ANNUAL REPORT

2017

EKF Diagnostics Holdings plc

Diagnostics for life

Contents

1.0 Strategic Review

Financial and Operational Highlights

Financial Highlights

- Revenue up 8% to £41.6m (2016: £38.6m)
- Gross profit up 25% to £22.9m (2016: £18.3m)
- Adjusted EBITDA* up 52% to £9.3m (2016: £6.1m)
- Earnings per share of 0.59p (2016: nil)
- Cash generated from operations of £10.1m (2016: £8.8m)
- Cash at 31 December 2017 of £8.2m (31 Dec 2016: £7.9m), net cash of £7.0m (31 Dec 2016: £2.2m)
- Capital restructure creates distributable reserves and allows share buy back programme

** Excluding exceptional items and share based payments*

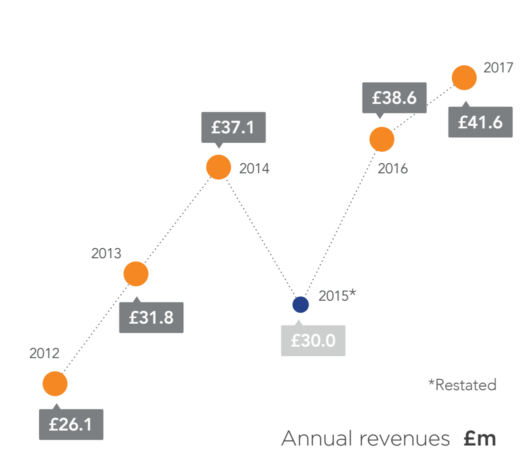
Operational Highlights

- Continued effect of improvements to operational efficiency
- Closure of Polish operations brings sites down from twelve to seven
- Creation of Renalytix AI, Inc in January 2018 to exploit sTNFR technology

2017 Revenue

	2017	2016	+/-
Revenue (£m)	**£41.6**	£38.6	8%
Net cash (£m)	**£7.0**	£2.2	218%
Adjusted EBITDA (£m)	**£9.3**	£6.1	52%

8%
increase in revenues year on year



+10%
HEMOGLOBIN REVENUES
FY 2017 £12,911 (£k)
FY 2016 £11,704 (£k)

+13%
DIABETES REVENUES
FY 2017 £11,547 (£k)
FY 2016 £10,203 (£k)

+5%
CENTRAL LABORATORY REVENUES
FY 2017 £12,597 (£k)
FY 2016 £12,051 (£k)

1.0 Strategic Review

At a Glance

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 POC business is built around a large installed base of analysers each of which generates a regular demand for tests, often for the entire life cycle of the analyser. In 2017 we sold an estimated 70 million tests. This approach – sometimes known as the 'razor/razorblade' model – permits a percentage of organic growth each year.

The EKF Central Laboratory range includes clinical reagents and centrifuges which are manufactured at premises near San Antonio, Texas. Clinical chemistry reagents are sold for use on open channel systems or on EKF's own brand of analysers.

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

2017 Sales

Analysers sold

+7%

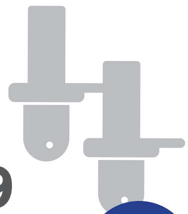
2017
14,556

2016
13,649

Tests sold

2017
70,217,529

2016
69,371,019



+1m

Geographical Performance

Revenue	FY 2017 (£k)	FY 2016 (£k)	+/- (£k)
APAC	4,210	3,930	+280
EMEA	17,005	15,558	+1,447
AMERICAS	20,369	19,101	+1,268

1.0 Strategic Review

Point-of-Care: Hemoglobin Analysers

Product Portfolio

The hemoglobin analysers 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 allowed EKF to offer an unparalleled range of hemoglobin and hematocrit Point of Care blood analysers manufactured in Germany and the USA.

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
- Connectivity to a mobile phone application now available

DiaSpect Hemoglobin T Low

- Tests serum, plasma, aqueous solutions or stored erythrocytes
- Estimates the degree of hemolysis
- Results in less than two seconds
- Reagent-free microcuvettes

UltraCrit™

- Hematocrit analyser using unique ultrasound technology
- Strong presence in US blood banking sector

HemataStat II™

- Laboratory hematocrit centrifuge and analyser
- Processes multiple samples

Strategy

The EKF Diagnostics portfolio of hemoglobin and hematocrit analysers is unique within the Point of Care diagnostics sector.

Sales 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.

Sports medicine and veterinary medicine provide two additional niche sources of customer for EKF distributors.

EKF believes that this portfolio can provide it with a competitive advantage to grow its market share.

In 2017 EKF sold more than 22 million tests for the DiaSpect Tm range, and 19 million tests for Hemo Control and HemoPoint® H2

1.0 Strategic Review

Point-of-Care: Diabetes Care

Product Portfolio

EKF's Diabetes Care range aims to provide affordable, easy-to-use technology that reduces the costs of long-term healthcare of the diabetic and pre-diabetic population.

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 reagents 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
- Strong presence in Eastern Europe and China in diabetes clinics and research
- Used by professional and amateur sports clubs.

Quo-Lab® A1c

- HbA1c testing (Glycated Hemoglobin)
- Results in four minutes using a unique methodology
- Semi-automated analyser aimed at cost-sensitive 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 wellbeing 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.

Since transferring manufacturing from the UK to Germany EKF has engaged in programmes to automate the production of cartridges to increase capacity and improve quality. In addition, these changes have allowed EKF Diagnostics to make significant operational savings through the centralisation of manufacturing, warehousing and logistics, and customer service.

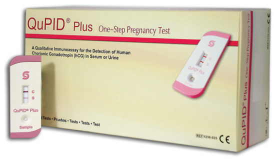
1.0 Strategic Review

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
- Measures the lipid concentration and caloric density of breast milk
- Allows professionals to guide mothers with underweight infants

Pregnancy Testing

- Cassette rapid tests
- Marketed for use in hospital settings

SensPoint

- Handheld lactate analyser with docking station
- Results in 10 seconds
- Undergoing European evaluation at the time of publication

Lactate Scout+

- Handheld lactate analyser
- Results in 10 seconds
- Developed for use in sports medicine
- Applications in medical and veterinary medicine
- New model to be launched in 2018

Strategy

EKF's Maternal and Women's Health business unit has seen steady growth since it was created.

SensPoint is awaiting CE marking whilst the product team continue to work with key opinion leaders 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 medical professionals 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.

Lactate Scout+ has historically been sold into sports medicine, specifically endurance activities such as cross-country skiing, cycling and rowing. This market also contributes significantly to Biosen revenues in which the lactate testing function is used in the preparation of elite squads of athletes such as Premier League and Budesliga football teams and Olympians.

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, produced 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 enzymes and proteins used in industrial applications. These are then sold in bulk or used in the production of in-vitro diagnostic devices (IVDs).

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 often 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 withdrawal 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

I am delighted to present results which show continued good progress with revenues, earnings, and net cash all significantly improved compared with the previous year.

Strategy

The Group has continued to follow the path which led to the successful turnaround of the business in 2016, namely concentrating its activities on point-of-care diagnostics and the related central laboratory reagents business, while reducing costs and simplifying the business. In the first half, we closed our manufacturing site in Poland and transferred activities to our main European hub in Barleben, Germany. This led to a small number of redundancies, and we thank those affected and wish them well for the future. As a result, the number of sites used by the Group has reduced from a peak of twelve to seven, of which four are in Europe, two in the USA and one in China. While we are not currently planning further closures, our efforts to improve efficiency and therefore reduce costs continue.

After considerable deliberation and discussion with our professional advisors, we were unable to proceed with our plan to split out the central laboratory business in a tax efficient manner.

sTNFR venture

Subsequent to the year end, on 11 January 2018 the Group announced its intention to spin-out its sTNFR biomarker technology into a separate entity, Renalytix AI, Inc., which has been registered in the USA. sTNFR1/2 (Soluble Tumour Necrosis Factor Receptors 1 and 2) are novel biomarkers used in combination with artificial intelligence to identify which diabetes patients are at the highest risk of progressive Diabetic Kidney Disease (DKD) potentially leading to End Stage Renal Disease (ESRD). Plans for the entity are at an early stage and discussions with partners are continuing.

Capital changes

The Directors have taken a number of actions during the year to create distributable reserves and to reduce the number of actual and potential shares in issue. In June 2017, 21.6m share options which had been granted to employees and others were cancelled at the election of the holders, in return for payments totalling £1.5m. In September 2017, court and shareholder approval were received for a capital reduction, allowing us to create distributable reserves through the write-off of the Company's share premium account, and to buy back up to 15% of the Company's ordinary shares. Subsequently, a total of 6.7m shares have been cancelled. As a result of these actions, the total number of potential shares has reduced by nearly 6%.

Results overview

The Chief Executive's and Finance Director's statements contain a review of the year and an overview of the financial performance of the Group.

Board

All of the Board members have served throughout the year. Non-executive Directors have continued to waive their standard director's fees, however as each has performed considerable amounts of work for the Group in addition to their duties as directors, they have been paid an appropriate bonus.

Outlook

Trading in 2017 has been positive and this has continued into the early part of 2018. Trading is in line with management expectations.

Christopher Mills

Christopher Mills
Non-executive Chairman

14 March 2018

1.0 Strategic Review

Chief Executive's Review

It is pleasing to be able to report a strong set of results for 2017. In particular, cash generation has once again been very strong, with net cash growing from £2.2m to £7.0m during the year, despite spending £1.4m on capital expenditure and £1.5m on the cancellation of share options.

Operations

We have succeeded in our aim for 2017 of driving the existing business and continuing to reduce cost. Gross margins have improved at a greater rate than the increase in sales. We have sold around 15,000 analysers and 70 million tests during the year and cemented our place as number one supplier of Beta Hydroxybutyrate (β-HB) reagent in the USA, and number two worldwide in Hemoglobin point-of-care products.

During the year we completed the restructuring of our manufacturing operations by closing our manufacturing facility in Poland. Production volume was shifted to our factory in Barleben, Germany and customers successfully transitioned away from the older style cuvette previously made in Poland. In Barleben we have invested in modern production equipment including new automated equipment for the manufacture and packaging of the Quo-Test cartridge. At our Elkhart facility, where we manufacture a number of wet chemistry products, we have a medium term programme to update the facilities to improve quality and volumes.

Point-of-Care

EKF's point-of-care business model continues to be to sell analysers into the market and then benefit from the ongoing revenue stream generated by sales of the dedicated consumables. Over the last five years we have sold over 65,000 analysers for use worldwide, and each year we supply a growing number of tests for use on these.

Hematology

Sales of Hematology products have increased by 10% to £12.9m (2016: £11.7m). Sales of Hemo Control (sold in the USA as HemoPoint H2) have built on the strong growth in 2016, rising a further 7%, while DiaSpect revenues have risen by a further 23%.

Diabetes

Diabetes revenues are up by 13% at £11.5m (2016: £10.2m). The Saudi tender won in 2015 was completed during the year, and this has led to an increase in Quo-Test and Quo-Lab sales of 14%. There has been further success for Biosen sales which have risen by 10%.

