30	-	-	3,066	3,096
Disposal	-	(23,541)	(1,355)	(5,142)	(14,282)	-	(44,320)
Exchange differences	-	839	(189)	439	263	(113)	1,239
At 31 December 2015	**70**	**23,718**	**2,493**	**13,815**	**16,878**	**7,782**	**64,756**
Accumulated amortisation							
At 1 January 2015	**41**	**954**	**702**	**3,344**	**4,977**	**1,201**	**11,219**
Exchange differences	-	(50)	(2)	50	(132)	(31)	(165)
Impairment charge	6	1,178	-	53	3,225	1,486	5,948
Disposal	-	-	(194)	(492)	(1,366)	-	(2,052)
Charge for the year	23	-	872	1,600	2,162	2,222	6,879
At 31 December 2015	**70**	**2,082**	**1,378**	**4,555**	**8,866**	**4,878**	**21,829**
Net book value							
At 31 December 2015	**-**	**21,636**	**1,115**	**9,260**	**8,012**	**2,904**	**42,927**

The amortisation charge of £6,879,000 (2014: £4,744,000) has been charged to administrative expenses in the income statement. Loss on disposal of £42,268,000 has been charged to discontinued operations and the impairment charge of £5,948,000 has been charged to exceptional items in administrative expenses.

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.

	2015 £'000	2014 £'000
UK	**3,390**	4,568
Germany	**3,504**	3,700
Poland	**288**	306
Russia	**72**	85
US	**6,122**	28,085
Other (primarily relating to DiaSpect)	**8,260**	8,722
Total	**21,636**	45,466

Goodwill is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2015 was assessed on the basis of value in use. The assessed value exceeded the carrying value and no impairment loss was recognised, other than for EKF Molecular Diagnostics. The carrying value of the goodwill associated with EKF Molecular Diagnostics has been impaired by £1,178,000 to reflect a reduction in the assessed recoverable amount following the mothballing of the unit. In addition Goodwill and other intangible assets relating to Selah Genomics were de-recognised on its sale.

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 the Board 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 2015 are as follows:

	EKF Germany %	EKF Poland %	EKF Russia %	Stanbio %	STI %	DiaSpect %
Longer-term growth rate	3	3	3	5	3	2
Discount rate	12	26	26	12	12	12

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.

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 and STI.

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

For DiaSpect, the impairment assessment has been carried out over a 10 year period. The Directors estimate that the long term growth from the DiaSpect products will be high because it is a relatively new product which will bring market benefits. In Year 1 a growth rate of 10% has been used, followed by 20% for years 2-5, then falling to 2% thereafter. The Directors believe that the market benefits will allow the product to be sold at a margin in excess of other products sold by the Group. If revenues or margins are lower than forecast, then impairment will be required.

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

Trade name	3–9 years
Customer relations	1–14 years
Trade secrets	1–14 years
Development costs	11 years

The Company has no intangible assets.

18. Investments in subsidiaries

Company	2015 £'000	2014 £'000
1 January	**61,043**	16,630
Additions	**-**	46,013
Disposal	**(28,922)**	--
Impairment	**(1,600)**	(1,600)
31 December	**30,521**	61,043

The disposal relates to Selah Genomics Inc. The impairment relates to the investment in EKF Molecular Diagnostics Limited.
Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid, less any impairment. The subsidiaries of EKF Diagnostics Holdings plc are as follows:

Name of Company	Note	Proportion Held	Class of Shareholding	Nature of Business
EKF Diagnostics Limited (UK)	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% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment
EKF-diagnostic GmbH	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
EKF 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
1261 N Main LP	6	100%	Partnership	Dormant
Stanlab Management LLC	6	100%	Ordinary	Dormant
1261 N Main Management LLC	6	100%	Ordinary	Dormant
Argutus Intellectual Property Limited	7	100% (Indirect)	Ordinary	Dormant
EKF Diagnostics Limited (Ireland)	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 or formed 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 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
31 December				
Assets as per balance sheet				
Trade and other receivables excluding prepayments and corporation tax	**6,403**	14,947	**32,970**	36,155
Cash and cash equivalents	**2,017**	8,346	**11**	4,390
Total	**8,420**	23,293	**32,981**	40,545

