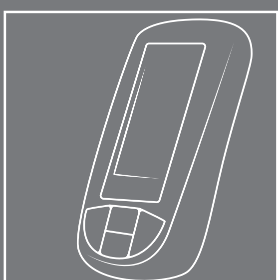
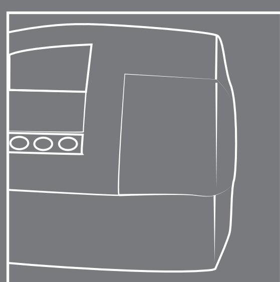
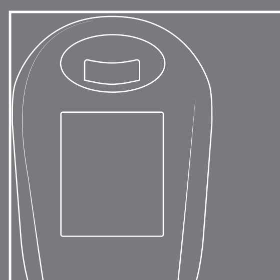
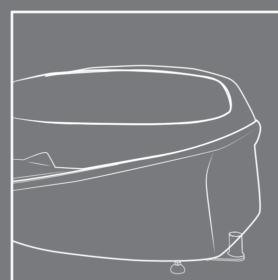





# Annual Report 2019

EKF

Diagnostics for life

# Financial and Operational Highlights

## COVID-19 – Key points

- Contract manufacturing opportunity with Longhorn Vaccines and Diagnostics, USA, for specimen collection tubes for COVID-19 testing – initial orders c. $1m and expected to grow significantly
- Robust plan in place to mitigate the effect of the disruption on the business
- Substantial net cash balances of £14.3m as at close of business on 20 March 2020 with continuing strong free cashflow
- Demand for diabetes and haemoglobin tests remains, with patients using these tests being in the higher risk category for COVID-19
- German state approval received to keep Barleben manufacturing facility open in event of a lockdown
- Current beneficial exchange rates as a US Dollar / Euro denominated business, with a natural currency hedge across operations in the UK, US and Europe

## Financial Highlights

- Revenue up 6% to £44.9m (2018: £42.5m)
- Gross profit up 4% to £23.7m (2018: £22.7m)
- Adjusted EBITDA* up 12% to £12.0m (2018: £10.7m)
- Profit before tax £5.5m (2018: £12.2m; £5.8m excluding exceptional gain from Renalytix AI plc spin-out)
- Basic Earnings per share of 0.81p (2018: 2.21p), underlying Basic Earnings per share* of 1.20p (2018: 1.01p)
- Cash generated from operations of £6.5m (2018: £9.9m)
- Cash at 31 December 2019 of £12.1m (2018: £10.3m), net cash of £11.4m (2018: £9.4m)
- Maiden dividend preserved and payable to shareholders on 1 December 2020

** Excluding exceptional items and share based payments*

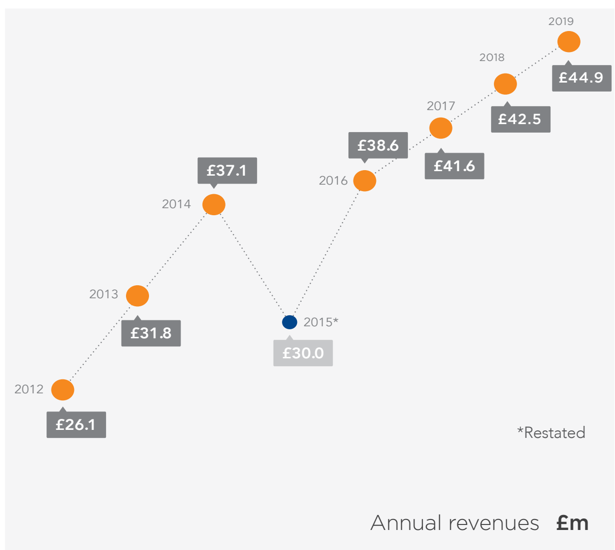
## Operational Highlights

- McKesson OEM of DiaSpect Tm successfully launched with positive first six months of business
- Successful completion of early stage development batches of a bulk dietary ingredient for Ixcela, Inc.
- Mount Sinai agreement provides EKF with advanced access to innovative commercial opportunities

## 2019 Revenue

| | **2019** | 2018 | +/- |
|---|---|---|---|
| Revenue (£m) | **£44.9** | £42.5 | 6% |
| Net cash (£m) | **£11.4** | £9.4 | +21% |
| Adjusted EBITDA (£m) | **£12.0** | £10.7 | 12% |

**6%**
**Increase in revenues year on year**




**HEMOGLOBIN** REVENUES

FY 2019
**£13,808 (£k)**

**+1%**

FY 2018
**£13,728 (£k)**

**DIABETES** REVENUES

FY 2019
**£20,607 (£k)**

**+9%**

FY 2018
**£18,899 (£k)**

**CENTRAL LABORATORY** REVENUES

FY 2019
**£6,135 (£k)**

**+15%**

FY 2018
**£5,353 (£k)**

# 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 2019 we sold around 74 million tests. This approach – sometimes known as the ‘razor/razorblade’ model – permits a percentage of repeated income 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. In 2019 EKF Life Sciences opened a second manufacturing facility in South Bend, Indiana to supply enzymes and offering additional capacity for contract fermentation customers.

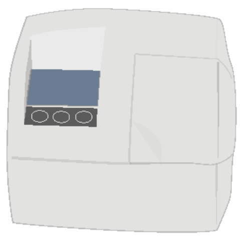
## 2019 Sales

### ANALYSERS SOLD

2019
**14,167**

2018
**14,087**

**+1%**

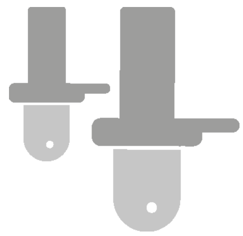


### TESTS SOLD

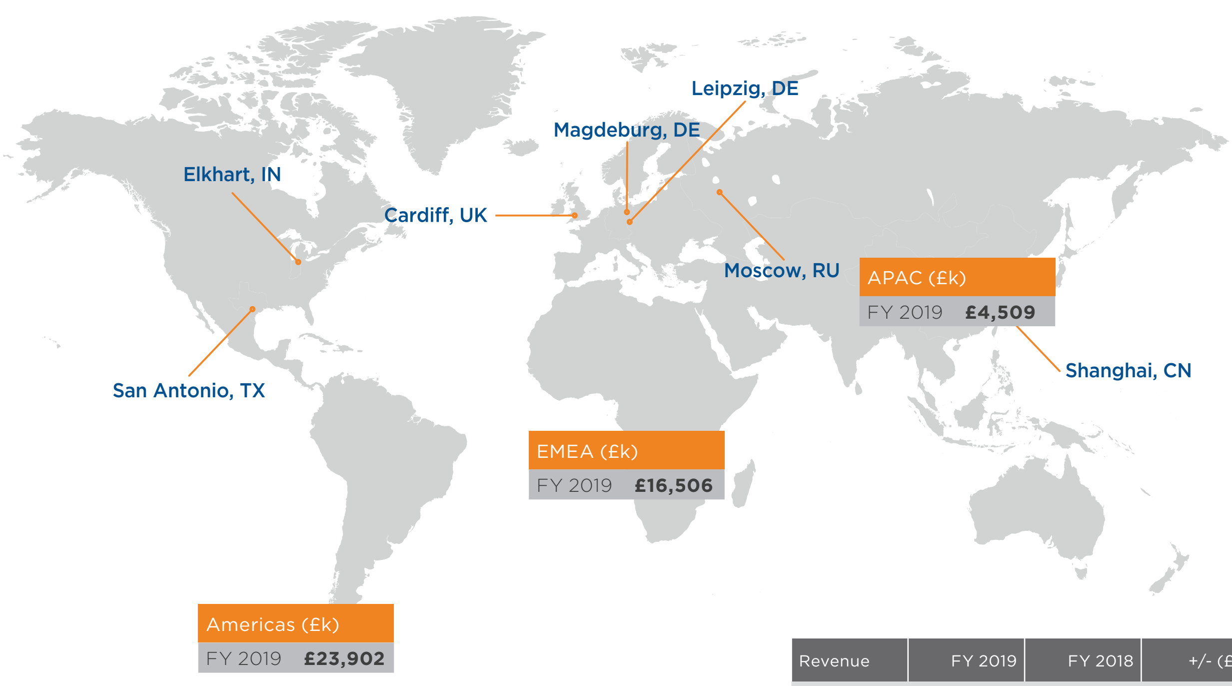
2019
**74,139,615**

2018
**76,241,694**

**-3%**



## Geographical Performance




| Revenue | FY 2019 | FY 2018 | +/- (£k) |
|---|---|---|---|
| APAC | **4,509** | 4.867 | **(358)** |
| EMEA | **16,506** | 15,498 | **1,008** |
| AMERICAS | **23,902** | 22,178 | **1,724** |

1

# Hematology

## Product Portfolio

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

A number of OEM arrangements with distribution partners has provided EKF with access to significant geographic markets and industry sectors that complement a strong and loyal customer base.


### 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 reagent-free cuvette technology
- One second time to result and an extended shelf-life of microcuvettes
- Connectivity to a mobile phone application 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 which uses 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 2019 EKF sold more than 28 million tests for the DiaSpect Tm range, and 20 million tests for Hemo Control and HemoPoint® H2.

# Diabetes

## 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 over a decade starting with the early models of the Biosen glucose analysers. Later, Quo-Test and Quo-Lab were launched to address the diabetes screening market.

Although they do not strictly belong within a point-of-care framework, clinical chemistry reagents such as Glycated Albumin, 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
- Two 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 to test lactate thresholds

**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

**β-Hydroxybutyrate LiquiColor & STAT-Site WB**

- Liquid reagent for the early detection of ketosis and new ketone analyser launched Q1 2020
- Primarily sold in USA through national distribution networks
- Small but growing markets in China, Singapore and Australia

## 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.

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 1,300 US hospitals now use EKF's Beta-Hydroxybutyrate reagent. To capitalise on this strong position EKF launched a whole blood ketone analyser in Q1 2020 for use in Emergency Rooms and small hospital labs. The analyser was launched with US FDA clearance.