Central Laboratory

Central laboratory sales have grown by 5% to £12.6m, from £12.1m last year, again driven by sales of β-HB Liquicolor reagent which are higher by a further 17%, having risen by a very significant percentage in 2016. We have continued to promote our Altair 240 analyser through an increasing portfolio of specialist distributors. Sales of other Central Laboratory products have been stable. We have discontinued a number of the marginal former STI products.

New and updated products

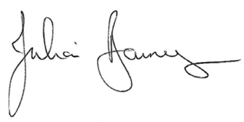
We have concentrated in 2017 on widening the range of regulatory approvals for our existing product ranges. In particular we have conducted a number of clinical trials in the USA in anticipation of submitting applications for FDA approval in the USA for our DiaSpect Tm and Quo-Test products. Quo-Test is also in the lab testing phase of its China FDA registration and we have secured registration for it in Brazil alongside Hemo Control, DiaSpect Tm and Quo-Lab. POC Connect, our connectivity solution for our DiaSpect Tm handheld analyser was launched in November 2017. We will soon be showcasing our new and updated Lactate Scout 4.0 product. As noted above, we are working to secure commercial launch of our sTNFR biomarker (for early detection of end stage renal disease in diabetic patients), alongside a number of partners.

Outlook

We are looking forward to finalising our two FDA applications in the first half of 2018, and to update on progress with our sTNFR project.

At the same time, we anticipate receiving completed registrations for Beta Hydroxybutyrate (β-HB) in Mexico, Brazil and Colombia as well as the Indian registration of DiaSpect Tm all in the first half of 2018.

We are continuing to work hard to increase efficiency and reduce costs by investing in automation and streamlining processes. We are confident that we will continue to see growth in the business on a steady and sustainable basis.



Julian Baines
Chief Executive Officer

14 March 2018

1.0 Strategic Review

Finance Director's Review

Revenue

Revenue for the year was £41.6m (2016: £38.6m), an increase of 8%. 6.6% of the increase was the result of improvements in foreign currency exchange rates, largely because of a further fall in the average value of sterling against the US dollar and Euro especially in the first half of the year. The remainder of the increase comes from organic growth.

Revenue by disease state, which is presented for illustration purposes only, is as follows:

	FY 2017 £'000	FY 2016 £'000	+/-%
Hematology	12,911	11,704	+10%
Diabetes Care	11,547	10,203	+13%
Central Laboratory	12,597	12,051	+5%
Other	4,529	4,631	(2)%
Total revenue	**41,584**	**38,589**	**+8%**

Gross profit

Gross profit increased to £22.9m (2016: £18.3m). The gross margin percentage on sales was 55.0% (2016: 47.5%). The increase was attributable in part to cost reductions arising from the actions taken in previous years, partly through mix and volume effects, and partly as a result of the release of inventory provisions set in prior years.

Administration costs and research and development costs

Administration expenses have again fallen, to £18.2m (2016: £18.7m). R&D costs included in administration expenses were £2.2m, with a further £0.7m being capitalised as an intangible cost. Gross R&D expenses have therefore increased to £2.9m from £2.7m in 2016.

The charge for depreciation of fixed assets and amortisation of intangible assets is £4.6m (2016: £5.0m). The charge includes an impairment in the year related to the carrying value of our Polish operations which were closed during the year, as well as the reassessment of the carrying value of certain non-core development projects.

Exceptional items relate to provisions made and costs incurred in the closure of the Polish manufacturing site, the increase in the fair value of the warranty claim associated with the acquisition of EKF-diagnostic GmbH, which is attributable to the increase in the Company's share price during the year, and to the benefit at fair value of the shares released to EKF from an escrow account associated with the acquisition of Selah Genomics, Inc.

Operating profit and adjusted earnings before interest tax and depreciation

The Group made an operating profit of £4.7m, having made a small loss of £0.3m in 2016. This reflects the considerable efforts made in the last two years to reduce costs and improve efficiency. We continue to consider that adjusted earnings before interest, tax, depreciation and amortisation, share-based payments and exceptional items (adjusted EBITDA) is a better measure of progress because the Board believes it gives clearer comparability of operating performance between periods. In 2017 we achieved adjusted EBITDA of £9.3m (2016: £6.1m). The calculation of this non-GAAP measure is shown on the face of the income statement. It excludes the effect of share-based payment charges of £1.5m (2016: £1.0m), which increased largely because of the acceleration of charges as a result of the programme of share option cancellations, and exceptional profits of £1.6m (2016: losses of £0.5m). Of the increase in adjusted EBITDA of £3.2m, £0.6m is attributable to the effect of more favourable exchange rates, with the remainder being attributable to improved underlying performance.

Finance costs

Finance costs have continued to fall, to £0.5m in 2017 (2016: £0.7m). This is largely as a result of lower interest costs associated with the reduction of debt during the year, offset by higher charges relating to the discounting of deferred consideration.

Tax

There is an income tax charge of £1.4m (2016: credit of £1.2m). This is because of a tax adjustment in the USA caused by timing differences on the carry back of losses in previous years, while in 2016 there was a large credit relating to 2015. In future years the Group anticipates a positive impact on its tax charge as a result of the tax policy changes recently made by the US Government.

Balance sheet

Property, plant and equipment

Additions to fixed assets were £1.4m (2016: £1.3m). This reflected investment in production equipment in both Germany and in the USA, including automated pouching equipment in Barleben and the replacement of obsolete plant in Elkhart.

Intangible assets

The value of intangible assets has fallen from £46.5m to £43.6m year-on-year. This is partially attributable to the annual amortisation charge, plus the offsetting effect of additions and impairments.

Deferred consideration

The remaining deferred consideration relates to the share-based payment to the former owner of EKF-diagnostic GmbH. Finalisation of the contracts to conclude the position is now expected to take place in 2018.

Cash and working capital

Net cash has increased from £2.2m to £7.0m during the year. Gross cash has increased to £8.2m (2016: £7.9m), and borrowings have reduced from £5.7m to £1.2m. All borrowings in the UK and the USA have have been paid off. The remaining borrowings is are being reduced over the loan period to 2023, and were used to fund the new building in Barleben. £1.5m was used to buy employees out of share option agreements and £0.2m was used to acquire ordinary shares for cancellation.

Inventory has reduced from £6.0m to £5.6m in 2017 as our programme to reduce inventory levels continued. While results so far have been encouraging, and we have seen inventory levels reduce by over 30% since December 2015, despite higher revenue, our ambition remains to reduce our holdings further, while ensuring production and sales run efficiently.

Trade receivables have reduced, partly because of the completion of payments relating to business in Saudi Arabia which required extended payment terms. The increase in payables, reflects increased activity during the year and the liability recognised in respect of cash settled share-based payments.

Richard Evans
Finance Director and Chief Operating Officer

14 March 2018

1.0 Strategic Review

Board of Directors

Executive Directors

Julian Baines MBE

Chief Executive Officer (aged 53)

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. (now part of Abbott Laboratories) in 2008 for circa £85 million. In December 2009 Julian became CEO of the Group and has subsequently successfully completed a number of fund raisings and the acquisition and subsequent integration of eight businesses in seven countries. In 2016 he was awarded an MBE for services to the life sciences industry.

Richard Evans

Chief Operating Officer and Finance Director (aged 60)

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

Non-Executive Directors

Christopher Mills

Non-Executive Chairman (aged 65)

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 a number of companies. Christopher was a Director of Invesco MIM, where he was Head of North American Investments and Venture Capital, and of Samuel Montagu International. Christopher is a member of the Audit Committee and chairs the Remuneration Committee.

Adam Reynolds

Non-Executive Director (aged 55)

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, Premaitha Health plc, and Concepta plc, and a director of several listed and private companies. Adam chairs the Audit Committee and is a member of the Remuneration Committee.

Carl Contadini

Non-Executive Director (aged 69)

Carl has been a director of numerous companies throughout his career, predominately focusing on the healthcare and electronics sectors. He is currently a board member and past Chairman of Waterbury Healthcare Systems Inc., a US-based healthcare group, and an Operational Adviser to Harwood Capital LLP, where he assists in sourcing, evaluating and monitoring investments. Carl also holds the positions of Executive Chairman and Non-Executive Chairman at Utitec Holdings Inc. and Curtis Gilmour Holding Inc. respectively. Carl has, in the past, also been a director of Bionostics Limited and Celsis Group Limited. He holds an Associate of Science degree in Business Administration and Marketing from Tunix Community College, Connecticut and a Batchelor of General Studies degree specialising in Human Resources from University of Connecticut.

Strategic Report

for the year ended 31 December 2017

The Directors present their Strategic Report for the year to 31 December 2017.

Review of the business

A review of the business is contained in the Chairman's Statement on page 8, and in the Chief Executive's Review on page 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. As we continue to grow our business we believe it is important to develop and enhance our risk management processes and control environment on an ongoing basis and ensure it remains fit for purpose. We continue to mature our approach to identifying and managing risks across the Group in a consistent and robust manner.

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 are included in 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.

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, and profit related bonuses. 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.

Following the European Union (EU) membership referendum in 2016, the UK Government has commenced the process of withdrawal from the EU. Although at present the Group does not anticipate significant issues, the Group has employees, facilities, customers, and suppliers in both the United Kingdom and the EU, and therefore withdrawal may affect the Group's operational abilities and costs. The Group seeks to manage this risk by monitoring events and taking mitigating actions if necessary.

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 may 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 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 level 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 nature of the Group there is a requirement to report accurate financial information in compliance with accounting standards and applicable legislation.

This risk is mitigated through 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.

Cyber security risk

The Group uses computers extensively in its operations and has an online presence but does not trade online. It is at risk of attack through hacking or other methods. This risk is mitigated by the use of robust security measures, staff training, and back-up systems. The Group also has specific insurance cover.

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, and our existing central laboratory 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 8 and the Chief Executive's Review on page 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 Director's 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 Group's Modern Slavery Act statement is published on our website.

The Strategic Report was approved by the Board on 14 March 2018 and signed on its behalf by:

Richard Evans

Richard Evans
Finance Director and Chief Operating Officer

Report of the Directors

for the year ended 31 December 2017

The Directors have pleasure in presenting this report together with the audited consolidated financial statements of EKF Diagnostics Holdings plc for the year ended 31 December 2017.

Corporate details

EKF Diagnostics Holdings public limited company is domiciled, incorporated, and registered in England and Wales with registration 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:

- Christopher Mills
- Julian Baines
- Richard Evans
- Adam Reynolds
- Carl Contadini

The Company Secretary is Salim Hamir.

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 8, the Chief Executive's Review on page 9 and the Finance Director's Review on pages 10 and 11.

Dividends and share buy back

There were no dividends paid or proposed by the Company in either year. During the year the Company obtained authorisation to acquire up to 15% of its Ordinary Shares in order to reduce the number of shares in issue. On 3 October 2017 the Company acquired 1,000,000 ordinary shares at a price of 24 pence per share from Harwood Capital LLP ("Harwood") as investment manager to Oryx International Growth Fund Limited. Christopher Mills, the Company's Non-Executive Chairman, is a partner and Chief Investment Officer of Harwood and a director and shareholder in Oryx.

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.