(a) Liabilities

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
31 December				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	**10,439**	5,348	**6,049**	2,843
Finance lease liabilities	**403**	898	**-**	–
Trade and other payables	**8,028**	7,731	**4,076**	3,679
Deferred consideration	**485**	18,029	**485**	11,658
Total	**19,355**	32,006	**10,610**	18,180

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 £485,000 (2014: £880,000) 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 2015 and 31 December 2014, 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:

	2015 £'000	2014 £'000
AA-	13	4,749
Ratings lower than AA- or unrated	2,004	3,597
Total	**2,017**	8,346

20. Investments

	2015 £'000	2014 £'000
1 January	1,152	250
Additions	-	902
Impairments	(750)	-
31 December	**402**	1,152

The investment consists of a 2.63% (2014: 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 which has been 100% impaired; and a 0.67% holding in Epinex Diagnostics Inc., a US based privately held company operating in the medical diagnostics industry.

21. Disposal

On 23 December 2015 the Company disposed of all of its 100% shareholding in Selah Genomics Inc. ("Selah") for a consideration of $10, paid in cash. The purchasers were the founder directors. Selah, whose business is developing molecular diagnostics for personalised medicine, was purchased in April 2014 for a total consideration (including contingent consideration) of £28.9m. On the occurrence of certain future events, the Group is entitled to participate in future profits from Selah.

During the year up to the date of disposal Selah's income statement was:

	2015 £'000	2014 £'000
Revenue	2,400	2,956
Cost of sales	(1,008)	(2,253)
Gross profit	**1,392**	703
Administrative expenses	(4,126)	(1,236)
Operating loss	**(2,734)**	(533)
Depreciation and amortisation	(232)	(131)
LBITDA before exceptional items and share-based payments	**(2,502)**	(402)
Finance costs	(40)	(64)
Loss before income tax	**(2,774)**	(597)
Income tax credit/(expense)	-	-
Loss for the year	**(2,774)**	(597)

On disposal Selah had the following assets and liabilities:

	2015 £'000
Fixed assets	**741**
Current assets excluding cash	**1,220**
Cash	**13**
Current liabilities excluding intercompany	**(638)**
Borrowings	**(326)**
Amounts due to the parent and co-subsidiaries	**(7,188)**
Net liabilities	**(6,178)**

The loss on discontinued items is made up of:

	2015 £'000	2014 £'000
Operating result	**(2,774)**	(597)
Write down of assets	**(42,775)**	-
Deferred consideration written back	**9,998**	-
Deferred tax written back	**7,703**	-
Recycling of currency translations	**4,479**	-
Loss on discontinued business	**(23,369)**	(597)

22. Trade and other receivables

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Non-current				
Amounts owed by subsidiary undertakings	**-**	-	**18,550**	17,799
Current				
Trade receivables	**9,640**	12,763	**-**	-
Less: provision for impairment of trade receivables	**(5,575)**	(978)	**-**	-
Trade receivables – net	**4,065**	11,785	**-**	-
Prepayments	**229**	331	**129**	152
Amounts owed by subsidiary undertakings	**-**	-	**14,376**	18,315
Corporation tax receivable	**610**	837	**-**	-
Other receivables	**2,338**	3,162	**44**	41
	7,242	16,115	**14,549**	18,508

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The provision of trade recievables includes £5,123,000 relating to Mexican debtors which has been treated as an exceptional item. As of 31 December 2015, trade receivables of £490,000 (2014: £6,842,000) 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 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Up to 3 months	**266**	4,498	**-**	-
3 to 6 months	**223**	2,330	**-**	-
6 months to 12 months	**1**	14	**-**	-
	490	6,842	**-**	-

As of 31 December 2015, trade receivables of £5,575,000 (2014: £978,000) were impaired and provided for. The ageing of these impaired receivables is as follows:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Up to 3 months	-	6	-	-
3 to 6 months	23	329	-	-
6 months to one year	429	643	-	-
Greater than one year	5,123	-	-	-
Total	5,575	978	-	-