# Women's Health & Sports Performance

## Product Portfolio

The Women's Health product range focuses on specialist diagnostics used to address conditions and complications associated with pregnancy and child birth.

Products include the Creamatocrit centrifuge but also the use of our hemoglobin meters that are used in Women and Infant Clinics, pregnancy test kits and HbA1c analysers used to diagnose gestational diabetes in pregnant women.

The EKF Sports Performance range is primarily comprised of Lactate Scout 4, a handheld blood analyser used 'in the field' by sports scientists. There is also a growing market for Biosen analysers used in sports research in both academia and professional sports organisations and clubs around the world.

### 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


### Lactate Scout 4

- Handheld lactate analyser
- Results in 10 seconds
- Developed for use in sports medicine
- New model launched in February 2019

## Strategy

Lactate Scout has been sold into sports medicine for over a decade. It has been a popular tool with athletes in 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 Bundesliga football teams and Olympians.

Lactate Scout 4 was introduced in February 2019 with new functionality and a specific focus on sports medicine. Today, EKF is developing new applications for Lactate Scout 4 in other markets including veterinary medicine.

# 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) and a range of health and veterinary products.

EKF Life Sciences received a significant investment in plant in 2018 to allow it to grow the services and products it provides and agreed a lease to expand manufacturing capacity in 2019. This facility will allow EKF Life Sciences to fulfil larger bulk orders than was previously possible as well as provide additional bottling and warehouse space.

**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

**Procalcitonin**

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

**Lucica Glycated Albumin-L**

- Confirms changes in blood glucose 1-2 weeks treatment
- EKF is the exclusive distributor in the USA

## 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.

In 2019 EKF launched its new, exclusive Glycated Albumin test which has been developed in partnership with Japan's Asahi Kasei Pharma Corporation.

# Chairman's Statement

It gives me great pleasure to be able to report that EKF continues to perform strongly, with excellent growth in revenues and earnings. The core business has grown revenue at a steady rate and adjusted earnings before interest, depreciation and amortisation (AEBITDA) at a much faster rate.

## Strategy

The core strategy of the business remains unchanged. It is threefold:

1) to continue to build our installed base of point-of-care analysers which then generate an ongoing stream of revenue through the sale of proprietary consumables;

2) to supply a range of clinical chemistry reagents for use on our own and third party analysers; and

3) to grow our contract and partnership enzyme manufacturing business.

To this core, we have added our Preferred Partnership Agreement ("PPA") with Mount Sinai Innovation Partners ("MSIP") which allows us advanced access to innovative commercial opportunities arising from certain technologies managed by MSIP.

## MSIP Preferred Partnership Agreement

MSIP is responsible for driving the real-world application and commercialisation of discoveries and inventions made within the Mount Sinai Health System ("MSHS"), New York's largest integrated healthcare delivery system.

EKF has established a longstanding and close working relationship with MSIP, through the highly successful spin-off of Renalytix AI plc, the developer of artificial intelligence-enabled diagnostics for kidney disease, made in close collaboration with the Icahn School of Medicine at Mount Sinai ("Mount Sinai"), the medical school of MSHS. This collaboration has already delivered considerable value to EKF shareholders. This new agreement with MSIP provides a framework to explore other commercial opportunities together and to select and support pioneering medical approaches that could make a major difference to people's lives around the world, as well as much-needed improvements in healthcare economics

The PPA, which is non-exclusive, provides EKF with access to opportunities which benefit from a clinician and demand-focused approach to developing commercially relevant healthcare products and services, and access to deep domain expertise in clinical disciplines and academia, commercial healthcare enterprises and other key stakeholders in the US healthcare market.

In connection with the PPA, the Company has signed a non-binding term sheet with MSIP, which will allow the Company to explore the opportunity to support the licensing of technology originating from Mount Sinai to establish a novel digital health platform for earlier intervention in and better management of the care pathway for patients with Inflammatory Bowel Disease ("IBD"). Better evaluation and personalised management of IBD patients, including the implementation of appropriate care delivery pathways in a more timely manner than current practice allows, is expected to deliver better healthcare outcomes (including quality of life) and on a more cost-effective basis than current approaches.

Work on bringing this opportunity to fruition is ongoing, and we will update shareholders with progress in the future. We anticipate that other opportunities will flow from the PPA in due course.

## Renalytix AI plc

In November 2018 RenalytixAI, a spin-out from EKF, was separately floated on AIM, with 20,964,295 RenalytixAI shares having been distributed by EKF to shareholders just prior to the float. At 31 December 2019 the RenalytixAI share price was £3.64 per share or an equivalent market value of the dividend to EKF shareholders at that date of £76.3m, which represents approximately 16.8p of incremental value received per EKF share.

In April 2019 we purchased a further 100,074 RenalytixAI shares at a price of just under £1.236 pence per share, to add to the holding acquired in the initial public offering, bringing our total holding to 2,677,981 shares. At 31 December 2019 these were held at a fair value of £9.75m. The unrealised gain of £6.50m on these shares has been taken to Other Comprehensive income. While global events since year end have reduced the RenalytixAI share price, the company continues to make significant progress against its objectives, which have been and continue to be delivered at a far greater pace than that thought possible at the time of its IPO in November 2018. The Board considers there to be very substantial further value accretion to come from EKF's continuing investment in RenalytixAI.

## Share capital

During the year to 31 December 2019 we have not utilised the permission we hold from shareholders to acquire shares for cancellation. It remains our intention to do so when appropriate.

We have continued the process of simplifying our share capital through the cancellation of 250,000 share options at the election of the holder, in return for a small payment.

## Dividend

We are pleased to confirm that, given the progress in EKF's business and its strong cash generation, it remains our intention to make an inaugural dividend payment to shareholders of 1p per ordinary share, as previously indicated. If approved by shareholders at the Company's next annual general meeting, payment will be on 1 December 2020 to shareholders on the register on 6 November 2020.

## Cash-settled share-based incentive

The Company operates a cash-settled, share based incentive for the Executive Directors, which is designed to pay out in the event that the Company is acquired by a third party (an "Exit"). Since the date of implementation of the Incentive in June 2016, the EKF share price had nearly trebled by late 2019 and the Company has moved from being loss making into EBITDA profitability and from being cash consumptive to strongly cash generative. In addition, EKF shareholders have benefited from the additional material value deriving from the establishment and spin-out of RenalytixAI.

Reflecting this delivery of value to shareholders by the Executive Directors, EKF's Remuneration Committee determined that, in the absence of any other performance-related pay mechanism, it was appropriate to distribute, as performance-related pay, a portion of the amount that would otherwise be payable under the Incentive on an Exit. The determination followed consultation with a majority of shareholders representing over 60% of the total voting rights in the Company, who were in support of the proposed action.

The Executive Directors each received an equal payment of approximately £1.345 million in November 2019, comprising a baseline payment for value creation up to a 20 pence share price, plus a variable amount calculated as to 5% of the excess value over 20 pence per share, calculated using a reference share price of 27 pence.

Any future amounts payable to the Executive Directors under the Incentive in the event of an Exit shall be reduced by all previously paid amounts, including the payment of £200,000 to each of the Executive Directors in 2017. Accordingly, the aggregate amount payable to them under the Incentive is unchanged by the payments described above and the total value available to Shareholders on an Exit will be unaffected. The Remuneration Committee considers that the remaining unpaid amounts under the incentive continue to provide strong motivation to the Executive Directors, who will receive a further potential variable reward in the event of an Exit, equal to 5% of the excess value obtained over 27 pence per share.

## 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.

## COVID-19

A statement on the potential effects of the COVID-19 pandemic is laid out in the Strategic Report on page 16.

## Board and Corporate Governance

All Board members have served throughout the year. The Board continues to believe that the current make-up of the Board is appropriate.

We have adopted the corporate governance code issued by the Quoted Company Alliance. Further details of compliance are found in the Corporate Governance Statement and on the Company's website.

## Outlook

With good cash resources and a business which is growing strongly, EKF has moved into a phase where we are confident that we can provide an income for shareholders and the prospect of significant upside from our relationships with MSIP and others. Trading in 2020 to date has been satisfactory and in line with management expectations.

I would also like to remind everyone that despite these difficult times EKF is in a very strong position. We have a substantial net cash balance, continuing solid positive cash flow, and the business remains robust. We see significant opportunities globally, particularly within the USA. Being a medical device company focussing on tests monitoring diabetes and haemoglobin, both conditions putting patients in higher risk categories for contracting COVID-19,

Christopher Mills

**Christopher Mills**
Non-executive Chairman

7 April 2020

# Chief Executive's Review

2019 has seen the Company continue its momentum by delivering on its strategic goals and, as mentioned above, the Board is confident that this progress will continue in 2020 and beyond. Further upside is expected from the OEM contract with McKesson-Surgical Inc. for the distribution of DiaSpect Tm in the US, the enzyme manufacturing business with Oragenics, Inc. and increased manufacture of the Longhorn PrimeStore MTM sample collection device.

We are excited by the possibilities being opened to us through our non-exclusive Preferred Partnership Agreement with Mount Sinai Innovation Partners, details of which are described in the Chairman's Statement.

## Operations

### Point-of-Care

#### Hematology

Hematology sales have risen very slightly over 2018. Hemo Control sales fell due to the completion of Pakistan, Saudi and Tanzanian anaemia screening tenders in 2018.