The restructuring and cost saving actions taken in late 2015 and early 2016 have allowed the Group to become cash generative in the second half of 2016 and in 2017.

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 in the share capital of the Company of those Directors serving at 31 December 2017 and as at the date of signing of these financial statements, all of which are beneficial, were as follows:

	On 31 December 2017 Ordinary Shares of 1p each	On 31 December 2016 Ordinary Shares of 1p each
Christopher Mills	137,000,000	130,000,000
Julian Baines	1,855,288	1,855,288
Richard Evans	178,842	178,842
Adam Reynolds	3,318,613	3,318,613
Carl Contadini	-	-

Mr Mills' interest in the Company's shares is held through North Atlantic Smaller Companies Investment Trust PLC ("NAIT") and Oryx International Growth Fund Limited ("Oryx"). Harwood Capital LLP ("Harwood") is investment manager and investment adviser to NAIT and Oryx respectively. Christopher Mills is a partner and Chief Investment Officer of Harwood. Christopher Mills is also a director of Oryx and NAIT. He holds 2.16 per cent. of the shares in Oryx in his own name as well as a further 46.44 per cent. of the shares in Oryx via his 25.06 per cent. shareholding in NAIT. On 20 March 2017 NAIT acquired 8,000,000 Ordinary shares, and on 3 October 2017, Oryx sold 1,000,000 Ordinary shares which were purchased by the Company for cancellation.

Carl Contadini holds no shares personally, but acts as an Operational Advisor to Harwood which acts as investment manager and investment adviser to NAIT and Oryx respectively.

Substantial shareholdings

As at 14 March 2018, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

Shareholder	Number of shares	Percentage of issued share capital
Mr Christopher Mills	137,000,000	29.94%
Lombard Odier Asset Management (Europe)	49,409,204	10.80%
Schroeder Investment Management	20,025,000	4.38%
Hargreave Hale Investment Managers	19,673,193	4.30%
Mr William Pippin	16,189,675	3.54%

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and parent company 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 parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Chairman's Statement, Chief Executive's Review and Finance Director's Review include a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

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 they ought to have taken as a Director in order to make themselves 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 72.

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.

The Report of the Directors was approved by the Board on 14th March 2018 and signed on its behalf by:

Richard Evans

Richard Evans
Finance Director and Chief Operating Officer

Corporate Governance Statement

for the year ended 31 December 2017

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 2017 sought to address the principles underlying the Code.

Board composition and responsibility

The Board currently comprises two Executive Directors and three Non-Executive Directors. The Board notes that the Combined Code guidance recommends that at least half the Board should comprise independent Non-Executive Directors. The Board has determined that Adam Reynolds is independent in character and judgement and that there are no relationships or circumstances which could materially affect or interfere with the exercise of his independent judgement. The Board considers that Christopher Mills and Carl Contadini do not meet the criteria to be considered independent because of their relationships with Harwood, NAIT, and Oryx. The Board is satisfied with the balance between Executive and Non-Executive Directors which allows it to exercise objectivity in decision making and proper control of the Company's business. The Board considers its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between executives and non-executives. Due to the structure of the Company it is considered that it is not appropriate to make any 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 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 is as follows:

Christopher Mills (Non-Executive Chairman)	9
Julian Baines (Chief Executive Officer)	10
Richard Evans (Chief Operating Officer and Finance Director)	10
Adam Reynolds (Non-Executive Director)	10
Carl Contadini (Non-Executive Director)	3

Audit Committee

This comprises two Non-Executive Directors, Christopher Mills and Adam Reynolds (Chairman). Adam Reynolds is the Senior Independent Director and has recent and relevant finance experience. The principal duties of the committee are to review the half-yearly and annual financial statements before their submission to the Board and to consider any matters raised by the auditors. The Committee also reviews the independence and objectivity of the auditors. The terms of reference of the Committee reflect current best practice, including authority to:

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

The Non-Executive Directors may seek information from any employee of the Group and obtain external professional advice at the expense of the Company if considered necessary. Due to the relatively low number of personnel employed within the Group, the nature of the business and the current control and review systems in place, the Board has decided not to establish a separate internal audit department. The committee met once formally during 2017. There were no significant matters communicated to the Committee by the Auditors and no interaction with the Financial Reporting Council.

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 Christopher Mills (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 twice during 2017.

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.

With effect from the financial year to 31 December 2016, the Group became subject to the requirements of the Modern Slavery Act 2015. The Group has published the required statement on its website.

The Corporate Governance Statement was approved by the Board on 14th March 2018 and signed on its behalf by:

Richard Evans

Richard Evans
Finance Director and COO

2.0 Corporate Governance

Report of the Remuneration Committee

for the year ended 31 December 2017

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 based incentives.

Directors' remuneration - Audited

The remuneration of the Directors for the year ended 31 December 2017 is shown below:

	Salary and fees £'000	Pension £'000	Benefits in kind £'000	Bonus £'000	Share option surrender £'000	**2017 £'000**	2016 £'000
Executive Directors							
Julian Baines	252	13	13	200	354	**832**	319
Richard Evans	211	6	15	200	295	**727**	270
	463	19	28	400	649	**1,559**	589
Non-Executive Directors							
Christopher Mills	-	-	-	50	-	50	-
Carl Contadini	-	-	-	101	-	101	-
Adam Reynolds	-	-	4	50	-	54	-
Lurene Joseph[1]	-	-	-	-	-	-	6
	-	-	4	201	-	205	6
Total fees and emoluments	463	19	32	601	649	1,764	595

1 *Lurene Joseph's remuneration is shown up to the date of her resignation.*

Directors' share options and Long-Term Incentive Plan

As at 31 December 2016 the following options to Directors of the Company existed under the Company's unapproved share-option scheme and Long-Term Incentive Plan:

Option Holder	Option price per Ordinary Share	Number of Ordinary Shares under option	Exercise period
Julian Baines	15p	5,127,383	1 January 2014 – 31 December 2020
Richard Evans	20p	4,260,000	1 January 2014 – 31 December 2020

On 26 June 2017 these options were surrendered at the election of the holders in return for the payment of one-off cash sums of £354,000 to Mr Baines and £295,000 to Mr Evans.

On 2 June 2016 two Directors were granted a cash settled share-based incentive award. During 2017 both the maximum and minimum amounts payable to each Director were reduced by £0.2m. The awards vest if a controlling interest in the Company is acquired by a third party prior to 30 June 2019. In these circumstances a minimum amount of £0.3m is payable to each Director, which increases by reference to the sale price achieved. The fair value of this award has been calculated at £3,351,000 using a modified form of a Black Scholes model. The fair value has been spread over the assumed vesting period, with a charge of £969,000 recognised in 2017. The key assumptions used in the model are disclosed in Note 30.

Directors' interests in the share capital of the Company are disclosed in the Directors' Report on page 17.

Approved by the Board on 14 March 2018 and signed on its behalf by:

Richard Evans
Finance Director and COO

Independent auditors' report to the members of EKF Diagnostics Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, EKF Diagnostics Holdings plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the Consolidated and Company's Statements of Financial Position as at 31 December 2017; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company's Statements of Cash Flows, and 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 description of the significant accounting policies.

Basis for opinion

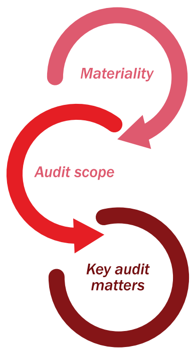
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £415,000, based on 1% of revenue.
- Overall parent company materiality: £394,000, based on a component allocation of group materiality.

- We performed full-scope audit procedures in respect of the group's largest trading subsidiaries in the USA and in Germany, as well as EKF Diagnostics Holdings plc in the UK.
- Our audit scope also included specified audit procedures in respect of Separation Technologies Inc. in the USA.
- Our audit procedures covered entities contributing 92% of the group's revenues for the year ended 31 December 2017.

- Goodwill and intangible asset impairment assessments (Group and parent).
- Share-based payment transactions (Group and parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible asset impairment assessments (Group and parent). At 31 December 2017, the Consolidated Statement of Financial Position includes £43.6m of intangible assets (2016: £46.5m). In accordance with the requirements of IFRS, management has performed impairment reviews in relation to the goodwill held in the group's cash generating units (CGUs). The book values of the intangible assets and goodwill are supported by multiple-year profitability projections based on the budget for 2018. An impairment of £0.6m (2016: £nil) has been recognised in the year in respect of the closure of the group's operations in Poland during 2017 and as a result of the reassessment of the carrying value of development costs. Significant headroom exists in respect of the majority of the impairment reviews carried out, other than in respect of DiaSpect, where £2.4m of headroom exists (14% of the CGU carrying value). The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, the discount rate employed and profitability.	We obtained the group's cash flow forecasts supporting its assessments and evaluated the appropriateness of key assumptions, with a focus on DiaSpect as there is limited headroom in the impairment review for this CGU. We assessed the methodology used by management in performing the assessments and challenged and evaluated key inputs including: • the projected growth rates used, both over the short-term to 2021 and over the longer-term; • the discount rate used; • other key inputs, including the applicable tax rate, forecast capital expenditure and forecast margins. We also considered 2017 financial performance vs. budget and the performance in the first part of 2018. We performed a range of sensitivity analyses to assess the impact of alternative assumptions to those used by management. We concur with management's assertion that no further impairment charge is required in respect of goodwill and intangible assets but identified that if management is unable achieve planned results, this could reasonably be expected to give rise to an impairment in the future. Management have disclosed the results of sensitivity analyses in Note 17 to the accounts.
Share-based payment transactions (Group and parent). During 2016, two directors were awarded a cash-settled share-based incentive award, which will see a payment made if the Company is acquired by a third party before 30 June 2019. The amount payable under the award varies depending on the acquisition price per share and is subject to a minimum amount payable. The awards have been accounted for in accordance with IFRS 2 as cash-settled share based payments and the value of the liability recognised as at 31 December 2017 is £1.72m (2016: £0.75m). Management engaged an independent expert to value the share-based awards and the movement in the fair value of the year-end liability has been recognised in the Consolidated Income Statement within the charge for share-based payments. A number of assumptions have been made in valuing the awards, including the expected date of an acquisition, share-price volatility and the premium expected to be paid for acquiring the Company's shares. Disclosure in respect of these awards is included in Note 30 to the Financial Statements.	We obtained the valuation of the share-based incentive awards and evaluated the independence and objectivity of management's expert. We gained an understanding of and evaluated the assumptions and methods that are significant to the management's expert's work for their relevance and reasonableness. We challenged management in respect of the assumptions made, including the expected exit date and expected share-price volatility, and concluded that the assumptions made by management are reasonable. We concluded that the work of management's expert is appropriate and concur with management's accounting for the awards. We have also evaluated the explanatory disclosures made in Note 30 to the Financial Statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group has two main manufacturing centres in Germany and the USA, in addition to the Head Office function based in the United Kingdom (UK). The central finance and accounting team is located in the UK and is responsible for the financial reporting of EKF Diagnostics Holdings plc.