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

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
At 1 January	978	91	-	-
Provision for receivables impairment	5,191	613	-	-
Acquired with subsidiaries	-	349	-	-
Unused amounts reversed	(178)	(70)	-	-
Disposal of Selah Genomics	(419)	-	-	-
Exchange differences	3	(5)	-	-
At 31 December	5,575	978	-	-

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 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
UK Sterling	277	356	9,007	7,359
Euros	4,460	4,739	8,193	9,458
US dollar	2,199	10,712	15,899	19,490
Russian rouble	44	70	-	-
Polish zloty	262	238	-	-
	7,242	16,115	33,099	36,307

23. Inventories

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Raw materials	3,892	3,225	-	-
Work in progress	1,466	553	-	-
Finished goods	2,876	2,015	-	-
	8,234	5,793	-	-

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 £1,641,000 (2014: £969,000).
The cost of inventories recognised as expense and included in 'cost of sales' amounted to £6,856,000 (2014: £8,327,000).
The Company had no inventories.

24. Cash and cash equivalents

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Cash at bank and in hand	**2,017**	4,422	**11**	595
Short-term bank deposits	**--**	3,924	**-**	3,795
Cash and cash equivalents (excluding bank overdrafts)	**2,017**	8,346	**11**	4,390

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

25. Trade and other payables

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade payables	**2,090**	1,500	**489**	209
Amounts due to subsidiary undertakings	**-**	-	**2,812**	2,913
Social security and other taxes	**303**	212	**232**	79
Other payables	**1,129**	2,354	**-**	-
Accrued expenses and deferred income	**4,809**	3,877	**775**	557
	8,331	7, 943	**4,308**	3,758

26. Borrowings

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Non-current				
Bank borrowings	**665**	1,668	**-**	-
Convertible loan	**182**	174	**-**	-
Finance lease liabilities	**320**	650	**-**	-
	1,167	2,492	**-**	-
Current				
Bank borrowings	**6,592**	3,506	**3,049**	2,843
Other borrowing	**3,000**	-	**3,000**	
Finance lease liabilities	**83**	248	**-**	-
	9,675	3,754	**6,049**	2,843

The maturity profile of borrowings was as follows:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due				
Within 1 year	**9,675**	3,754	**6,049**	2,843
Between 1 and 2 years	**401**	320	**-**	-
Between 2 and 5 years	**549**	653	**-**	-
More than 5 years	**217**	1,519	**-**	-
Total borrowings	**10,842**	6,246	**6,049**	2,843

(a) Bank borrowings

Bank borrowings have maturity profiles from 2015 through to 2022 and bear an average fixed coupon of 3.21% annually (2014: 3.19%).

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. At 31 December 2015 the group was in breach of the covenants associated with its US borrowing as a result of the exceptional impairment of Mexican debtors. The breach was subsequently waived.

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% (2014: 5%).

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

	Group 2015 £'000	Group 2014 £'000	**Company 2015 £'000**	Company 2014 £'000
Euros	**2,440**	398	**-**	–
US Dollar	**4,817**	4,776	**3,049**	2,843
GBP	**3,000**	-	**3,000**	–
Total	**10,257**	5,174	**6,049**	2,843

(b) Convertible loans

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.

Zwanziger Family Ventures LLC has loaned £3,000,000 by way of a convertible loan. The loan has a term of two years from 21 December 2015, with interest payable at 5% above LIBOR. The loan can be converted at either (a) 14.75p per share or (b) a 15% discount to the next substantial fundraising. The Zwanziger Family 2012 Irrevocable Trust (ZFT) holds a controlling interest in the lender. The beneficiaries of the ZFT are the Zwanziger family. The loan is secured by a debenture.

On 15 April 2016 the Group announced that it had given notice of redemption of the ZFV loan, and that North Atlantic Smaller Companies Investment Trust PLC, a company associated with Christopher Mills had agreed to provide a non-convertible loan on broadly similar terms.

(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.