This was offset however by growth through EKF's private label distribution agreement with McKesson for DiaSpect Tm. It is sold in the US by McKesson under its own branded line, as the McKesson Consult® Hb analyser. The agreement follows US Food and Drug Administration 510(k) clearance and CLIA waiver for the DiaSpect Tm in April 2018. The full launch of the McKesson Consult® Hb analyser took place in April 2019. Initial sales have been encouraging. We have also seen significant hematology sales in Peru and Egypt.

#### Diabetes

From 2019 we are reporting sales of β-HB products under diabetes rather than Central Laboratory as we consider β-HB to be part of our diabetes portfolio.

Sales of our Diabetes products increased by 9%. Sales of β-HB products improved by 18%, with the majority of sales coming from the USA. Diabetes sales have also been driven by increased sales of Quo-Test where we are gaining traction in the UK and seeing continued growth in APAC. Quo-Lab sales were impacted by a technical issue with reagents which has now been solved.

We are continuing development of the new Biosen R-Line range, a research use only version of our successful analyser for use in non-medical applications.

### Central Laboratory

Sales to Oragenics, Inc. (for the outsourced manufacture of the enzyme for its Lantibiotic product) have been the main contributor of growth in the year, with Life Sciences revenues up 20% as a result. With our enzyme facility in Elkhart, USA, now operating at full capacity we have commenced the work necessary to bring our new South Bend facility into operation. We have also successfully completed early stage development batches of a bulk dietary ingredient for Ixcela, Inc.

Since the period end, we have released a new addition to our Diabetes Care portfolio in the US. The STAT-Site WB is a handheld dual-use whole blood β-ketone and glucose meter for professional use in the management of diabetes. The new analyzer is FDA CLIA-waived and can be used in point-of-care and Certificate of Waiver settings, such as physicians' offices, clinics and other non-traditional laboratory locations.

We have also launched our new Glycated Albumin liquid reagent product in the USA. In addition, we have successfully supplied the Jordanian Army with 26 Altair Clinical Chemistry analysers.

### Other

This category includes sales of a number of products including our Lactate Scout sports medicine product and other diagnostic tests, the most important of which is for pregnancy. Sales have reduced because of higher shipping charges.

## Regulatory update

Regulatory pressures in diagnostics continue to grow and we are therefore adding additional resources to our regulatory team to address this. In particular, the new requirements of the In Vitro Diagnostic Regulation (IVDR) in Europe place a significant additional burden on all IVD manufacturers and must be in place by May 2022.

## Summary

We have not yet seen any material disruption to our business as a result of the COVID-19 pandemic. At this stage, it is difficult to assess reliably whether there will be any material disruption in the future, however we continue to monitor the situation closely. As mentioned in the Chairman's statement, we have comprehensive plans in place and we are fortunate that EKF has significant cash resources available. In addition, there will be an increased reliance on diabetes and haemoglobin testing throughout this year, as well as the PrimeStore MTM manufacturing opportunity which together have the potential to ameliorate or even counteract the possible effects of COVID-19 on other parts of our business.

Absent such matters which are outside our control, we have a growing business built on a good quality product portfolio which meets a broad range of medical needs in a significant number of countries worldwide. We remain very confident in the Group's future and its prospects for continued growth this year and beyond.

**Julian Baines**
Chief Executive Officer

7 April 2020

# Finance Director's Review

## Revenue

Revenue for 2019 was £44.9m (2018: £42.5m), which is an increase of 6%. At constant exchange rates, revenue for the year would have been 1% lower, so organic growth is over 5%.

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

| | FY 2019 £'000 | FY 2018 £'000 | +/- % |
|---|---|---|---|
| Hematology | 13,808 | 13,728 | +1% |
| Diabetes Care | 20,607 | 18,899 | +9% |
| Central Laboratory | 6,135 | 5,353 | +15% |
| Other | 4,367 | 4,563 | (4%) |
| **Total** | **44,917** | **42,543** | **+6%** |

In this presentation, sales of β-HB of £9.4m (2018: £7.4m) have been reclassified from Central Laboratory to Diabetes

## Gross profit

Gross profit is £23.7m (2018: £22.7m), which represents a gross margin percentage of 52.8% (2018: 53.3%). The reduced gross margin was largely due to higher than usual releases of inventory provisions during 2018.

## Administration costs and research and development

Administration costs have increased to £18.3m (2018: £10.6m). The biggest factor was the effect of exceptional items, which were strongly positive in 2018. The most significant exceptional item in 2018 was the substantial gain made on the Group's investment in Renalytix AI plc as a result of its successful separate flotation. The revaluation of Renalytix shares to their fair value in 2019 is recognised through other comprehensive income. An additional factor was the revaluation of the share-based payment liability in 2019 as a result of the higher share price of EKF. Excluding the effect of exceptional items and share based payments, administration costs increased from £16.1m in 2018, to £16.5m in 2019.

Research and development costs included in administration expenses were £2.3m (2018: £1.6m). A further £0.5m was capitalised as an intangible asset, resulting from our development work to broaden and improve our product portfolio, bringing gross R&D expenditure for the year to £2.8m, an increase from the expenditure in 2018 which was £2.2m.

The charge for depreciation of fixed assets and amortisation of intangible assets increased to £4.4m (2018: £4.0m).

## Operating profit and adjusted earnings before interest, tax, depreciation and amortisation

The Group generated an operating profit of £5.8m (2018: £12.2m). This again reflects the significant exceptional gain on Renalytix and other items in 2018. 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 the Group's progress as the Board believes it gives a clearer comparison of the operating performance between periods. In 2019 we achieved adjusted EBITDA of £12.0m (2018: £10.7m), an increase of 12.5%. The calculation of this non-GAAP measure is shown on the face of the income statement. It excludes the effect of non-cash share-based payment charges of £2.1m (2018: £0.9m), and exceptional profits of £0.3m (2018: £6.5m). IFRS 16 "Leases", which has been introduced in the Group this year has the effect of moving £0.3m into adjusted EBITDA while having no effect on unadjusted earnings. The increase in adjusted EBITDA of £1.3m would be higher by £0.1m without the effect of exchange rates, with £1.1m therefore being attributable to improved underlying performance, excluding the effect of the introduction of IFRS 16. This new accounting standard has no effect on the reporting of cashflow.

## Finance costs

Net finance costs have increased to £0.27m (2018: £0.03m). While interest costs on borrowings have continued to reduce, the main charge results from an increase in the fair value of deferred consideration.

## Tax

There is an income tax charge of £1.6m, a small decrease from the prior year charge (2018: £1.9m). The charge is lower than would have been expected largely because of tax savings in the USA offset by losses in the UK for which a deferred tax asset has not been recognised as the likely timing of recovery is considered too remote.

## Balance sheet

### Property plant and equipment

Additions to fixed assets were £1.5m (2018: £1.2m). The major programme has been the continuing work on the upgrading and refurbishment of the Group's facility in Elkhart, USA, where many of the Group's central laboratory products are manufactured, including those being supplied to Oragenics.

# Finance Director's Review (continuation)

### Right-of-use assets

As a result of the implementation of IFRS 16 "Leases" we recognised £0.7m of right-of-use assets.

### Intangible assets

The carrying value of intangible assets has continued to fall, from £41.8m in 2018 to £37.8m as at 31 December 2019. This is largely the result of the annual amortisation charge.

### Investments

Although EKF's pre spin-out shareholding in Renalytix AI plc was distributed to EKF shareholders in October 2018, EKF participated in the Renalytix AI initial public offering fund raising acquiring 2,577,907 ordinary shares at a cost of £1.21 each. Subsequently in April 2019, EKF acquired a further 100,074 ordinary shares in the market at a cost of approximately £1.236 per share. The resulting shareholding in Renalytix of 2,677,981 shares represents 4.51% of their share capital. As Renalytix is an AIM quoted business, our shares are held at "fair value" being the quoted middle market price, with any gain or loss being taken through Other Comprehensive Income in accordance with IFRS 13. In the event of an outright sale of this investment, a discount will apply.

### Deferred consideration

The remaining deferred consideration of £1.4m (2018: £1.1m) relates to a share-based payment to the former owner of EKF-Diagnostic GmbH, payment of which is subject to an offsetting warranty related claim, the value of which is held in receivables. Conclusion of the position has taken longer than anticipated but is expected during 2020.

## Cash and working capital

Despite the performance related bonuses paid to the directors of the company of approximately £2.7m, net cash has increased from £9.4m to £11.4m. Gross cash has increased to £12.1m (2018: £10.3m). Borrowings, which were mainly used to fund a new building at our plant in Barleben, Germany, are reducing over the loan period to 2023.

Inventory has remained largely static at £6.1m in spite of higher revenue.

**Richard Evans**
Finance Director and Chief Operating Officer

7 April 2020

# Board of Directors

## Executive Directors

### Julian Baines MBE

Chief Executive Officer (aged 55)

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. Julian is also Chairman of Renalytix AI plc.

### Richard Evans

Chief Operating Officer and Finance Director (aged 62)

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. Richard is also a non-executive director of Renalytix AI plc.

# Board of Directors

## Non-Executive Directors

### Christopher Mills

Non-Executive Chairman (aged 67)

Christopher founded Harwood Capital Management in 2011, a successor to 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 including Renalytix AI plc. 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 the Remuneration Committee.

### Adam Reynolds

Non-Executive Director (aged 57)

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 and Yourgene Health plc, and a director of several listed and private companies. Adam chairs the Audit Committee and Remuneration Committee.

### Carl Contadini

Non-Executive Director (aged 71)

Carl has been a director of numerous companies throughout his career, predominately focusing on the healthcare and electronics sectors. He is currently an Operational Adviser to Harwood Capital LLP, where he assists in sourcing, evaluating and monitoring investments. Carl also holds the position of Executive Chairman at Utitec Holdings Inc. and is a board member of Prospect Medical Waterbury Hospital. 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 2019*

**The Directors present their Strategic Report for the year to 31 December 2019.**

## Review of the business

A review of the business is contained in the Chairman's Statement on pages 8 and 9, and in the Chief Executive's Review on page 10 and the Finance Director's Review on pages 11 and 12.