Stanbio Laboratory ("Stanbio") and EKF Diagnostics Holdings GmbH ("EKF Germany") are assessed as financially significant components of the group, given the significant revenue earned by the group in these entities. An audit of these entities' financial information has been carried out. The audit of Stanbio was conducted by the group engagement team and component auditors were engaged to audit EKF Germany. Full-scope audit procedures were also performed in respect of DiaSpect Medical GmbH in Germany (again conducted by the component audit team) and the parent company, EKF Diagnostics Holdings plc in the UK. The parent company audit was scoped in accordance with our parent company materiality.

Our audit scope also included specified audit procedures in respect of Separation Technologies Inc. (STI) in the USA, where we designed audit procedures to gain coverage over certain financial statement line items (FSLIs). This work was performed by the group engagement team.

Our audit addressed components making up 92% of the group's revenues for the year ended 31 December 2017.

Where component auditors were engaged, we adopted procedures to ensure we were sufficiently involved in their audits. This included discussions with component audit teams during the planning, fieldwork and reporting phases, the issuance of comprehensive audit instructions and a review of key working papers.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£415,000	£394,000
How we determined it	1% of group revenues for the year ended 31 December 2017.	Limited to component allocation of group materiality.
Rationale for benchmark applied	Given the restructuring and refocusing of the business on its core point-of-care markets in recent years, growth is being delivered through organic growth, meaning revenues remain a key focus for management and the directors.	Since the materiality we would have employed to this entity on a standalone basis was in excess of the component allocation, materiality was capped at the component materiality allocation.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £87,000 and £394,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £21,000 (group audit) and £19,000 (parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent 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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

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

14 March 2018

3.0 Financial Statements

Consolidated Income Statement

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	5	**41,584**	38,589
Cost of sales	6	**(18,721)**	(20,267)
Gross profit		**22,863**	18,322
Administrative expenses	6	**(18,186)**	(18,734)
Other income		**52**	85
Operating profit/(loss)		**4,729**	(327)
Depreciation and amortisation	5	**(4,623)**	(4,961)
Share-based payments		**(1,514)**	(973)
Exceptional items	7	**1,562**	(532)
EBITDA before exceptional items and share-based payments	5	**9,304**	6,139
Finance income	12	**53**	37
Finance costs	12	**(475)**	(713)
Profit/(loss) before income tax		**4,307**	(1,003)
Income tax (charge)/credit	13	**(1,367)**	1,172
Profit for the year		**2,940**	169
Profit/(loss) attributable to:			
Owners of the parent		**2,715**	(18)
Non-controlling interest		**225**	187
		2,940	169

		Pence	Pence
Earnings/(loss) per Ordinary Share attributable to the owners of the parent during the year			
From continuing operations			
Basic	14	**0.59**	(0.00)
Diluted	14	**0.58**	(0.00)

The notes on pages 36 to 71 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 £1,741,000 (2016: loss of £5,474,000).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Profit for the year		**2,940**	169
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(622)**	9,343
Other comprehensive (loss)/gain for the year		**(622)**	9,343
Total comprehensive gain for the year		**2,318**	9,512
Attributable to:			
Owners of the parent		**2,096**	9,198
Non-controlling interests		**222**	314
Total comprehensive gain for the year		**2,318**	9,512

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 36 to 71 are an integral part of these consolidated financial statements.

3.0 Financial Statements

Consolidated and Company's Statements of Financial Position

as at 31 December 2017

	Notes	**Group 2017 £'000**	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
Assets					
Non-current assets					
Property, plant and equipment	16	**12,121**	12,124	**1,460**	1,510
Intangible assets	17	**43,600**	46,503	**538**	538
Investments in subsidiaries	18	**-**	-	**30,521**	30,521
Investments	20	**152**	152	**152**	152
Trade and other receivables	21	**-**	-	**20,894**	22,016
Deferred tax assets	27	**34**	371	**34**	371
Total non-current assets		**55,907**	59,150	**53,599**	55,108
Current assets					
Inventories	22	**5,638**	6,025	**-**	-
Trade and other receivables	21	**7,396**	9,370	**2,569**	6,350
Deferred tax assets	27	**13**	13	**-**	-
Cash and cash equivalents	23	**8,203**	7,874	**710**	2,567
Total current assets		**21,250**	23,282	**3,279**	8,917
Total assets		**77,157**	82,432	**56,878**	64,025
Equity attributable to owners of the parent					
Share capital	28	**4,576**	4,643	**4,576**	4,643
Share premium account	29	**-**	95,393	**-**	95,393
Other reserve	32	**108**	41	**67**	-
Foreign currency reserves	32	**4,892**	5,609	**-**	-
Retained earnings	31	**50,394**	(45,236)	**45,403**	(45,673)
		59,970	60,450	**50,046**	54,363
Non-controlling interest		**528**	521	**-**	-
Total equity		**60,498**	60,971	**50,046**	54,363
Liabilities					
Non-current liabilities					
Borrowings	25	**872**	1,130	**-**	-
Deferred tax liabilities	27	**3,467**	3,751	**-**	-
Total non-current liabilities		**4,339**	4,881	**-**	-
Current liabilities					
Trade and other payables	24	**9,429**	9,401	**5,770**	4,828
Deferred consideration	26	**1,062**	693	**1,062**	693
Current income tax liabilities		**1,473**	1,160	**-**	-
Deferred tax liabilities	27	**23**	738	**-**	-
Borrowings	25	**333**	4,588	**-**	4,141
Total current liabilities		**12,320**	16,580	**6,832**	9,662
Total liabilities		**16,659**	21,461	**6,832**	9,662
Total equity and liabilities		**77,157**	82,432	**56,878**	64,025

The notes on pages 36 to 71 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 14 March 2018 and signed on its behalf by:

Julian Baines
Chief Executive Officer
EKF Diagnostics Holdings plc
Registered no: 04347937

Richard Evans
Finance Director and Chief Operating Officer

3.0 Financial Statements

Consolidated and Company's Statements of Cash Flows

for the year ended 31 December 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash flow from operating activities					
Cash generated by operations	35	**10,118**	8,816	**4,270**	646
Interest paid		**(106)**	(496)	**(48)**	(283)
Income tax (paid)/received		**(959)**	623	**(19)**	(13)
Net cash generated by operating activities		**9,053**	8,943	**4,203**	350
Cash flow from investing activities					
Sale of investments		**-**	250	**-**	250
Purchase of property, plant and equipment (PPE)		**(1,361)**	(1,261)	**(15)**	(27)
Purchase of intangibles		**(852)**	(663)	**(65)**	(56)
Proceeds from sale of PPE	35	**128**	211	**-**	-
Interest received		**53**	37	**-**	-
Net cash (used in)/generated by investing activities		**(2,032)**	(1,426)	**(80)**	167
Cash flow from financing activities					
Proceeds from issuance of Ordinary Shares	28	**-**	4,539	**-**	4,539
Share based payments		**(1,505)**	-	**(1,505)**	-
Share buy back		**(241)**	-	**(241)**	-
New loans		**-**	5,957	**-**	3,500
Repayments on borrowings		**(4,458)**	(12,555)	**(4,141)**	(6,000)
Dividend payment to non-controlling interest		**(215)**	(54)	**-**	-
Net cash (used in)/generated by financing activities		**(6,419)**	(2,113)	**(5,887)**	2,039
Net increase/(decrease) in cash and cash equivalents		**602**	5,404	**(1,764)**	2,556
Cash and cash equivalents at beginning of year		**7,874**	2,017	**2,567**	11
Exchange (losses)/gains on cash and cash equivalents		**(273)**	453	**(93)**	-
Cash and cash equivalents at end of year	23	**8,203**	7,874	**710**	2,567

3.0 Financial Statements

Consolidated Statement 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 2016	**4,221**	**91,276**	**41**	**(3,607)**	**(45,438)**	**46,493**	**261**	**46,754**
Comprehensive income								
(Loss)/profit for the year	-	-	-	-	(18)	**(18)**	187	**169**
Other comprehensive income								
Currency translation differences	-	-	-	9,216	-	**9,216**	127	**9,343**
Total comprehensive income/ (expense)	-	-	-	**9,216**	**(18)**	**9,198**	**314**	**9,512**
Transactions with owners								
Proceeds from shares issued	422	4,117	-	-	-	**4,539**	-	**4,539**
Dividends to non-controlling interest	-	-	-	-	-	**-**	(54)	**(54)**
Share-based payments	-	-	-	-	220	**220**	-	**220**
Total contributions by and distributions to owners	**422**	**4,117**	**-**	**-**	**220**	**4,759**	**(54)**	**4,705**
At 31 December 2016 and 1 January 2017	**4,643**	**95,393**	**41**	**5,609**	**(45,236)**	**60,450**	**521**	**60,971**
Comprehensive income								
Profit for the year	-	-	-	-	2,715	**2,715**	225	**2,940**
Other comprehensive income								
Currency translation differences	-	-	-	(717)	98	**(619)**	(3)	**(622)**
Total comprehensive (expense)/ income	**-**	**-**	**-**	**(717)**	**2,813**	**2,096**	**222**	**2,318**
Transactions with owners								
Share cancellation	(67)	-	67	-	(3,121)	**(3,121)**	-	**(3,121)**
Capital reconstruction	-	(95,393)	-	-	95,393	**-**	-	**-**
Dividends to non-controlling interest	-	-	-	-	-	**-**	(215)	**(215)**
Share-based payments	-	-	-	-	545	**545**	-	**545**
Total contributions by and distributions to owners	**(67)**	**(95,393)**	**67**	**-**	**92,817**	**(2,576)**	**(215)**	**(2,791)**
At 31 December 2017	**4,576**	**-**	**108**	**4,892**	**50,394**	**59,970**	**528**	**60,498**

3.0 Financial Statements

Company's Statement of Changes in Equity

Company	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2016	**4,221**	**91,276**	**-**	**(40,419)**	**55,078**
Comprehensive income					
Loss for the year	-	-	-	(5,474)	(5,474)
Total comprehensive income/(expense)	-	-	-	**(5,474)**	**(5,474)**
Transactions with owners					
Proceeds from shares issued	422	4,117	-	-	4,539
Share-based payments	-	-	-	220	220
Total contributions by and distributions to owners	**422**	**4,117**	**-**	**220**	**4,759**
At 31 December 2016 and 1 January 2017	**4,643**	**95,393**	**-**	**(45,673)**	**54,363**
Comprehensive income					
Loss for the year	-	-	-	(1,741)	(1,741)
Total comprehensive expense	-	-	-	**(1,741)**	**(1,741)**
Transactions with owners					
Share cancellation	(67)	-	67	(3,121)	(3,121)
Capital reconstruction	-	(95,393)	-	95,393	-
Share-based payments	-	-	-	545	545
Total contributions by and distributions to owners	**(67)**	**(95,393)**	**67**	**92,817**	**(2,576)**
At 31 December 2017	**4,576**	**-**	**67**	**45,403**	**50,046**

Notes to the Financial Statements

for the year ended 31 December 2017

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 has presence in the UK, USA, Germany, Russia, and China, and sells throughout the world including Europe, the Middle East, 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 all years presented, 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 (IFRSs), IFRS IC 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 2017. They do not materially impact on the Group results:

- Annual improvements 2010 – 2012
- Annual improvements 2012 – 2014
- Annual Improvements 2014 - 2016
- Amendment to IAS 12, 'Recognition of Deferred Tax Assets for Unrealised Losses
- Amendment to IAS 7, 'Disclosure Initiative'

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the group or parent company, except the following, set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is working towards the implementation of IFRS 9 on 1 January 2018. It anticipates that the classification and measurement basis for its financial assets and liabilities will be largely unchanged by adoption of IFRS 9, and expects to take the accounting policy choice to continue to account for all hedges under IAS 39. The main impact of adopting IFRS 9 is likely to arise from the implementation of the expected loss model. No material impact on profit for future periods is expected.

- IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted. The group is working towards the implementation of IFRS 15 on 1 January 2018 and has carried out a review of existing contractual arrangements as part of this process. The directors anticipate there will be no material impact. The profile of cash receipts is not affected by this standard.
- IFRS 16, 'Leases', addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17, 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019, and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15, 'Revenue from contracts with customers', at the same time. Based on existing operating leases under IAS 17, the directors estimate that, if IFRS 16 were implemented on 1 January 2018, additional land and buildings of £480,000, and vehicles and machinery of £128,000 would be recognised, together with an additional lease liability of £608,000. In future periods, the operating lease charge would be replaced by a depreciation charge that, whilst lower over the life of the lease than the current operating lease charge, is not expected to be materially different. The directors are in the process of reviewing contracts to identify any additional lease arrangements that would need to be recognised under IFRS 16.

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.

The restructuring and cost saving actions taken in late 2015 and early 2016 allowed the Group to become cash generative in the second half of 2016, and this has continued through 2017. As a result the Group has been able to significantly reduce its borrowings during the year.

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, currently 4 to 5 years. 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.

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 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.

(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.

The Group operates a cash-settled compensation plan for certain senior employees. Cash-settled share-based payments are measured at fair value at each reporting date and are expensed over the expected vesting period. The fair value amount is recognised in liabilities.

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, and Rouble, 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, and Roubles, as the Group has subsidiary businesses located in the USA, Germany, and Russia.

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 2017	Average rate 2016	Year end rate 2017	Year end rate 2016
Euro	1.145	1.229	1.125	1.170
Russian Rouble	75.689	90.826	77.963	75.550
US Dollar	1.295	1.356	1.350	1.233

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 £45,000 and £73,000 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 or require payment in advance 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 insurance is taken out where appropriate and cost effective.

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 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, where the benefit outweighs the administrative cost.

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.

	Less than one year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	**Total £'000**
At 31 December 2017:					
Borrowings (inc. finance leases)	188	193	599	154	1,134
Deferred consideration	1,062	-	-	-	1,062
Trade and other payables	9,429	-	-	-	9,429
At 31 December 2016:					
Borrowings (inc. finance leases)	4,750	221	664	347	5,982
Deferred consideration	693	-	-	-	693
Trade and other payables	9,300	-	-	-	9,300

(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 2017 (2016: 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) 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, however litigation in Germany is continuing. Having taken legal advice the Directors believe that no settlement provision is required in relation to this dispute, however an accrual for legal costs has been set.

A dispute which had arisen with a second distributor in relation to issues with the registration of a product was settled during the year.

(b) Impairment of goodwill and intangible assets

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

(c) Share-based payments

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

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 sale of diagnostic instruments, reagents and certain ancillary products, as well as central laboratory reagents. This activity takes place across various countries, such as the USA, Germany, Russia, and the United Kingdom, 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.

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.

5. Segmental reporting continued

The segment information provided to the Board for the reportable segments for the year ended 31 December 2017 is as follows:

2017	Germany £'000	USA £'000	Russia £'000	Other £'000	**Total £'000**
Income statement					
Revenue	21,006	22,856	2,742	4	46,608
Inter-segment	(5,024)	-	-	-	(5,024)
External revenue	15,982	22,856	2,742	4	41,584
Adjusted EBITDA*	**5,883**	**7,730**	**686**	**(4,995)**	**9,304**
Exceptional items (Note 7)	(207)	19	-	1,750	1,562
Share-based payments (Note 30)	-	-	-	(1,514)	(1,514)
EBITDA	**5,676**	**7,749**	**686**	**(4,759)**	**9,352**
Depreciation	(808)	(300)	(30)	(22)	(1,160)
Amortisation	(2,673)	(1,036)	(28)	274	(3,463)
Operating profit/(loss)	**2,195**	**6,413**	**628**	**(4,507)**	**4,729**
Net finance costs	(48)	14	37	(425)	(422)
Income tax	476	(1,322)	(177)	(344)	(1,367)
Retained profit/(loss)	**2,623**	**5,105**	**488**	**(5,276)**	**2,940**
Segment assets					
Operating assets	40,959	24,219	573	26,363	92,114
Inter-segment assets	(168)	-	-	(22,992)	(23,160)
External operating assets	40,791	24,219	573	3,371	68,954
Cash	3,118	3,376	994	715	8,203
Total assets	**43,909**	**27,595**	**1,567**	**4,086**	**77,157**
Segment liabilities					
Operating liabilities	13,543	20,467	132	4,472	38,614
Inter-segment liabilities	(8,294)	(14,990)	-	124	(23,160)
External operating liabilities	5,249	5,477	132	4,596	15,454
Borrowings	1,056	-	-	149	1,205
Total liabilities	**6,305**	**5,477**	**132**	**4,745**	**16,659**
Other segmental information					
Non-current assets – PPE	6,443	4,164	53	1,461	12,121
Non-current assets – Intangibles	28,461	13,638	119	1,382	43,600
PPE – additions	1,033	290	23	15	1,361
Intangible assets – additions	293	484	-	75	852

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

5. Segmental reporting continued

2016	Germany £'000	US £'000	Russia £'000	Other £'000	Total £'000
Income statement					
Revenue	19,417	21,199	2,677	33	43,326
Inter-segment	(4,716)	1	-	(22)	(4,737)
External revenue	**14,701**	**21,200**	**2,677**	**11**	**38,589**
Adjusted EBITDA*	**3,982**	**6,136**	**599**	**(4,578)**	**6,139**
Exceptional items (Note 7)	(28)	(525)	-	21	(532)
Share based payments (Note 30)	-	-	-	(973)	(973)
EBITDA	**3,954**	**5,611**	**599**	**(5,530)**	**4,634**
Depreciation	(711)	(405)	(27)	(66)	(1,209)
Amortisation	(2,124)	(1,519)	(29)	(80)	(3,752)
Operating profit/(loss)	**1,119**	**3,687**	**543**	**(5,676)**	**(327)**
Net finance costs	(41)	(155)	29	(509)	(676)
Income tax	68	1,245	(126)	(15)	1,172
Retained profit/(loss)	**1,146**	**4,777**	**446**	**(6,200)**	**169**
Segment assets					
Operating assets	44,703	30,170	623	37,570	113,066
Inter-segment assets	(653)	(3,870)	-	(33,985)	(38,508)
External operating assets	44,050	26,300	623	3,585	74,558
Cash	2,032	2,192	959	2,691	7,874
Total assets	**46,082**	**28,492**	**1,582**	**6,276**	**82,432**
Segment liabilities					
Operating liabilities	17,359	27,463	137	9,290	54,249
Inter-segment liabilities	(10,490)	(22,082)	-	(5,934)	(38,506)
External operating liabilities	6,869	5,381	137	3,356	15,743
Borrowings	1,191	195	-	4,332	5,718
Total liabilities	**8,060**	**5,576**	**137**	**7,688**	**21,461**
Other segmental information					
Non-current assets – PPE	6,004	4,538	71	1,511	12,124
Non-current assets – Intangibles	29,680	15,555	151	1,117	46,503
PPE- additions	1,058	169	7	27	1,261
Intangible assets – additions	285	308	-	70	663

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

'Other' primarily relates to the holding company and head office costs. Poland is included in Germany as a result of the closure of the Polish operations during the year.

5. Segmental reporting continued

Disclosure of Group revenues by geographic location of customer is as follows:

	2017 £'000	2016 £'000
Americas		
United States of America	**17,174**	15,122
Rest of Americas	**3,195**	3,979
Europe, Middle East and Africa (EMEA)		
Germany	**6,016**	6,082
United Kingdom	**300**	276
Rest of Europe	**3,423**	2,761
Russia	**2,743**	2,687
Middle East	**2,912**	2,870
Africa	**1,611**	882
Asia and Rest of World		
China	**915**	929
Rest of Asia	**3,168**	2,922
New Zealand/Australia	**127**	79
Total revenue	**41,584**	38,589

No single external customer represented more than 10% of revenues in either 2017 or 2016.

6. Expenses – analysis by nature

	2017 £'000	2016 £'000
Inventories consumed in cost of sales	**7,848**	11,388
Employee benefit expense (note 10)	**17,005**	14,636
Employee costs capitalised as intangible assets	**(364)**	(267)
Depreciation and amortisation	**4,623**	4,961
Exceptional items (note 7)	**(1,562)**	532
Research and development expenses	**2,203**	2,039
Foreign exchange	**239**	481
Operating lease payments	**480**	477
Other expenses	**6,435**	4,754
Total cost of sales and administrative expenses	**36,907**	39,001

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	2017 £'000	2016 £'000
– Warranty claim	a	**339**	129
– Business reorganisation costs	b	**(183)**	(661)
- Cancellation of shares	c	**1,406**	-
Exceptional items		**1,562**	(532)

a. Estimated warranty claim in relation to the acquisition of EKF-diagnostic GmbH increased because of higher share price.

b. Restructuring costs, mainly redundancy and notice costs, associated in 2017 with the closure of EKF's Polish facility and other restructuring activities.

c. Fair value of shares released to EKF by former shareholders of Selah Genomics Inc. which had been issued as part of the consideration for the acquisition of Selah, but held in escrow. These shares have subsequently been cancelled.

8. Auditor remuneration

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

	2017 £'000	2016 £'000
Fees payable to Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	**28**	28
Fees payable to the Company's auditor and its associates for other services:		
– The audit of Company's subsidiaries	**69**	64
– Other services	**23**	19
– Tax compliance services	**11**	11
	131	122

9. Directors' emoluments

	2017 £'000	2016 £'000
Aggregate emoluments	**1,745**	577
Contribution to defined contribution pension scheme	**19**	18
	1,764	595

Retirement benefits are accruing to 2 (2016: 2) current directors under a defined contribution scheme. See further disclosures within the Remuneration Report on page 23.

10. Employee benefit expense

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Wages and salaries	**13,304**	11,681	**2,177**	1,696
Social security costs	**2,019**	1,763	**240**	303
Share based payments granted to Directors and senior management (Note 30)	**1,514**	973	**1,514**	973
Pension costs – defined contribution plans (Note 33)	**168**	219	**45**	47
	17,005	14,636	**3,976**	3,019

Employee costs of £0.4m (2016: £0.3m) have been capitalised as part of development costs in the Group.