	2015 £'000	2014 £'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**99**	294
Later than 1 year and no later than 5 years	**85**	442
Later than 5 years	**363**	308
	547	1,044
Future finance charges on finance leases	**(144)**	(146)
Present value of finance lease liabilities	**403**	898

The present value of finance lease liabilities is as follows:

	2015 £'000	2014 £'000
No later than 1 year	**83**	248
Later than 1 year and no later than 5 years	**67**	408
Later than 5 years	**253**	242
	403	898

27. Deferred consideration

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
At 1 January	**18,029**	7,249	**11,658**	1,778
On acquisition of subsidiaries	**-**	9,785	**-**	9,785
Unwinding of discount (note 12)	**1,482**	1,751	**644**	1,004
Fair value adjustment	**(395)**	(475)	**(395)**	(475)
Reduction of provisions	**(17,350)**	(79)	**(9,997)**	(79)
Payments made	**(1,425)**	(355)	**(1,425)**	(355)
Exchange differences	**144**	153	**-**	-
At 31 December	**485**	**18,029**	**485**	**11,658**
Current portion	**485**	**8,493**	**485**	**8,493**
Non-current portion	**-**	**9,536**	**-**	**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 2015 of £485,000. While this agreement has been reached in principle that this will not be paid, the contract amendment has not yet been signed.
- The deferred consideration in respect of Selah and EKF Molecular have been released during the year.
- The contingent consideration payable as part of the consideration for DiaSpect Medical AB 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	2015 £'000	2014 £'000
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	**(47)**	(45)
Deferred tax asset to be recovered after more than 12 months	**(340)**	(238)
	(387)	(283)
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**3,559**	13,258
Deferred tax liability to be recovered within 12 months	**831**	756
	4,390	14,014
Deferred tax liabilities – net	**4,003**	13,731

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

	2015 £'000	2014 £'000
At 1 January	**13,731**	2,873
Exchange differences	**325**	438
On acquisition of subsidiaries	**-**	10,394
Discontinued	**(7,703)**	-
Income statement movement (note 13)	**(2,350)**	26
At 31 December	**4,003**	13,731

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 2014	3,822	3,822
Credited to the income statement	(638)	(638)
On acquisition of subsidiaries	10,394	10,394
Impact of deferred tax rate change	-	-
Exchange differences	436	436
At 31 December 2014	**14,014**	**14,014**
At 1 January 2015	14,014	14,014
Credited to the income statement	(2,247)	(2,247)
Discontinued business	(7,703)	(7,703)
Exchange differences	326	326
At 31 December 2015	**4,390**	**4,390**

Deferred tax assets	Tax losses £'000	Other £'000	Total £'000
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)**
At 1 January 2015	(45)	(238)	(283)
Charged to the income statement	(1)	(102)	(103)
Exchange differences	(1)	-	(1)
At 31 December 2015	**(47)**	**(340)**	**(387)**

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 £2,532,000 (2014: £1,141,000) mainly in respect of tax losses amounting to £12,298,000 (2014: £5,707,000) that can be carried forward against future taxable income.

Company	2015 £'000	2014 £'000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**387**	238
Deferred tax	**387**	**238**

29. Share capital and premium

Group and Company	Number of Shares	Share Capital £'000	Share Premium £'000	Total £'000
At 1 January 2015 and 31 December 2015	422,057,074	4,221	91,276	95,497

30. Share options and share-based payments

The share options and share incentive schemes in existence were as follows:

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

	2015 Number of notional shares	2014 Number of notional shares
At 1 January 2015 and 31 December 2015	**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.

- 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.
- 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.
- 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.
- 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.
- 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.
- 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

	2015		2014	
	Average exercise price per share £	Options (Number)	Average exercise price per share £	Options (Number)
At 1 January	0.27	10,210,000	0.224	7,735,000
Granted	0.218	1,800,000	0.359	3,600,000
Exercised	-	-	0.18	(225,000)
Forfeited	0.3175	(1,500,000)	0.264	(900,000)
At 31 December	**0.254**	**10,510,000**	**0.27**	**10,210,000**

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.
- 1,200,000 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.

- 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.
- 1,300,000 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. In accordance with the scheme rules these options vested on the termination of the director's service contract on 31 December 2015, and can be exercised at any time before 31 December 2016.
- 1,300,000 options were issued to a former director on 9 December 2015 at an exercise price of 22.5p. These options vested immediately and are exercisable at any time before 31 December 2016.
- 500,000 options were issued to a third party on 17 May 2015 at an exercise price of 20.0p. The shares will vest from 6 April 2016 subject to the completion of certain contractual obligations, and to the Company's mid-market closing share price attaining 35p or higher. The maximum term is 10 years from grant.