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 Russian 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 where appropriate, 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.

# Strategic Report

*for the year ended 31 December 2019*

### 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.

### Pandemic risk

The recent COVID-19 pandemic has created uncertainty in the market in the short term. Many countries are either closed or on the verge of being shut down, and government action is having a significant effect on economies across world. The eventual severity and length of the economic disruption is impossible to forecast. We believe we have a robust plan in place to mitigate the effect of the disruption on the business including taking the following actions (amongst others):

- Organising for as many staff as possible to work from home
- Improving our computer networking to facilitate remote working
- Gaining designation as a company essential to basic medical care which allows our premises to remain open even in a lockdown
- Improved social distancing by limiting physical meetings,expanding flexible working, and altering production practices
- Preparing requests for support for short time working with local authorities in case this becomes necessary
- Banning international travel and limiting domestic travel
- Increasing supplier and customer contact so as to be able to anticipate issues and react quickly
- Increasing raw material stock holding
- Increasing cleaning and disinfection cycles

We have insurance cover in place in case there is a loss of business, although it cannot be guaranteed that cover will be sufficient to protect against all eventualities.

We have not yet seen any material disruption to our business as a result of the COVID-19 pandemic and current trading suggests that our base case forecasts are still applicable. However, at this stage, it is difficult to assess reliably whether there will be any material disruption in the future. We have modelled a number of scenarios covering reductions in revenue of 10% and 50%, without taking into account the potential benefits of any mitigation strategies such as potential cost savings or insurance claims. We have also modelled out 100% reductions in revenue with cost savings within our control. While the eventual severity and length of the economic disruption stemming from the pandemic is impossible to forecast these models give the Directors reasonable confidence that the business can survive even catastrophic reductions in revenue for at least the next 12 months.

## 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

# Strategic Report

*for the year ended 31 December 2019*

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 pages 8 and 9 and the Chief Executive's Review on page 10 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 11 and 12.

## 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 great 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.

## Section 172 Statement

The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the Group for the benefit of its shareholders as a whole and in doing so are required to have regard for the following:

- the likely long term consequences of any decision;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company.

In 2018 the Group adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from The n 2018 the Group adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from The Quoted Companies Alliance (the "QCA Code"). The QCA Code is an appropriate code of conduct for the Group's size and stage of development. There is a discussion of how the Group applies the ten principles of the QCA Code in support of its growth on the Group's website.

The Chairman's and Chief Executive Officer's statements describe the Group's activities, strategy and future prospects, including the considerations for long term decision making on pages 8 to 10.

The Board considers its major stakeholders to be its employees, its suppliers, customers, and shareholders. When making decisions, the interests of these stakeholders is considered informally as part of the Board's group discussions.

The Board has a good relationship with the Group's employees. The Board maintains constructive dialogue with employees through the Executive Directors. Appropriate remuneration and incentive schemes including bonuses and commissions are maintained to align employees' objectives with those of the Group. The Group regularly discusses progress both locally and at group level with employees in "town hall" style meetings, allowing opportunities to exchange views and for employees to have a say.

The Board ensures that the Group endeavours to maintain good relationships with its suppliers by contracting on their standard business terms and paying them promptly, within agreed and reasonable terms. We meet with our significant suppliers regularly and where required audit their activities to ensure that materials are delivered effectively in a timely and cost-efficient manner. We frequently offer longer term contracts to provide stability to their business in return for cost savings. These principles ensure that the Group's and our significant suppliers' interests are aligned.

The Executive Directors meet major customers regularly and encourage a dialogue with them and with the Regional Sales Management team as appropriate. The Board receives regular reports on progress with customer relationships to ensure that their decision making takes into account the needs of our customer base. Key Performance Indicators are used internally to ensure we are responding to customer needs.

The Board does not believe that the Group has a significant impact on the communities and environments within which it operates. 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, and that it contributes as far as is practicable to the local communities in which it operates.

The Board recognizes the importance of maintaining high standards of business conduct. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints.

The Board endeavours to maintain good relationships with its shareholders and treat them equally. This is described in more details in "Relations with shareholders" in the Corporate Governance Report on page 21.

The Strategic Report was approved by the Board on 7 April 2020 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 2019*

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 2019.

## 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 pages 8 and 9, the Chief Executive's Review on pages 10 and the Finance Director's Review on pages 11 and 12.

## Dividends and share buy back

In 2018 the Company declared and paid a distribution in specie under which the Company's shareholding in Renalytix AI plc was distributed to Relevant EKF shareholders at a rate of one Renalytix AI plc share for each 21.825 EKF shares held, it remains our intention to make an inaugural dividend payment to shareholders of 1p per ordinary share, as previously indicated. If approved by shareholders at the Company's next annual general meeting, payment will be on 1 December 2020 to shareholders on the register on 6 November 2020.

The Company holds authorisation to acquire up to approximately 15% of its Ordinary Shares in order to reduce the number of shares in issue. No shares (2018: 3,461,409 shares) were acquired under this authorisation during the year. The Company intends to seek renewal of the authorisation at the next AGM.

## 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. We have not yet seen any material disruption to our business as a result of the COVID-19 pandemic and current trading suggests that our base case forecasts are still applicable. However, at this stage, it is difficult to assess reliably whether there will be any material disruption in the future. In addition the Directors have considered the potential effects of the COVID-19 pandemic as laid out in the Strategic Report. We have modelled a number of scenarios covering reductions in revenue of 10% and 50%, without taking into account the potential benefits of any mitigation strategies such as potential cost savings or insurance claims. We have also modelled out 100% reductions in revenue with cost savings within our control. While the eventual severity and length of the economic disruption stemming from the pandemic is impossible to forecast these models give the Directors reasonable confidence that the business can survive even catastrophic reductions in revenue for at least the next 12 months.

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 15-17.

## Stakeholder engagement

A statement summarising how the directors have had regard to the need to foster the Group's business relationships with other stakeholders is included in the Strategic Report on pages 15-17.

## Directors' interests

The interests in the share capital of the Company of those Directors serving at 31 December 2019 and as at the date of signing of these financial statements, all of which are beneficial, were as follows:

| | On 31 December 2019 Ordinary Shares of 1p each | On 31 December 2018 Ordinary Shares of 1p each |
|---|---|---|
| **Christopher Mills** | 136,113,591 | 135,963,591 |
| **Julian Baines** | 1,855,288 | 1,855,288 |
| **Richard Evans** | 178,842 | 178,842 |
| **Adam Reynolds** | 1,668,613 | 2,068,613 |
| **Carl Contadini** | - | - |

Mr Mills holds 150,000 Ordinary shares in his own name. Mr Mills' other 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.

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.

On 24 May 2019, Adam Reynolds sold 400,000 Ordinary shares at 33p per share and Christopher Mills bought 150,000 Ordinary shares.

# Report of the Directors

*for the year ended 31 December 2019*

## Substantial shareholdings

As at 6 April 2020, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

| | Number of shares | Percentage of issued share capital |
|---|---|---|
| **Mr Christopher Mills** | 136,113,591 | 29.97 |
| **Canaccord Genuity Wealth Management** | 27,892,136 | 6.14 |
| **Schroder Investment Management** | 22,586,000 | 4.97 |
| **Mr William Pippin** | 16,189,675 | 3.57 |
| **Stockinvest** | 15,635,000 | 3.44 |
| **Chelverton Asset Management** | 15,500,000 | 3.41 |

## Statement of Directors' responsibilities in respect of the financial statements

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 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 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.

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 and 21 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 pages 68 and 69.

## 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 7 April 2020 and signed on its behalf by:

Richard Evans

**Richard Evans**
Finance Director and Chief Operating Officer

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# Corporate Governance Statement

*for the year ended 31 December 2019*

## Compliance

The Company recognises the value of good corporate governance in every part of its business. In September 2018 the Board adopted the corporate governance principles of the 2018 Quoted Companies Governance Code. Details of the Code can be obtained from the Quoted Companies Alliance's website (www.theqca.com).

The following statement describes how the Group as at 31 December 2019 sought to address the principles underlying the Code.

## Board composition and responsibility

The Board currently comprises two Executive Directors and three Non-Executive Directors. Christopher Mills was appointed as Non-Executive Chairman on 20 April 2016.

It is the Board's opinion that the two directors, Adam Reynolds and Carl Contadini, are independent in character and judgment and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement. Both Mr. Reynolds and Mr. Contadini have been appointed to the Boards of numerous companies, with Mr. Reynolds specialising in corporate finance matters and Mr. Contadini specialising in operations in the healthcare and electronics sectors. The Board is cognisant that Mr. Contadini serves as an operational adviser to Harwood Private Equity, an investment entity of which Christopher Mills is Managing Partner. The three Board members (other than Mr. Contadini and Mr. Mills) consider that Mr. Contadini's decision-making on the EKF Board is driven by his relevant industry experience which underpins his independence. There is a majority of Board members unconnected to Mr. Mills such that it functions in a balanced manner.

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.

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.

## Board meetings

5 Board meetings were held during the year. The Directors' attendance record during the year is as follows:

| | |
|---|---|
| **Christopher Mills (Non-Executive Chairman)** | 5 |
| **Julian Baines (Chief Executive Officer)** | 5 |
| **Richard Evans (Chief Operating Officer and Finance Director)** | 5 |
| **Adam Reynolds (Non-Executive Director)** | 5 |
| **Carl Contadini (Non-Executive Director)** | 5 |

The Executive Directors work full time for the Group. The Non-executive Directors are expected to devote at least two days per month to the business of the Group, plus additional days for committee meetings.