11. Monthly average number of people employed

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
Monthly average number of people (including Executive Directors) employed was:				
Administration	**54**	56	**10**	11
Research and development	**17**	16	**4**	3
Sales and marketing	**61**	63	**3**	4
Manufacturing, production and after sales	**160**	173	**-**	-
	292	308	**17**	18

The total number of employees (FTEs) in the Group at 31 December 2017 was 296 (2016: 299), and in the Company was 17 (2016: 19).

12. Finance income and costs

	2017 £'000	2016 £'000
Finance costs:		
– Bank borrowings	**83**	338
– Other interest	**23**	158
– Financial liabilities at fair value through profit or loss – losses/(gains)	**369**	208
– Convertible debt	**-**	9
Finance costs	**475**	713
Finance income		
– Interest income on cash and short-term deposits	**14**	37
– Other interest	**39**	-
Finance income	**53**	37
Net finance costs	**422**	676

13. Income tax

Group	2017 £'000	2016 £'000
Current tax:		
Current tax on profit/(loss) for the year	**2,045**	1,602
Adjustments for prior periods	**(100)**	(2,219)
Total current tax	**1,945**	(617)
Deferred tax (note 27):		
Origination and reversal of temporary differences	**(578)**	(555)
Total deferred tax	**(578)**	(555)
Income tax charge/(credit)	**1,367**	(1,172)

The Finance Act 2015 which was substantively enacted in 2015 included legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and the Finance Act 2016 which was substantively enacted in 2016 included legislation to reduce the main rate of UK corporation tax to 17% from 1 April 2020.

The tax on the Group's profit/(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:

	2017 £'000	2016 £'000
Profit/(loss) before tax	**4,307**	(1,003)
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19.25% (2016: 20%)	**829**	(201)
Tax effects of:		
– Expenses not deductible for tax purposes	**31**	390
– Remeasurement of deferred tax – change in future tax rate	**(360)**	-
– Income not subject to tax	**267**	-
– Utilisation of losses carried forward/ group relief	**(178)**	(63)
– Adjustment in respect of prior years	**(100)**	(2,219)
– Impact of different tax rates in other jurisdictions	**634**	428
– Other movements	**244**	493
Tax charge/(credit)	**1,367**	(1,172)

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

14. Earnings per share

(a) Basic

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

	2017 £'000	2016 £'000
Profit/(loss) attributable to owners of the parent	**2,715**	(18)
Weighted average number of Ordinary Shares in issue	**463,098,526**	446,042,831
Basic profit/(loss) per share	**0.59 pence**	(0.00) pence

(b) Diluted

Diluted earnings 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 shares: equity-based long-term incentive plans and share options. The potential shares were not dilutive in 2016 as the Group made a loss per share.

	2017 £'000	2016 £'000
Profit/(loss) attributable to owners of the parent	**2,715**	(18)
Weighted average diluted number of Ordinary Shares	**469,343,547**	446,042,831
Diluted profit/(loss) per share	**0.58 pence**	(0.00) pence

	2017	2016
Weighted average number of Ordinary Shares in issue	**463,098,526**	446,042,831
Adjustment for:		
– Assumed conversion of share awards	**2,201,081**	-
– Assumed payment of equity deferred consideration	**4,043,940**	4,043,940
Weighted average number of Ordinary Shares including potentially dilutive shares	**469,343,547**	450,086,771

15. Dividends

There were no dividends paid or proposed by the Company in either year. The Board's policy is to enhance shareholder value mainly through the growth of the Group, and through a programme of share buy backs. The Board will however consider the payment of dividends if and when appropriate.

16. Property, plant and equipment

Group	Land and buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2016	7,877	1,080	8,071	97	17,125
Additions	623	135	496	7	1,261
Transfers	214	(13)	(201)	-	-
Exchange differences	1,146	170	1,349	49	2,714
Disposals	(31)	(232)	(1,027)	(11)	(1,301)
At 31 December 2016	**9,829**	**1,140**	**8,688**	**142**	**19,799**
Accumulated depreciation					
At 1 January 2016	782	655	4,976	32	6,445
Charge for the year	232	168	781	28	1,209
Exchange differences	124	104	829	24	1,081
Disposals	(31)	(144)	(876)	(9)	(1,060)
At 31 December 2016	**1,107**	**783**	**5,710**	**75**	**7,675**
Net book value at 31 December 2016	**8,722**	**357**	**2,978**	**67**	**12,124**
Cost					
At 1 January 2017	9,829	1,140	8,688	142	19,799
Additions	197	136	1,006	22	1,361
Exchange differences	(265)	(39)	243	(2)	(63)
Disposals	(106)	(19)	(267)	(23)	(415)
At 31 December 2017	**9,655**	**1,218**	**9,670**	**139**	**20,682**
Accumulated depreciation					
At 1 January 2017	1,107	783	5,710	75	7,675
Charge for the year	278	181	672	29	1,160
Exchange differences	(54)	(17)	117	-	46
Disposals	(61)	(19)	(226)	(14)	(320)
At 31 December 2017	**1,270**	**928**	**6,273**	**90**	**8,561**
Net book value at 31 December 2017	**8,385**	**290**	**3,397**	**49**	**12,121**

Depreciation expense of £733,000 (2016: £774,000) has been charged to cost of sales and £427,000 (2016: £435,000) has been charged to administrative expenses.

16. Property, plant and equipment continued

Company	Land and buildings £'000	Fixtures and fittings £'000	**Total £'000**
Cost			
At 1 January 2016	1,673	89	1,762
Additions	-	27	27
Disposals	-	(1)	(1)
At 31 December 2016	**1,673**	**115**	**1,788**
Accumulated depreciation			
At 1 January 2016	163	52	215
Charge for the year	40	24	64
Disposals	-	(1)	(1)
At 31 December 2016	**203**	**75**	**278**
Net book value At 31 December 2016	**1,470**	**40**	**1,510**
Cost			
At 1 January 2017	1,673	115	1,788
Additions	-	15	15
At 31 December 2017	**1,673**	**130**	**1,803**
Accumulated depreciation			
At 1 January 2017	203	75	278
Charge for the year	40	25	65
At 31 December 2017	**243**	**100**	**343**
Net book value At 31 December 2017	**1,430**	**30**	**1,460**

The Company's freehold property is in Germany and occupied by its subsidiary undertaking, EKF-diagnostic GmbH. EKF-diagnostic GmbH is paying rental income of €13,900 (£11,880) per month to the parent Company. €167,000 (£148,400) (2016: €167,000 (£142,700)) 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	2017 £'000	2016 £'000
Cost – capitalised finance leases	-	37
Accumulated depreciation	-	(3)
Net book value	**-**	**34**

17. Intangible assets

Group	Non-compete agreements £'000	Goodwill £'000	Trademarks, trade name and licences £'000	Customer relationships £'000	Trade secrets £'000	Development costs £'000	Total £'000
Cost							
At 1 January 2016	70	23,718	2,493	13,815	16,878	7,782	64,756
Additions	-	-	45	-	-	618	663
Exchange differences	-	3,319	514	2,561	1,747	385	8,526
At 31 December 2016	**70**	**27,037**	**3,052**	**16,376**	**18,625**	**8,785**	**73,945**
Accumulated amortisation							
At 1 January 2016	70	2,082	1,378	4,555	8,866	4,878	21,829
Exchange differences	-	146	187	844	654	30	1,861
Charge for the year	-	-	332	1,418	1,074	928	3,752
At 31 December 2016	**70**	**2,228**	**1,897**	**6,817**	**10,594**	**5,836**	**27,442**
Net book value At 31 December 2016	**-**	**24,809**	**1,155**	**9,559**	**8,031**	**2,949**	**46,503**
Cost							
At 1 January 2017	70	27,037	3,052	16,376	18,625	8,785	73,945
Additions	-	-	135	-	-	717	852
Elimination	(70)	-	-	-	-	(434)	(504)
Exchange differences	-	(38)	(18)	(655)	362	142	(207)
At 31 December 2017	**-**	**26,999**	**3,169**	**15,721**	**18,987**	**9,210**	**74,086**
Accumulated amortisation							
At 1 January 2017	70	2,228	1,897	6,817	10,594	5,836	27,442
Exchange differences	-	42	4	(246)	161	124	85
Charge for the year	-	-	273	1,310	917	356	2,856
Elimination	(70)	-	-	-	-	(434)	(504)
Impairment	-	333	-	-	-	274	607
At 31 December 2017	**-**	**2,603**	**2,174**	**7,881**	**11,672**	**6,156**	**30,486**
Net book value At 31 December 2017	**-**	**24,396**	**995**	**7,840**	**7,315**	**3,054**	**43,600**

Amortisation charge of £49,000 (2016: £34,000) has been charged to cost of sales and £2,807,000 (2016: £3,718,000) has been charged to administrative expenses in the income statement.

Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to geographic operating segment. An operating segment-level summary of the goodwill allocation is presented below.

	2017 £'000	2016 £'000
Germany	**17,602**	17,055
Poland	**-**	322
Russia	**100**	103
USA	**6,694**	7,329
Total	**24,396**	**24,809**

Germany includes EKF-Diagnostic, Senslab, and DiaSpect, while the USA includes Stanbio and STI.

Goodwill is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2017 was assessed on the basis of value in use. The assessed value exceeded the carrying value and no impairment loss was recognised.

The key assumptions in the calculation to assess value in use are 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 discount rates applied reflect a risk-adjusted weighted average cost of capital.

The key assumptions used in 2017 for the value in use calculations of cash generating units with significant goodwill are as follows:

	EKF Germany %	DiaSpect %	Stanbio %	STI %
Longer-term growth rate	3	2	3	3
Discount rate	10	10	10	10

The discount rate used is based on a common risk profile across the Group.

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

For DiaSpect, the impairment assessment has been carried out over a 5 year period with a terminal value based on the long-term growth rate. The Directors estimate that growth rates in the 5 year period from the DiaSpect products will be high because they are relatively new products that will bring market benefits.

In Year 1 a growth rate of 7% has been used, reflecting the current sales run-rate, followed by 20% for years 2-4, reflecting a combination of continuing instrumentation sales and increasing consumable volumes as the established instrument base increases in the market. The forecast growth rates then fall to 2% thereafter. The Directors believe that market benefits will allow the product to be sold at a margin in excess of other products sold by the Group. A one percentage point increase in the discount rate or a reduction in forecast revenue growth rates in year 2-4 to 14% would result in an impairment.

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

Trade name	2–6 years
Customer relations	1–11 years
Trade secrets	4–11 years
Development costs	4-11 years

The Company holds capitalised development costs with a cost and net value of £1,876,000 (2016: £1,253,000) and £538,000 (2016: £538,000) respectively. These are amortised over their useful life and an amortisation charge of £65,000 (2016: 317,000) has been recognised in the income statement in 2017.