All share option awards are equity settled. Out of the 10,510,000 (2014: 10,210,000) outstanding options 8,060,000 (2014: 5,960,000) were exercisable.

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

	2015		2014	
Expiry date	Average exercise price per share £	Options (Number)	Exercise price per share £	Options (Number)
31.12.2016	0.35	1,300,000	-	-
31.12.2016	0.225	1,300,000	-	-
16.06.2021	0.200	4,260,000	0.200	4,260,000
28.09.2021	0.252	1,200,000	0.252	1,700,000
19.04.2022	-	-	-	-
07.07.2023	0.2725	650,000	0.2725	650,000
21.01.2024	0.37625	1,300,000	0.37625	1,300,000
17.04.2024	-	-	0.35	1,000,000
30.05.2024	-	-	0.35	1,300,000
06.04.2025	0.200	500,000	-	-
	-	**10,510,000**		10,210,000

The weighted average fair value of options granted during 2015 determined using the Black-Scholes valuation model was £0.048 (2014: £0.109).

The significant inputs into the model are detailed below:

	2015	2014
Weighted average share price	**13.7p**	31.44p
Weighted average option exercise price	**21.8p**	36.31p
Expected volatility	**76.8%**	41.3%
Risk-free interest rate	**0.50**	0.50
Expected option life	**3.5 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.

31. Retained earnings

	Group £'000	Company £'000
At 1 January 2014	**(3,412)**	(6,680)
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)
At 1 January 2015	**(8,541)**	(9,050)
Loss for the year	**(37,123)**	(31,595)
Share-based payment	**226**	226
At 31 December 2015	**(45,438)**	(40,419)

32. Other reserves

Group	Foreign currency £'000	Other £'000	Total £'000
At 1 January 2014	(725)	41	(684)
Currency translation differences	751	-	751
At 31 December 2014	**26**	**41**	**67**
At 1 January 2015	26	41	67
Currency translation differences	846	-	846
Recycling of reserves in respect of previously held interest in Selah Genomics	(4,479)	-	(4,479)
At 31 December 2015	**(3,607)**	**41**	**(3,566)**

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

Pension benefits

The Company 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 £318,000 (2014: £224,000).

34. Commitments

a) Capital commitments

The Group has contracted approximately £606,000 (2014 – £nil) 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:

Group	Land & buildings 2015 £'000	Land & buildings 2014 £'000	Other 2015 £'000	Other 2014 £'000
No later than 1 year	**219**	303	**114**	126
Later than 1 year and no later than 5 years	**661**	1,344	**146**	243
Later than 5 years	**123**	609	**-**	34
Total	**1,003**	**2,256**	**260**	**403**

35. Cash used in operations

	Group 2015 £'000	Group Restated 2014 £'000	Company 2015 £'000	Company 2014 £'000
Loss before tax	**(15,770)**	(3,431)	**(27,791)**	(3,003)
Loss on discontinued business	**-**	(597)	**-**	-
Adjustments for:				
– Depreciation	**1,173**	1,368	**62**	57
– Amortisation	**6,879**	3,582	**-**	-
– Impairment of intangibles, excluding discontinued business	**5,948**	1,229	**-**	1,600
- Impairment of investment	**750**	-	**-**	-
– Warranty claim	**349**	281	**-**	-
– Loss/(Profit) on disposal of fixed assets	**5**	(6)	**18,838**	-
– Restructure of operations	**(2,055)**	-	**-**	-
– Share-based payments	**226**	512	**226**	512
– Release of deferred consideration	**(7,353)**	(79)	**-**	(79)
– Fair value adjustment	**(395)**	(476)	**-**	-
– Bad debt write down	**5,123**	-	**141**	(678)
– Net finance costs	**1,817**	2,031	**(1,029)**	(132)
Changes in working capital				
– Inventories	**(2,607)**	728	**-**	-
– Trade and other receivables	**2,025**	(8,467)	**3,033**	(9,829)
– Trade and other payables	**971**	63	**550**	(459)
Net cash used in by operations	**(2,914)**	**(3,262)**	**(5,970)**	**(12,011)**