During the year the Board has performed an evaluation of their performance and that of the Chairman, as well as the effectiveness of the Board committees. The Board intends to develop further its evaluation of the performance of the Board and Committees on an annual basis. The evaluation will include Board composition, experience, dynamics and the Board´s role and responsibilities for strategy, risk review and succession planning. The evaluations will involve a detailed questionnaire and individual discussions between the Non-executive Chairman and the Directors. Being a small listed company, the Board considers it unnecessary to have evaluations facilitated by an external consultant. Independent Director Adam Reynolds will conduct an evaluation of the Non-executive Chairman´s performance in conjunction with the other independent Director, Carl Contadini and input from the two Executive Directors. The outcome from these evaluations will be discussed by the Board at one of its Board meetings.

The Board evaluation covers areas including the makeup of the board, the way that it conducts discussions and takes decisions, the quality of board papers, the inputs from Executive and Non-executive Directors, and the effectiveness of Board committees. In each case the evaluation found that performance was satisfactory, although some improvement was required in certain areas.

More details on corporate governance including a compliance statement can be found on the Company's website at ekfdiagnostics.com/investors.html.

## Audit Committee

This comprises two Non-Executive Directors, Adam Reynolds (Chairman) and Christopher Mills. Adam Reynolds is the Senior Independent Director and has recent and relevant finance experience. The committee has responsibility over the following:

- 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
- 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.

# Corporate Governance Statement

*for the year ended 31 December 2019*

- The committee met once formally during 2019. 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 Adam Reynolds (Chairman), and Christopher Mills. 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 2019.

## Board appointments

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

## Internal control

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

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

## Internal financial reporting

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

## Relations with shareholders

The Company reports to Shareholders twice a year. The Company dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 clear days before the meeting. Each substantially separate issue is the subject of a separate resolution and all Shareholders have the opportunity to put questions to the Board at the Annual General Meeting.

The Chair(s) of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their work. The Chairman advises the meeting of the details of proxy votes cast on each of the individual resolutions after they have been voted on in the meeting. The Chairman and the Non-Executive Directors intend to maintain a good and continuing understanding of the objectives and views of the Shareholders.

Shareholders may contact the Company as follows:

Tel: 029 2071 0570
Fax: 029 20 705715
Email: investors@ekfdiagnostics.com

## 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 7 April 2020 and signed on its behalf by:

Richard Evans

**Richard Evans**
Finance Director and Chief Operating Officer

# Report of the Remuneration Committee

*for the year ended 31 December 2019*

## 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 2019 is shown below:

| | Salary and fees £'000 | Benefits in kind £'000 | Bonus £'000 | Pension £'000 | **2019 £'000** | 2018 £'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Julian Baines | 268 | 13 | 1,345 | 11 | **1,637** | 346 |
| Richard Evans | 228 | 16 | 1,346 | 6 | **1,596** | 283 |
| | 496 | 29 | 2,691 | 17 | **3,233** | 629 |
| **Non-Executive Directors** | | | | | | |
| Christopher Mills | - | - | 50 | - | **50** | 25 |
| Carl Contadini | - | - | 50 | - | **50** | 25 |
| Adam Reynolds | - | - | 50 | - | **50** | 30 |
| | - | - | 150 | - | **150** | 80 |
| **Total fees and emoluments** | **496** | **29** | **2,841** | **17** | **3,383** | **709** |

## Directors' share options and Long-Term Incentive Plan

No director holds options under any share option plan.

In 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. In November 2019, a payment was made to each Director of approximately £1.345m, and at the same time the terms of the scheme were updated. The revised awards vest if a controlling interest in the Company is acquired by a third party prior to 30 June 2021.

In these circumstances an award is payable to each Director, which increases by reference to the sale price achieved. The fair value of this award has been calculated at £2,481,000 using a modified form of a Black Scholes model. The fair value has been spread over the assumed vesting period, with a charge of £1,943,000 (2018: £775,000) recognised in 2019. 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 18.

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Approved by the Board on 7 April 2020 and signed on its behalf by:

Richard Evans

**Richard Evans**
Finance Director and Chief Operating Officer

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# Report on the audit of the financial statements

*for the year ended 31 December 2019*

## 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 2019 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 International Financial Reporting Standards (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, which comprise: the Consolidated and Company's Statement of Financial Position as at 31 December 2019; the Consolidated Income Statement; the Consolidated Statement of Comprehensive Income; the Consolidated and Company's Statement of Cash Flows; the Consolidated and Company's Statement 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

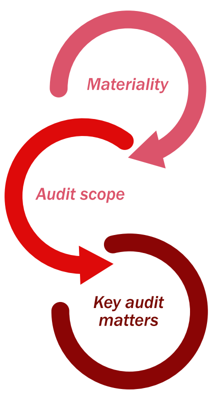
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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: £378,000 (2018: £425,000), based on 5% of adjusted profit before tax (adjusted for share-based payments and exceptional items).
- Overall parent company materiality: £356,000 (2018: £403,000), based on 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 83% of the group's revenues for the year ended 31 December 2019.

- Goodwill and intangible asset impairment assessments. (Group and parent).
- Share-based payment transactions (Group and Parent).
- COVID-19 (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. 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.

# Report on the audit of the financial statements

*for the year ended 31 December 2019*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Goodwill and intangible asset impairment assessments**<br>**(Group and parent)**<br>At 31 December 2019, the Consolidated Statement of Financial Position includes £37.9m of intangible assets (2018: £41.8m).<br>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 2020.<br>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. We assessed the methodology used by management in performing the assessments and evaluated key inputs including;<br>• The projected growth rates used, both over the short-term to 2024 and over longer-term;<br>• The discount rate used;<br>• Other key inputs, including the applicable tax rate, forecast capital expenditure and forecast margins.<br>We also considered 2019 financial performance vs budget and performance in the first part of 2020. We performed a range of sensitivity analyses to assess the impact of alternative assumptions to those used by management.<br>We concur with management's assessment that no impairment charge is required in respect of goodwill and intangible assets but identified that if management is unable to achieve planned results, this could reasonably be expected to give rise to an impairment in the future. Management has disclosed the results of sensitivity analysis in Note 18. |
| **Share-based payment transactions**<br>**(Group and parent)**<br>During 2016, two directors were awarded a cash-settled share-based incentive, which will see a payment made if the Company is acquired by a third party before 30 June 2021 (revised). The amount payable under the award varies depending on the acquisition price.<br>A senior employee was also granted a cash settled share-based incentive award, which vests if a controlling interest in the Company is acquired by a third party at any time while the holder remains an employee.<br>During the year the decision was taken by the Remuneration Committee to early settle a portion of the exit bonuses after failure to successfully find a buyer for the company, but to reward for the financial growth and performance of the business since 2016. The performance-related pay which would have otherwise been paid on exit was c.£2.7m. Consequently, the exit agreements were revised to extend the acquisition date to 30 June 2021, and increasing the acquisition price required, for amounts to be payable on acquisition.<br>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 2019 is £1.7m (2018: £2.5m). 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 acquisition, share-price volatility and the premium expected to be paid for acquiring the Company's shares.<br>Disclosure in respect of these awards is included in Note 30.<br>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.<br>We obtained and reviewed the key terms of the revised exit agreements and verified the model's inputs to reliable third party data. We also recalculated the liability using a standard Black-Scholes model.<br>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.<br>We concluded that the work of the 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. |
| **COVID-19**<br>**(Group and parent)**<br>The emergence of Coronavirus ("COVID-19") during Q1 2020 has impacted all businesses, both financially and operationally. Management refer to their assessment of the pandemic risk and the mitigating actions taken, in the Principal Risks and Uncertainties section within the Strategic Report on page 16.<br>The Directors have performed a detailed assessment of the potential effects of the COVID-19, specifically in respect of the preparation of the financial statements on a Going Concern basis. In performing this assessment, management have modelled number of scenarios, covering reductions in revenue of 10%, 50% and 100%, and also considering mitigating strategies such as potential cost savings.<br>The Directors have included a statement within the Annual Report stating that they have reasonable confidence from the outcome of the assessment that the business can survive even catastrophic reductions in revenue for at least the next 12 months, due to the robust business and current strong cash balances. The Directors have concluded that it remains appropriate to prepare the group financial statements on a going concern basis. | We obtained the group's modelled scenarios and evaluated the appropriateness of key assumptions and inputs including;<br>• Verified the integrity of management's model, as well as agreeing to underlying data. We have agreed the model to the approved budget used for purposes of our audit procedures over goodwill and intangible assets impairment.<br>• Obtained management information for the Q1 2020 financial performance to support our evaluation of management's assumptions. We also confirmed cash balances at the end of Q1 to third party bank statements.<br>• Evaluated and challenged management's assumptions on the potential cost savings from mitigating strategies included in the model for 100% reductions in revenue.<br>• Agreed the mathematically accuracy of the modelled scenarios.<br>• Group management provided their current contingency plans, including mitigating actions being taken. We challenged and corroborated these with operational site management in US and Germany.<br>We obtained evidence to support management's disclosures in the financial statements, and checked the relevant disclosures within the annual report, namely the Strategic Report and checked the consistency of this with the financial statements and our knowledge from the audit.<br>We concur with management's assessment that the going concern basis remains appropriate, and that the disclosures in the financial statements adequately describes the nature of the risk, and impact on the Group. |

# Report on the audit of the financial statements

*for the year ended 31 December 2019*

## 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-diagnostic 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 performed for DiaSpect Medical GmbH by the component audit team and the group audit team performed full-scope audit procedures for EKF Diagnostics Holdings plc. 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. This work was performed by the group engagement team. Our audit addressed components making up 83% of the Group's 2019 revenues.