18. Investments in subsidiaries

Company Shares in Group undertakings	2017 £'000	2016 £'000
At 1 January and 31 December 2017	**30,521**	30,521

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 as at 31 December 2017 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	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 and consumables
EKF-diagnostic GmbH	3	100%	Ordinary	Manufacture and sale of diagnostic equipment and consumables
Senslab GmbH	3	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
EKF Diagnostyka Sp.z.o.o.	4	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
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 and consumables
Separation Technology, Inc	6	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
1261 N Main LP	6	100% (indirect)	Partnership	Dormant
Stanlab Management LLC	6	100% (indirect)	Ordinary	Dormant
1261 N Main Management LLC	6	100% (indirect)	Ordinary	Dormant
EKF POC, LLC	6	100% (indirect)	Ordinary	Dormant
Argutus Intellectual Property Limited	7	100% (indirect)	Ordinary	Dormant
EKF Diagnostics Limited (Ireland)	7	100%	Ordinary	Manufacture and sale of diagnostic equipment
EKF Diagnostics (Shanghai) Co. Ltd	8	100%	Ordinary	Dormant

Notes

1. Incorporated, registered and having its principal place of business in the United Kingdom, with its registered office being Avon House, 19 Stanwell Road, Penarth Vale of Glamorgan, CF64 2EZ.
2. Incorporated in Sweden. The principal place of business is in Germany. The registered address is Lytta Gard, 75593 Uppsala, Sweden.
3. Incorporated, registered, and having its principal place of business in Germany at Ebendorfer Chaussee 3, 39179 Barleben, Germany.
4. Incorporated, registered, and having its principal place of business in Poland at ul. Kazimierza Wielkiego 58, 32-400 Myślenice, Poland.

5. Incorporated, registered, and having its principal place of business in Russia at 117648, Moscow, PO Box: 30,
District Severnoe Chertanovo, House 2, building 207.
6. Incorporated and registered, or formed, and having its principal place of business in the United States of America at 1261 North Main Street, Boerne, Texas, USA 78006.
7. Incorporated and registered in Ireland c/o Mazars, Harcourt Centre, Block 3, Harcourt Road, Dublin 2. Its principal place of business is in the United Kingdom.
8. Incorporated and registered in China, Suite 1202, Jin Hong Qiao International Center Building I, No. 523 Loushan-guan Road, Changning District, Shanghai, P.R.C.200051

Subsequent to 31 December 2017 Renalytix AI, Inc. was incorporated and registered in the United States of America. It is directly owned by the parent Company.

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 financial statements 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 2017 £'000	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
31 December				
Assets as per balance sheet				
Trade and other receivables excluding prepayments and corporation tax	7,120	8,481	23,325	28,286
Cash and cash equivalents	8,203	7,874	710	2,567
Total	**15,323**	**16,355**	**24,035**	**30,853**

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

(b) Liabilities

	Group 2017 £'000	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
31 December				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	1,205	5,685	-	4,141
Finance lease liabilities	-	33	-	-
Trade and other payables	9,320	9,300	5,718	4,776
Deferred consideration	1,062	693	1,062	693
Total	**11,587**	**15,711**	**6,780**	**9,610**

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 £1,062,000 (2016: £693,000) 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 2017 and 31 December 2016, 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:

	2017 £'000	2016 £'000
AA-	1,997	2,929
Ratings lower than AA- or unrated	6,206	4,945
Total	**8,203**	**7,874**

20. Investments

Group and Company	**2017 £'000**	2016 £'000
1 January	152	402
Disposals	-	(250)
31 December	**152**	**152**

The investment consists of a 0.66% (2016: 0.67%) holding in Epinex Diagnostics Inc., a US based privately held company operating in the medical diagnostics industry; and a 19.90% holding in DX Economix, Inc., a Canadian based privately held company operating in the healthcare consultancy industry, the value of which has been 100% impaired.

21. Trade and other receivables

	Group 2017 £'000	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
Non-current				
Amounts owed by subsidiary undertakings	-	-	20,894	22,016
Current				
Trade receivables	5,476	5,669	-	-
Less: provision for impairment of trade receivables	(285)	(69)	-	-
Trade receivables – net	5,191	5,600	-	-
Prepayments	272	212	137	80
Amounts owed by subsidiary undertakings	-	-	2,374	6,233
Corporation tax receivable	4	677	-	-
Other receivables	1,929	2,881	58	37
	7,396	**9,370**	**2,569**	**6,350**

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

As of 31 December 2017, trade receivables of £1,286,000 (2016: £818,000) 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 2017 £'000	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
Up to 3 months	761	805	-	-
3 to 6 months	525	13	-	-
	1,286	**818**	-	-

As of 31 December 2017, trade receivables of £285,000 (2016: £69,000) were impaired and provided for. The ageing of these impaired receivables is as follows:

	Group 2017 £'000	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
6 months to one year	285	69	-	-
Total	**285**	**69**	**-**	**-**

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

	Group 2017 £'000	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
At 1 January	69	5,575	-	-
Provision for receivables impairment	221	2	-	-
Receivables written off during the year as uncollectible	(4)	(5,123)	-	-
Unused amounts reversed	-	(458)	-	-
Exchange differences	(1)	73	-	-
At 31 December	**285**	**69**	**-**	**-**

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 2017 £'000	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
UK Sterling	195	295	195	6,051
Euros	3,763	5,256	8,304	4,123
US dollar	3,259	3,226	14,963	18,192
Russian rouble	72	96	-	-
Polish zloty	107	497	-	-
	7,396	**9,370**	**23,462**	**28,366**

22. Inventories

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Raw materials	3,763	3,026	–	–
Work in progress	582	1,019	–	–
Finished goods	1,293	1,980	–	–
	5,638	**6,025**	**–**	**–**

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 £2,162,000 (2016: £3,237,000).

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £7,848,000 (2016: £11,388,000).

The Company held no inventories at 31 December 2017 or at 31 December 2016..

23. Cash and cash equivalents

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash at bank and in hand	8,203	7,874	710	2,567
Cash and cash equivalents (excluding bank overdrafts)	**8,203**	**7,874**	**710**	**2,567**

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

24. Trade and other payables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade payables	1,492	1,198	123	145
Amounts due to subsidiary undertakings	-	-	3,060	2,983
Social security	109	101	52	52
Other payables	1,926	2,193	1,722	800
Accrued expenses and deferred income	5,902	5,909	813	848
	9,429	**9,401**	**5,770**	**4,828**

25. Borrowings

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Non-current				
Bank borrowings	**872**	1,130	-	-
	872	**1,130**	**-**	**-**
Current				
Bank borrowings	**184**	4,364	-	4,141
Convertible loan	**149**	191	-	-
Finance lease liabilities	**-**	33	-	-
	333	**4,588**	**-**	**4,141**

The maturity profile of borrowings was as follows:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Amounts falling due				
Within 1 year	333	4,588	-	4,141
Between 1 and 2 years	184	211	-	-
Between 2 and 5 years	550	610	-	-
More than 5 years	138	309	-	-
Total borrowings	**1,205**	**5,718**	**-**	**4,141**

(a) Bank borrowings

Bank borrowings mature in 2023 and bear an average fixed coupon of 2.5% annually (2016: 2.81%).

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 Euro denominated borrowings have covenants attached to them. The Group has been compliant with these covenants throughout the year.

The bank borrowings are repayable by quarterly instalments.

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

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Euros	1,056	1,191	-	-
US Dollar	-	3,803	-	3,641
GBP	-	500	-	500
Total	**1,056**	**5,494**	**-**	**4,141**

(b) Convertible loan

In 2013 Andrew Webb loaned £200,000 to EKF Molecular Diagnostics Limited in return for a convertible loan note. The note was 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. The principal was split into a debt element and an equity element. The equity element is disclosed in Other Reserves. The note is denominated in sterling. In July 2017 it was agreed to make repayments of the principal of the debt up to a total of £102,000. Mr Webb has waived any rights to interest or to conversion and been granted certain rights to participate in any future commercialisation of EKF Molecular's technology. Following the completion of payment of the £102,000, payment of the remaining £98,000 will either be waived, or if agreed by both parties, paid to Mr Webb as compensation for waiving his future commercialisation rights.

(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.

	2017 £'000	2016 £'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	-	37
	-	37
Future finance charges on finance leases	-	(4)
Present value of finance lease liabilities	-	33

The present value of finance lease liabilities is as follows:

	2017 £'000	2016 £'000
No later than 1 year	-	33
	-	33

26. Deferred consideration

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
At 1 January	693	485	693	485
Fair value adjustment	369	208	369	208
At 31 December	**1,062**	**693**	**1,062**	**693**

The deferred consideration consists of 4,043,940 Ordinary Shares originally valued at £605,000 to be issued as part of the consideration paid for the acquisition of EKF-diagnostic GmbH Germany. The value of the shares has been adjusted to its fair value at 31 December 2017 of £1,062,000. Whilst agreement has been reached in principle to conclude the position, the contract amendment has not yet been signed. All of the outstanding balance is current.

27. 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	2017 £'000	2016 £'000
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	(13)	(13)
Deferred tax asset to be recovered after more than 12 months	(34)	(371)
	(47)	(384)
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	3,467	3,751
Deferred tax liability to be recovered within 12 months	23	738
	3,490	4,489
Deferred tax liabilities – net	**3,443**	**4,105**

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

	2017 £'000	2016 £'000
At 1 January	4,105	4,003
Exchange differences	(84)	657
Income statement movement (note 13)	(578)	(555)
At 31 December	**3,443**	**4,105**

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 2016	4,390	4,390
Credited to the income statement	(569)	(569)
Exchange differences	668	668
At 31 December 2016	**4,489**	**4,489**
At 1 January 2017	4,489	4,489
Credited to the income statement	(915)	(915)
Exchange differences	(85)	(85)
At 31 December 2017	**3,489**	**3,489**

Deferred tax assets	Tax losses £'000	Other £'000	Total £'000
At 1 January 2016	(47)	(340)	(387)
Charged to the income statement	45	(31)	14
Exchange differences	(11)	-	(11)
At 31 December 2016	**(13)**	**(371)**	**(384)**
At 1 January 2017	(13)	(371)	(384)
Charged to the income statement	-	337	337
At 31 December 2017	**(13)**	**(34)**	**(47)**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £1,173,000 (2016: £6,374,000) mainly in respect of tax losses amounting to £6,092,000 (2016: £33,109,000), primarily arising in the UK entities, that can be carried forward against future taxable income, as the likely timing of recovery is considered too remote.

Company	2017 £'000	2016 £'000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	34	371
Deferred tax	34	371

28. Share capital

Group and Company	Number of Shares	Share capital £'000
At 1 January 2017	464,262,781	4,643
Cancellation of Ordinary shares	(6,708,145)	(67)
31 December 2017	**457,554,636**	**4,576**

On 3 October 2017 the Company acquired 1,000,000 Ordinary shares at a price of 24p per share. On 20 October 2017 the Company acquired 5,630,032 Ordinary shares which were previously held in escrow at a fair value of 24p per share. On 3 November 2017 the Company cancelled 6,630,032 Ordinary shares. On 22 December 2017 the Company acquired and cancelled 78,113 Ordinary shares.

29. Share premium account

Group and Company	Share premium account £'000
At 1 January 2017	95,393
Cancellation of Share premium account	(95,393)
31 December 2017	**-**

Cancellation of the Company's share premium account was approved by shareholders on 27 July 2017 and by the court on 6 September 2017. The amount has been credited to a distributable reserve.