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

Group	2015	2014
Net book value	**47**	16
(Loss)/profit on disposal of property, plant and equipment	**(5)**	6
Proceeds from disposal of property, plant and equipment	**42**	**22**

Non-cash transactions

The principal non-cash transactions are transactions associated with the disposal of Selah Genomics Inc.; the release of deferred consideration provisions; the fair value adjustment relating to the deferred equity consideration in respect of EKF Germany, the warranty claim, and impairment charges in relation to capitalised R&D and the write off of trade debtors relating to customers in Mexico.

36. Related Party Disclosures

Directors

Ron Zwanziger, a Director of the company during the year, is a substantial shareholder in Lumira Diagnostics Limited ("Lumira") and in the Company, through the Zwanziger Family Ventures LLC. From January 2016 to April 2016 the Group shared certain human resources and their associated costs with Lumira. The Zwanziger Family Ventures LLC has lent £3,000,000 to the Group, secured by a debenture.

The Group was invoiced £18,000 (2014: £18,000) by J & K (Cardiff) Limited for property rent. Julian Baines, a Director of the Company, 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 includes all the Directors only.

	2015	2014
Salaries and other short-term employee benefits	**1,179**	941
Share-based payments	**116**	414
Employer contribution to pension scheme	**35**	29
	1,330	**1,384**

The Company

During the year the Company invoiced management charges of £1,799,000 (2014 – £2,526,000) and interest of £1,421,000 (2014 – £726,000) to its subsidiary companies. It purchased goods and services from subsidiaries totalling £228,000 (2014 – £619,000). At 31 December 2015 the Company was owed £32,926,000 (2014 – £36,307,000) by its subsidiaries and owed £2,812,000 (2014 – £2,913,000) to other subsidiaries.

4.0 Additional Information

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 Harwood Capital, 6 Stratton Street, Mayfair, London, W1J 8LD on 2 June 2016 at 11.00 a.m. for the following purposes:

Ordinary Resolutions

1. To receive and adopt the statement of accounts for the year ended 31 December 2015 together with the reports of the Directors and the auditors thereon.

2. To re-elect Christopher Mills, who retires by rotation, as a Director.

3. To re-elect Adam Reynolds, who retires by rotation, as a Director.

4. 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.

5. 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 £276,012.76 (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 2017, 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.

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 2017, 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.

Registered Office

Avon House
19 Stanwell Road
Penarth
Cardiff, CF64 2EZ

By order of the Board

Salim Hamir
Company Secretary
4 April 2016

Notes

1. The Company specifies that only those members registered on the Company's register of members at close of business on 31 May 2016 or if this general meeting is adjourned, at close of business 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.
6. To appoint a proxy using the Proxy Form, the Proxy Form must be:

   i, completed and signed;
   ii, sent or delivered to Capita Registrars, The Registry, 34 Beckenham Road, Kent BR3 4TU; and
   iii, received by Capita Registrars, at the address provided in paragraph 5(b) above no later than 11.00 a.m. on 31 May 2016.

7. 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.
8. 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.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).
9. 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.
10. 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 Registrars at the address noted in note 5 above.
11. 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.
12. 11. 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 Registrars 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.
13. The revocation notice must be received by Capita Registrars no later than 11.00 a.m. on 31 May 2016.
14. 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.
15. 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.
16. 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.
17. Voting on all resolutions will be conducted by way of a poll rather than on a show of hands.
18. 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

Directors:

Christopher Mills
(Non-Executive Chairman)
David Evans
(Non-Executive Deputy Chairman)
Julian Baines
(Chief Executive Officer)
Richard Evans
(Chief Operating Officer and Finance Director)
Lurene Joseph
(Non-Executive Director)
Adam Reynolds
(Non-Executive Director)

Company Secretary:

Salim Hamir

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
1 New Change
London, EC4M 9AF

Solicitors to the Company:

Berry Smith LLP

Haywood House
Dumfries Place
Cardiff, CF10 3GA

Registrars:

Capita Asset Services

The Registry
34 Beckenham Road, Beckenham
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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