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** | £378,000 (2018: £425,000). | £356,000 (2018: £403,000). |
| **How we determined it** | 5% of adjusted profit before tax (adjusted for share-based payments and exceptional items). | Limited component allocation of group materiality. |
| **Rationale for benchmark applied** | Materiality has been determined based on 5% of adjusted profit before tax (adjusted for share based payments and exceptional items). This is a change to the basis from 2018 where revenue was utilised, as strategic alignment activities and associated costs were substantially complete by the start of 2019, and for the first time a dividend has been recommended in respect of the 2019 financial performance. A profit-based measure is therefore considered to be more appropriate for the current year. | 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 £96,000 and £356,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £18,000 (Group audit) (2018: £21,000) and £17,000 (Parent company audit) (2018: £20,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

# Report on the audit of the financial statements

*for the year ended 31 December 2019*

## Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

## 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 2019 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.

# Report on the audit of the financial statements

*for the year ended 31 December 2019*

## 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 19, 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
7 April 2020

# Consolidated Income Statement

*for the year ended 31 December 2019*

| | Notes | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| Revenue | 5 | **44,917** | 42,543 |
| Cost of sales | 6 | **(21,190)** | (19,847) |
| **Gross profit** | | **23,727** | 22,696 |
| Administrative expenses | 6 | **(18,280)** | (10,586) |
| Other income | | **337** | 89 |
| **Operating profit** | | **5,784** | 12,199 |
| Depreciation and amortisation | 5 | **(4,441)** | (3,991) |
| Share-based payments | | **(2,118)** | (939) |
| Exceptional items | 7 | **338** | 6,454 |
| **EBITDA before exceptional items and share-based payments** | 5 | **12,005** | 10,675 |
| Finance income | 12 | **73** | 43 |
| Finance costs | 12 | **(339)** | (77) |
| **Profit before income tax** | | **5,518** | 12,165 |
| Income tax charge | 13 | **(1,586)** | (1,866) |
| **Profit for the year** | | **3,932** | 10,299 |
| **Profit attributable to:** | | | |
| Owners of the parent | | **3,678** | 10,110 |
| Non-controlling interest | | **254** | 189 |
| | | **3,932** | 10,299 |

| | Notes | Pence | Pence |
|---|---|---|---|
| **Earnings per Ordinary Share attributable to the owners of the parent during the year** | | | |
| **From continuing operations** | | | |
| Basic | 14 | **0.81** | 2.21 |
| Diluted | 14 | **0.80** | 2.19 |

The notes on pages 34 to 67 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

*for the year ended 31 December 2019*

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Profit for the year** | **3,932** | 10,299 |
| **Other comprehensive income/(expense):** | | |
| *Items that may be subsequently reclassified to profit or loss*<br>Changes in fair value of equity instruments at fair value through other comprehensive income | **6,505** | - |
| Currency translation differences | **(3,097)** | 1,383 |
| **Other comprehensive gain** | **3,408** | 1,383 |
| **Total comprehensive gain for the year** | **7,340** | 11,682 |
| Attributable to: | | |
| Owners of the parent | **7,056** | 11,526 |
| Non-controlling interests | **284** | 156 |
| **Total comprehensive gain for the year** | **7,340** | 11,682 |

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 notes on pages 34 to 67 are an integral part of these consolidated financial statements.

# Consolidated and Company's Statements of Financial Position

*for the year ended 31 December 2019*

| | Notes | Group 2019 £'000 | Group 2018 £'000 | Company 2019 £'000 | Company 2018 £'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 16 | **12,179** | 12,469 | **1,417** | 1,411 |
| Right-of-use asset | 17 | **1,002** | - | **270** | - |
| Intangible assets | 18 | **37,767** | 41,773 | **128** | 334 |
| Investments in subsidiaries | 19 | **-** | - | **30,521** | 30,521 |
| Investments | 21 | **9,900** | 3,271 | **9,900** | 3,271 |
| Trade and other receivables | 22 | **-** | - | **15,326** | 18,099 |
| Deferred tax assets | 28 | **34** | 36 | **19** | 23 |
| **Total non-current assets** | | **60,882** | 57,549 | **57,581** | 53,659 |
| **Current assets** | | | | | |
| Inventories | 23 | **6,073** | 6,115 | **-** | - |
| Trade and other receivables | 22 | **8,097** | 7,434 | **178** | 229 |
| Cash and cash equivalents | 24 | **12,074** | 10,282 | **1,999** | 3,721 |
| **Total current assets** | | **26,244** | 23,831 | **2,177** | 3,950 |
| **Total assets** | | **87,126** | 81,380 | **59,758** | 57,609 |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 29 | **4,541** | 4,541 | **4,541** | 4,541 |
| Other reserves | 31 | **6,648** | 143 | **6,607** | 102 |
| Foreign currency reserves | | **3,183** | 6,309 | **-** | - |
| Retained earnings | | **56,199** | 52,536 | **39,917** | 43,579 |
| | | **70,571** | 63,529 | **51,065** | 48,222 |
| **Non-controlling interest** | | **601** | 375 | **-** | - |
| **Total equity** | | **71,172** | 63,904 | **51,065** | 48,222 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 26 | **480** | 695 | **-** | - |
| Deferred tax liabilities | 28 | **2,619** | 3,179 | **-** | - |
| **Total non-current liabilities** | | **3,099** | 3,874 | **-** | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 25 | **7,470** | 10,094 | **6,146** | 7,713 |
| Lease liabilities | 17 | **1,002** | - | **270** | - |
| Deferred consideration | 27 | **1,385** | 1,104 | **1,385** | 1,104 |
| Current income tax liabilities | | **2,823** | 2,219 | **892** | 570 |
| Borrowings | 26 | **175** | 185 | **-** | - |
| **Total current liabilities** | | **12,855** | 13,602 | **8,693** | 9,387 |
| **Total liabilities** | | **15,954** | 17,476 | **8,693** | 9,387 |
| **Total equity and liabilities** | | **87,126** | 81,380 | **59,758** | 57,609 |

The notes on pages 34 to 67 are an integral part of these 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 £3,647,000 (2018: profit of £6,143,000).
The financial statements were approved and authorised for issue by the Board on 7 April 2020 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

# Consolidated and Company's Statements of Cash Flows

*for the year ended 31 December 2019*

| | Notes | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Cash generated by operations | 34 | **6,519** | 9,861 | **(1,365)** | 7,048 |
| Interest paid | | **(21)** | (35) | **-** | - |
| Income tax paid | | **(1,398)** | (1,503) | **(20)** | (23) |
| **Net cash generated by operating activities** | | **5,100** | 8,323 | **(1,385)** | 7,025 |
| **Cash flow from investing activities** | | | | | |
| Purchase of investments | | **(124)** | (3,119) | **(124)** | (3,119) |
| Purchase of property, plant and equipment (PPE) | | **(1,418)** | (1,220) | **(74)** | (12) |
| Purchase of intangibles | | **(957)** | (632) | **(56)** | - |
| Proceeds from sale of PPE | 34 | **30** | - | **-** | - |
| Interest received | | **73** | 43 | **20** | 17 |
| **Net cash used in investing activities** | | **(2,396)** | (4,928) | **(234)** | (3,114) |
| **Cash flow from financing activities** | | | | | |
| Share option buy back | | **(15)** | - | **(15)** | - |
| Share buy back | | **-** | (940) | **-** | (940) |
| Repayments on borrowings | | **(180)** | (242) | **-** | - |
| Principal lease payments | | **(381)** | - | **(101)** | - |
| Dividend payment to non-controlling interest | | **(58)** | (309) | **-** | - |
| **Net cash used in financing activities** | | **(634)** | (1,491) | **(116)** | (940) |
| **Net increase in cash and cash equivalents** | | **2,070** | 1,904 | **(1,735)** | 2,971 |
| Cash and cash equivalents at beginning of year | | **10,282** | 8,203 | **3,721** | 710 |
| Exchange (losses)/gains on cash and cash equivalents | | **(278)** | 175 | **13** | 40 |
| **Cash and cash equivalents at end of year** | 24 | **12,074** | 10,282 | **1,999** | 3,721 |

# Consolidated Statement of Changes in Equity

| Consolidated | Share capital £'000 | Share premium account £'000 | Other reserves £'000 | Foreign currency reserve £'000 | Retained earnings £'000 | **Total £'000** | Non-controlling interest £'000 | **Total equity £'000** |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2018** | **4,576** | **-** | **108** | **4,892** | **50,394** | **59,970** | **528** | **60,498** |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | - | - | - | - | 10,110 | **10,110** | 189 | **10,299** |
| **Other comprehensive income** | | | | | | | | |
| Currency translation differences | - | - | - | 1,417 | (1) | **1,416** | (33) | **1,383** |
| **Total comprehensive (expense)/income** | - | - | - | **1,417** | **10,109** | **11,526** | **156** | **11,682** |
| **Transactions with owners** | | | | | | | | |
| Share cancellation | (35) | - | 35 | - | (940) | **(940)** | - | **(940)** |
| Dividends to non-controlling interest | - | - | - | - | - | **-** | (309) | **(309)** |
| Distribution in specie | - | - | - | - | (7,027) | **(7,027)** | - | **(7,027)** |
| **Total distributions to owners** | **(35)** | **-** | **35** | **-** | **(7,967)** | **(7,967)** | **(309)** | **(8,276)** |
| **At 31 December 2018 and 1 January 2019** | **4,541** | **-** | **143** | **6,309** | **52,536** | **63,529** | **375** | **63,904** |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | - | - | - | - | 3,678 | **3,678** | 254 | **3,932** |
| **Other comprehensive income** Changes in fair value of equity instruments at fair value through other comprehensive income | - | - | 6,505 | - | - | **6,505** | - | **6,505** |
| Currency translation differences | - | - | - | (3,126) | - | **(3,126)** | 30 | **(3,096)** |
| **Total comprehensive income** | **-** | **-** | **6,505** | **(3,126)** | **3,678** | **7,057** | **284** | **7,341** |
| **Transactions with owners** | | | | | | | | |
| Share cancellation | - | - | - | - | (15) | **(15)** | - | **(15)** |
| Dividends to non-controlling interest | - | - | - | - | - | **-** | (58) | **(58)** |
| **Total distributions to owners** | **-** | **-** | **-** | **-** | **(15)** | **(15)** | **(58)** | **(73)** |
| **At 31 December 2019** | **4,541** | **-** | **6,648** | **3,183** | **56,199** | **70,571** | **601** | **71,172** |