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')

	Number of notional shares
At 1 January 2017	10,254,766
Cancelled	(10,254,766)
At 31 December 2017	**-**

On 26 June 2017 the remaining options, which had an exercise price of 15p per share, were cancelled at the election of the option holders in return for an average cash payment of approximately 6.7 pence per option share.

(b) Unapproved share option scheme

	2017		2016	
	Av. Exercise price per share (£)	**Options (Number)**	Av. Exercise price per share (£)	Options (Number)
At 1 January	0.197	13,510,000	0.254	10,510,000
Granted	-	-	0.15	6,600,000
Cancelled	0.179	(11,360,000)	-	-
Expired	0.349	(900,000)	0.278	(3,600,000)
At 31 December	**0.252**	**1,250,000**	**0.197**	**13,510,000**

On 26 June 2017 options over a total of 11,360,000 shares, which had exercise prices of between 15p and 37.625p per share, were cancelled at the election of the option holders in return for an average cash payment of approximately 7.1 pence per option share.

The remaining unapproved share options include the following:

- 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. These options have vested.
- 100,000 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. These options vested during the year.
- 500,000 options were issued to a third party on 17 May 2015 at an exercise price of 20p. The shares will vest from 6 April 2016 subject to certain contractual obligations which have subsequently been completed, 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 1,250,000 (2016: 13,510,000) outstanding options 750,000 (2016: 5,110,000) were exercisable at 31 December 2017.

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

	2017		2016	
Expiry Date	Exercise price per share (£)	Options (Number)	Exercise price per share (£)	Options (Number)
16.06.2021	-	-	0.200	4,260,000
28.09.2021	-	-	0.252	200,000
07.07.2023	0.2725	650,000	0.2725	650,000
21.01.2024	0.37625	100,000	0.37625	1,300,000
06.04.2025	0.200	500,000	0.200	500,000
12.09.2026	-	-	0.150	6,600,000
		1,250,000		**13,510,000**

On 2 June 2016 two Directors were granted a cash settled share-based incentive award. The awards vest if a controlling interest in the Company is acquired by a third party prior to 30 June 2019. In these circumstances a minimum amount of £0.3m is payable to each Director, which increases by reference to any sale price achieved. The fair value of this award has been calculated at £3,351,000 (2016: £2,100,000) using a modified form of a Black Scholes model. The key assumptions in the model included expected volatility of 39% (2016: 60.2%), a risk free rate of 0.39% (2016: (0.03%)) and an assumed acquisition premium and option life. The increase in the liability is largely due to the increase in share price over the period. £969,000 (2016: £753,000) has been recognised as an expense in administrative expenses in the current year, and £1,722,000 (31 December 2016: £753,000) is shown as a liability on the balance sheet at 31 December 2017 within trade and other payables. The remainder of the charge to the income statement is made up of charges relating to equity settled share-based payments relating to share options.

31. Retained earnings

	Group £'000	Company £'000
At 1 January 2016	(45,438)	(40,419)
Loss for the year	(18)	(5,474)
Share-based payment	220	220
At 31 December 2016	**(45,236)**	**(45,673)**
At 1 January 2017	(45,236)	(45,673)
Profit/ (loss) for the year	2,715	(492)
Shares cancelled	(3,121)	(3,121)
Capital reconstruction	95,393	95,393
Share-based payment	545	545
Currency translation differences	98	(1,249)
At 31 December 2017	**50,394**	**45,403**

32. Other reserves

Group	Foreign currency reserve £'000	Other reserve £'000	Total £'000
At 1 January 2016	(3,607)	41	(3,566)
Currency translation differences	9,216	-	9,216
At 31 December 2016	5,609	41	5,650
At 1 January 2017	5,609	41	5,650
Shares cancelled	-	67	67
Currency translation differences	(717)	-	(717)
At 31 December 2017	**4,892**	**108**	**5,000**

In return for a payment of £200,000, Andrew Webb was 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 defined contribution pension schemes the assets of which are held separately from those of the Company in independently administered funds. The pension cost for the year represents contributions made by the Company to the funds and amounted to £168,000 (2016: £219,000).

34. Commitments

a) Capital commitments

The Group has contracted £166,000 (2016: £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 five years.

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

	Land and buildings		Other	
Group	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
No later than 1 year	180	149	79	80
Later than 1 year and no later than 5 years	278	23	54	124
Later than 5 years	58	-	-	-
Total	**516**	**172**	**133**	**204**

35. Cash generated by operations

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Profit/(loss) before tax	4,307	(1,003)	(1,385)	(5,492)
Adjustments for:				
– Depreciation	1,160	1,209	65	64
– Amortisation	3,463	3,752	65	317
– Warranty claim	(339)	(129)	-	-
– Loss on disposal of fixed assets	(33)	30	-	-
– Restructure of operations	-	(360)	-	-
– Share-based payments	1,510	220	1,510	220
– Escrow cancellation	(1,371)	-	(1,371)	-
– Fair value adjustment	369	208	369	208
– Foreign exchange	233	481	93	(5,221)
– Bad debt written down	-	-	374	8,717
– Net finance costs/(income)	53	468	(1,031)	(1,366)
Changes in working capital				
– Inventories	306	2,767	-	-
– Trade and other receivables	1,535	(1,127)	5,608	2,679
– Trade and other payables	(1,075)	2,300	(27)	520
Net cash generated by operations	**10,118**	**8,816**	**4,270**	**646**

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

Group	**2017 £'000**	2016 £'000
Net book value	95	241
Profit/(loss) on disposal of property, plant and equipment	33	(30)
Proceeds from disposal of property, plant and equipment	**128**	**211**

Non-cash transactions

The principal non-cash transactions are; movements on deferred consideration provisions; the fair value adjustment relating to the deferred equity consideration in respect of EKF Germany, the warranty claim, and release of accruals no longer required.

36. Related Party Disclosures

Directors

Christopher Mills' controls 29% of the Company's share capital through North Atlantic Smaller Companies Investment Trust PLC ("NAIT") and Oryx International Growth Fund Limited ("Oryx"). Harwood Capital LLP ("Harwood") is investment manager and investment adviser to NAIT and Oryx respectively. Christopher Mills is a partner and Chief Investment Officer of Harwood. Christopher Mills is also a director of Oryx and NAIT. He holds 2.16 per cent. of the shares in Oryx in his own name as well as a further 46.44 per cent. of the shares in Oryx via his 25.06 per cent. shareholding in NAIT.

The Group was invoiced £18,000 (2016: £18,000) by J & K (Cardiff) Limited for property rent. Julian Baines is a Director of J & K (Cardiff) Limited.

Carl Contadini acts as an Operational Advisor to Harwood which acts as investment manager and investment adviser to NAIT and Oryx respectively.

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

Other related party transactions

Sergey Kots who is Chief Executive of OOO EKF Diagnostika ("EKF Russia"), owns 20% of the subsidiary's share capital. During the year EKF Russia invoiced £594,000 (2016: £656,000) to OOO Laboratory Diagnostic Systems, a company of which Mr Kots' brother is a director.

Key management compensation

Key management compensation for the year was as follows:

	2017 £'000	2016 £'000
Salaries and other short-term employee benefits	1,745	577
Share-based payments	969	753
Employer contribution to pension scheme	19	18
	2,733	**1,348**

Key management includes the Directors of the Company only.

The Company

During the year the Company invoiced management charges of £3,141,000 (2016: £2,268,000) and interest of £1,079,000 (2016: £1,649,000) to its subsidiary companies. It purchased goods and services from subsidiaries totalling £169,000 (2016: £120,000). At 31 December 2017 the Company was owed £23,268,000 (2016: £28,249,000) by its subsidiaries and owed £3,060,000 (2016: £2,983,000) to other subsidiaries.

NOTICE OF ANNUAL GENERAL MEETING

EKF Diagnostics Holdings PLC (Company)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (Meeting) of EKF Diagnostics Holdings plc (Company) will be held at the offices of Harwood Capital LLP, 6 Stratton Street, Mayfair, London, W1J 8LD on 8 May 2018 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 2017 together with the reports of the Directors and the auditors thereon.
2. To re-elect Richard Evans, who retires by rotation, as a Director.
3. To re-appoint Messrs PricewaterhouseCoopers LLP as auditors to act as such until the conclusion of the next General Meeting of the Company at which the requirements of section 437 of the Companies Act 2006 are complied with and to authorise the Directors of the Company to fix their remuneration.
4. That in substitution for any existing such authority, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to allot Relevant Securities of the Company:

   (i) up to a maximum nominal amount of £62,500 (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 £457,554.64 (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 2019, 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 Resolutions

5. 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 £457,554.64 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 2019, 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.

6. That the Company be and is generally and unconditionally authorised for the purposes of section 701(1) of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange of ordinary shares of £0.01 each in the capital of the Company ("Ordinary Shares") provided that:

4.0 Additional information

(i) the maximum aggregate number of Ordinary Shares authorised to be purchased is 68,633,195 (representing approximately 15 per cent. of the Company's issued ordinary share capital);

(ii) the minimum price (excluding expenses) which may be paid for such Ordinary Shares is £0.01 per share;

(iii) the maximum price (excluding expenses) which may be paid for an Ordinary Share shall not be more than 5 per cent. above the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;

(iv) unless previously renewed, varied or revoked, the authority conferred shall expire at the conclusion of the Company's next annual general meeting or 30 June 2019, if earlier; and

(v) the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Registered Office
Avon House
19 Stanwell Road
Penarth
CF64 2EZ

14 March 2018

BY ORDER OF THE BOARD

Salim Hamir
Company Secretary

Notes:

1. The Company specifies that only those members registered on the Company's register of members at close of business on 4 May 2018 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.

   To appoint a proxy using the Proxy Form, the Proxy Form must be:

   (a) completed and signed;

   (b) sent or delivered to Link Asset Services, The Registry, 34 Beckenham Road, Kent BR3 4TU; and

   (c) received by Link Asset Services, at the address provided in paragraph 5(b) above no later than 11.00 a.m. on 4 May 2018.

   In the case of a member which is a company, the Proxy Form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Asset Services at the address noted in note 5 above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services at PXS, 34 Beckenham Road, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Asset Services no later than 11.00 a.m. on 4 May 2018. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the general meeting and voting in person. If you have appointed a proxy and attend the general meeting in person, your proxy appointment will automatically be terminated.
9. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.
10. Voting on all resolutions will be conducted by way of a poll rather than on a show of hands.
11. As at 5.00 p.m. on the day immediately prior to the date of posting of this notice, the Company's issued share capital comprised 457,554,636 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 457,554,636.

4.0 Additional information

Company information

Directors:

Christopher Mills (Non-Executive Chairman)

Julian Baines MBE (Chief Executive Officer)

Richard Evans (Chief Operating Officer and Finance Director)

Carl Contadini (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:

N+1 Singer
1 Bartholomew Lane
London EC2N 2AX

Solicitors to the Company:

Berry Smith LLP
Haywood House
Dumfries Place
Cardiff
CF10 3GA

Registrars:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

If you have a query regarding your shareholding please call (from inside the UK) 0871 664 0300 (calls cost 12p per minute plus network extras), or (from outside the UK) +44 371 664 0300

or e-mail shareholderenquiries@linkgroup.co.uk

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