# Company Statement of Changes in Equity

| Company | Share capital | Share premium £'000 | Other reserves £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|
| **At 1 January 2018** | **4,576** | **-** | **67** | **45,403** | **50,046** |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | - | **6,143** | 6,143 |
| **Total comprehensive income/(expense)** | - | - | - | **6,143** | 6,143 |
| **Transactions with owners** | | | | | |
| Share cancellation | (35) | - | 35 | **(940)** | (940) |
| Distribution in specie | - | - | - | **(7,027)** | (7,027) |
| **Total contributions by and distributions to owners** | (35) | - | 35 | **(7,967)** | (7,967) |
| **At 31 December 2018 and 1 January 2019** | 4,541 | - | 102 | **43,579** | 48,222 |
| **Comprehensive income** | | | | | |
| Loss for the year | - | - | - | **(3,647)** | (3,647) |
| **Other comprehensive income** | | | | | |
| Changes in fair value of equity instruments at fair value through other comprehensive income | - | - | 6,505 | - | 6,505 |
| **Total comprehensive income** | - | - | 6,505 | - | 6,505 |
| **Transactions with owners** | | | | | |
| Share option cancellation | - | - | - | **(15)** | (15) |
| **Total contributions by and distributions to owners** | - | - | - | **(15)** | (15) |
| **At 31 December 2019** | **4,541** | **-** | **6,607** | **39,917** | **51,065** |

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 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 Group applied IFRS 16 "Leases" for the first time, which is effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any other standards, amendments or interpretations that have been issued but not yet effective. The nature and impact of the new standard is described below:

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. The new accounting policy is disclosed within the 'Leases' section of Note 2.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%.

In applying IFRS 16 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-termleases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Not reassessing whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

### Measurement of lease liabilities

The differences between the operating lease commitments disclosed under IAS 17 at 31 December 2018, and the lease liabilities recognised on 1 January 2019 under IFRS 16 is explained as follows:

| | Group £'000 | Company £'000 |
|---|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 664 | 178 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | 638 | 176 |
| Add: adjustments due to different treatment of exchange rates | 102 | - |
| Other reconciling items | 3 | - |
| **Lease liability recognised as at 1 January 2019** | **743** | **176** |
| Of which are: | | |
| Current lease liabilities | 349 | 92 |
| Non-current lease liabilities | 394 | 84 |

### Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 1 January 2019.

Adjustments recognised in the balance sheet on 1 January 2019

| | Group £'000 | Company £'000 |
|---|---|---|
| Right-of-use assets – increase by | £743,000 | £176,000 |
| Lease liabilities – increase by | £743,000 | £176,000 |

The impact on retained earnings on 1 January 2019 was £nil.

### (b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 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 2020, and have not been applied in preparing these financial statements. The Group does not anticipate a material impact within its financial statements as a result of the applicable standards and interpretations.

### 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. We have not yet seen any material disruption to our business as a result of the COVID-19 pandemic and current trading suggests that our base case forecasts are still applicable. However, at this stage, it is difficult to assess reliably whether there will be any material disruption in the future. In addition the Directors have considered the potential effects of the COVID-19 pandemic as laid out in the Strategic Report. We have modelled a number of scenarios covering reductions in revenue of 10% and 50%, without taking into account the potential benefits of any mitigation strategies such as potential cost savings or insurance claims. We have also modelled out 100% reductions in revenue with cost savings within our control. While the eventual severity and length of the economic disruption stemming from the pandemic is impossible to forecast these models give the Directors reasonable confidence that the business can survive even catastrophic reductions in revenue for at least the next 12 months.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the Group continues to adopt the going concern basis in the preparation of the financial statements.

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# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 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. The information used to assess performance is by geography as income statements by product are not available.

## 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.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

### 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 5 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.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

Development costs are amortised over the estimated useful life of the products with which they are associated, currently 4 to 10 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.

### Software costs

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

Software costs are amortised over their estimated useful life, currently 5 years. Amortisation commences when software is in commercial use. The amortisation is charged to administrative expenses in the income statement. The estimated remaining useful life of software is reviewed at least on an annual basis.

The carrying value of capitalised software costs is reviewed for potential impairment at least annually and if an impairment is identified the 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.

### Financial assets

#### Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value (either through OCI or through profit or loss);

#### (a) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

#### (b) Financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or fair value through Other Comprehensive Income
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through Other Comprehensive Income.

#### (c) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise equity securities that are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. The Group considers this category to be more relevant for assets of this type.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

### 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 amounts due from customers for goods sold or services performed in the ordinary course of business. Other than in the case of certain intercompany receivables, they are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. 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.

Where Ordinary Shares are acquired for cash and then cancelled, the nominal value of shares is deducted from the value of equity and credited to the Capital Redemption reserve. The amount paid is debited to reserves.

### 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.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

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

As noted above, the Group has applied IFRS 16 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

*Accounting Policy applied from 1 January 2019*

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date on which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit within the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, amounts are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

# Notes to the Financial Statements

*for the year ended 31 December 2019*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Until 31 December 2018, Leases which transfer substantially all the risks and rewards of ownership of an asset were treated as a finance lease. Assets held under finance leases were 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 were allocated to the income statement in proportion to the capital amount outstanding. All other leases were classified as operating leases. Operating lease rentals were 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

Revenue is accounted for in accordance with the principles of IFRS 15, which has been applied as follows:

**(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 control of the products has transferred which is 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. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Where contracts contain multiple deliverables, and the volume of each deliverable can be determined with reasonable certainty, then the transaction price will be allocated to each performance obligation based on the expected cost of each item.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

**(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) Royalty and licence income**

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

### 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.

### 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.

Distributions in specie are recognised at the fair value of the assets distributed.

### 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 and Company'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 and Company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Group and Company's financial performance. The Group and Company do 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 and Company's presentational currency is sterling although the Group 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 mainly 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 and Company do 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 and Company in translating overseas profits and net assets into GBP are set out in the table below.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

| Rate compared to GBP | Average rate 2019 | Average rate 2018 | Year end rate 2019 | Year end rate 2018 |
|---|---|---|---|---|
| Euro | 1.144 | 1.129 | 1.182 | 1.114 |
| Russian Rouble | 82.840 | 83.197 | 82.369 | 88.514 |
| US Dollar | 1.280 | 1.332 | 1.327 | 1.276 |

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 £31,000 (2018: £55,000) and £43,000 (2018: £73,000) respectively. The Company's results are not sensitive to changes in exchange rates.

### (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 mainly in the Group's German subsidiary. 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 and Company do 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 and Company's policy not to trade in financial instruments. The Group and Company do 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 and Company 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 and Company'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 and Company.

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.

| Rate compared to GBP | 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 2019:** | | | | | |
| Borrowings | 175 | 175 | 305 | - | **655** |
| Lease liabilities | 286 | 214 | 489 | 13 | **1,002** |
| Deferred consideration | 1,385 | - | - | - | **1,385** |
| Trade and other payables | 7,152 | - | - | - | **7,152** |
| **At 31 December 2018:** | | | | | |
| Borrowings | 185 | 185 | 510 | - | **880** |
| Deferred consideration | 1,104 | - | - | - | **1,104** |
| Trade and other payables | 8,591 | - | - | - | **8,591** |

The maturity of the Company's non-derivative financial liabilities is all less than one year.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

### (d) Capital risk management

The Group and Company'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 and Company 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

Fair value for the investment in Renalytix AI plc was determined by reference to its published price quotation in an active market (classified as level 1 in the fair value hierarchy).

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Group and Company** | | |
| AIM listed ordinary shares | 9,748 | 3,119 |

The Group and Company did not have any Level 2 or 3 classified financial assets as at 31 December 2019 (2018: 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) 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 18.

### (b) 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 and reagents. 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.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 5. Segmental reporting continued

The segment information provided to the Board for the reportable segments for the year ended 31 December 2019 is as follows:

| 2019 | Germany £'000 | USA £'000 | Russia £'000 | Other £'000 | **Total £'000** |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | 23,087 | 25,434 | 3,065 | - | 51,586 |
| Inter-segment | (6,669) | - | - | - | (6,669) |
| **External revenue** | **16,418** | **25,434** | **3,065** | **-** | **44,917** |
| **Adjusted EBITDA*** | **7,435** | **8,016** | **782** | **(4,228)** | **12,005** |
| Exceptional items (Note 7) | 356 | - | - | (18) | 338 |
| Share-based payments (Note 30) | - | - | - | (2,118) | (2,118) |
| **EBITDA** | **7,791** | **8,016** | **782** | **(6,364)** | **10,225** |
| Depreciation | (739) | (387) | (19) | (367) | (1,512) |
| Amortisation | (2,077) | (1,161) | (2) | 311 | (2,929) |
| **Operating profit/(loss)** | **4,975** | **6,468** | **761** | **(6,420)** | **5,784** |
| Finance income | 10 | 7 | 37 | 19 | 73 |
| Finance cost | (21) | - | - | (318) | (339) |
| Income tax | (677) | (449) | (164) | (296) | (1,586) |
| **Retained profit/(loss)** | **4,287** | **6,026** | **634** | **(7,015)** | **3,932** |
| **Segment assets** | | | | | |
| Operating assets | 36,327 | 24,630 | 589 | 39,709 | 101,255 |
| Inter-segment assets | (400) | - | - | (25,803) | (26,203) |
| External operating assets | 35,927 | 24,630 | 589 | 13,906 | 75,052 |
| Cash | 3,298 | 5,480 | 1,159 | 2,137 | 12,074 |
| **Total assets** | **39,225** | **30,110** | **1,748** | **16,043** | **87,126** |
| **Segment liabilities** | | | | | |
| Operating liabilities | 7,926 | 15,162 | 151 | 18,263 | 41,502 |
| Inter-segment liabilities | (2,938) | (11,777) | - | (11,488) | (26,203) |
| External operating liabilities | 4,988 | 3,385 | 151 | 6,775 | 15,299 |
| Borrowings | 655 | - | - | - | 655 |
| **Total liabilities** | **5,643** | **3,385** | **151** | **6,775** | **15,954** |
| **Other segmental information** | | | | | |
| Non-current assets – PPE | 6,006 | 4,679 | 75 | 2,421 | 13,181 |
| Non-current assets – Intangibles | 24,172 | 12,115 | 95 | 1,385 | 37,767 |
| PPE – additions | 872 | 455 | 17 | 74 | 1,418 |
| Intangible assets – additions | 739 | 162 | - | 56 | 957 |

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

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 5. Segmental reporting (continued)

| 2018 | Germany £'000 | USA £'000 | Russia £'000 | Other £'000 | **Total £'000** |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | 21,937 | 23,478 | 2,687 | 5 | 48,107 |
| Inter-segment | (5,564) | - | - | - | (5,564) |
| **External revenue** | **16,373** | **23,478** | **2,687** | **5** | **42,543** |
| **Adjusted EBITDA*** | **6,291** | **7,824** | **762** | **(4,202)** | **10,675** |
| Exceptional items (Note 7) | (580) | 97 | - | 6,937 | 6,454 |
| Share-based payments (Note 30) | - | - | - | (939) | (939) |
| | | - | - | | |
| **EBITDA** | **5,711** | **7,921** | **762** | **1,796** | **16,190** |
| Depreciation | (847) | (271) | (24) | (16) | (1,158) |
| Amortisation | (2,137) | (1,096) | (13) | 413 | (2,833) |
| **Operating profit** | **2,727** | **6,554** | **725** | **2,193** | **12,199** |
| Finance income | 11 | - | 15 | 17 | 43 |
| Finance cost | (35) | - | - | (42) | (77) |
| Income tax | (327) | (1,064) | (170) | (305) | (1,866) |
| **Retained profit** | **2,376** | **5,490** | **570** | **1,863** | **10,299** |
| **Segment assets** | | | | | |
| Operating assets | 38,933 | 25,849 | 463 | 35,101 | 100,346 |
| Inter-segment assets | (99) | - | - | (29,149) | (29,248) |
| External operating assets | 38,834 | 25,849 | 463 | 5,952 | 71,098 |
| Cash | 2,980 | 2,749 | 698 | 3,855 | 10,282 |
| **Total assets** | **41,814** | **28,598** | **1,161** | **9,807** | **81,380** |
| **Segment liabilities** | | | | | |
| Operating liabilities | 10,167 | 17,008 | 129 | 18,540 | 45,844 |
| Inter-segment liabilities | (5,000) | (12,093) | - | (12,155) | (29,248) |
| External operating liabilities | 5,167 | 4,915 | 129 | 6,385 | 16,596 |
| Borrowings | 880 | - | - | - | 880 |
| **Total liabilities** | **6,047** | **4,915** | **129** | **6,385** | **17,476** |
| **Other segmental information** | | | | | |
| Non-current assets – PPE | 6,204 | 4,779 | 73 | 1,413 | 12,469 |
| Non-current assets – Intangibles | 27,026 | 13,638 | 91 | 1,018 | 41,773 |
| PPE – additions | 501 | 659 | 47 | 13 | 1,220 |
| Intangible assets – additions | 506 | 126 | - | - | 632 |

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

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 5. Segmental reporting (continued)

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

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Americas** | | |
| United States of America | **19,955** | 18,253 |
| Rest of Americas | **3,947** | 3,925 |
| **Europe, Middle East and Africa (EMEA)** | | |
| Germany | **6,268** | 6,208 |
| United Kingdom | **435** | 324 |
| Rest of Europe | **3,484** | 3,583 |
| Russia | **3,066** | 2,687 |
| Middle East | **1,771** | 1,467 |
| Africa | **1,482** | 1,229 |
| **Asia and Rest of World** | | |
| China | **822** | 994 |
| Rest of Asia | **3,578** | 3,751 |
| New Zealand/Australia | **109** | 122 |
| **Total revenue** | **44,917** | 42,543 |

One external customer represented 11.4% of revenues in 2019 (2018: 10.2%)

## 6. Expenses – analysis by nature

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Inventories consumed in cost of sales | **9,590** | 9,484 |
| Employee benefit expense (note 10) | **18,321** | 16,457 |
| Employee costs capitalised as intangible assets | **(325)** | (359) |
| Depreciation and amortisation | **4,441** | 3,991 |
| Exceptional items (note 7) | **(338)** | (6,454) |
| Research and development expenses | **2,267** | 1,644 |
| Foreign exchange | **86** | (83) |
| Operating lease payments | **-** | 487 |
| Other expenses | **5,428** | 5,266 |
| **Total cost of sales and administrative expenses** | **39,470** | 30,433 |

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

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 7. Exceptional items

Included within administrative expenses are exceptional items as shown below:

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| – Warranty claim | a | **367** | 31 |
| – Business reorganisation costs | b | **(29)** | (120) |
| – A Webb loan | c | **-** | 90 |
| – Net receipt from legal action | d | **-** | 97 |
| – Renalytix | e | **-** | 6,356 |
| Exceptional items | | **338** | 6,454 |

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 2019 and 2018 with the closure of EKF's Polish facility and other restructuring activities.
c. Following settlement with Mr A Webb, the balance of the loan made by him in relation to the molecular diagnostic business has been written back.
d. Receipt from legal action against a customer net of legal costs.
e. The net profit made by the Group in relation to the Renalytix transaction.

## 8. Auditor remuneration

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

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Fees payable to Company's auditor and its associates for the audit of the parent Company and consolidated financial statements | **37** | 32 |
| Fees payable to the Company's auditor and its associates for other services: | | |
| – The audit of Company's subsidiaries | **73** | 70 |
| – Other services | **-** | 36 |
| – Tax compliance services | **11** | 12 |
| | **121** | 150 |

## 9. Directors' emoluments

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Aggregate emoluments | **3,366** | 690 |
| Share-based payments | **1,943** | 775 |
| Contribution to defined contribution pension scheme | **17** | 19 |
| | **5,326** | 1,484 |

Retirement benefits are accruing to 2 (2018: 2) current directors under a defined contribution scheme. See further disclosures within the Remuneration Report on page 22. The highest paid director received aggregate emoluments, including the effect of the share-based payments charge, of £2,609,000 (2018: £734,000).

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 10. Employee benefit expense

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| Wages and salaries | **13,847** | 13,332 | **2,115** | 1,919 |
| Social security costs | **2,129** | 1,979 | **126** | 149 |
| Share-based payments granted to Directors and senior management (Note 30) | **2,118** | 939 | **2,118** | 939 |
| Other pension costs (Note 32) | **227** | 207 | **51** | 45 |
| | **18,321** | 16,457 | **4,410** | 3,052 |

Employee costs of £0.3m (2018: £0.4m) have been capitalised as part of development costs in the Group.

## 11. Monthly average number of people employed

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| Monthly average number of people (including Executive Directors) employed was: | | | | |
| Administration | **59** | 54 | **11** | 10 |
| Research and development | **17** | 18 | **5** | 3 |
| Sales and marketing | **56** | 60 | **12** | 6 |
| Manufacturing, production and after sales | **168** | 159 | **1** | 1 |
| | **300** | 291 | **29** | 20 |

The total number of employees (FTEs) in the Group at 31 December 2019 was 309 (2018: 300), and in the Company was 29 (2018: 20).

## 12. Finance income and costs

| | **2019 £'000** | 2018 £'000 |
|---|---|---|
| **Finance costs:** | | |
| – Bank borrowings | **21** | 25 |
| – Other interest | **-** | 10 |
| – IFRS 16 interest | **37** | - |
| – Financial liabilities at fair value through profit or loss | **281** | 42 |
| **Finance costs** | **339** | 77 |
| **Finance income** | | |
| – Interest income on cash and short-term deposits | **6** | 9 |
| – Other interest | **67** | 34 |
| **Finance income** | **73** | 43 |
| **Net finance costs** | **266** | 34 |

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 13. Income tax charge

| Group | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Current tax: | | |
| Current tax on profit/ the year | **2,096** | 2,248 |
| Adjustments for prior periods | **(94)** | 5 |
| **Total current tax** | **2,002** | 2,253 |
| | | |
| Deferred tax (note 27): | | |
| Origination and reversal of temporary differences | **(416)** | (387) |
| **Total deferred tax** | **(416)** | (387) |
| **Income tax charge** | **1,586** | 1,866 |

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 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:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Profit before tax** | **5,518** | 12,165 |
| Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19% (2018: 19%) | **1,048** | 2,311 |
| Tax effects of: | | |
| – Expenses not deductible for tax purposes | **299** | 297 |
| – Remeasurement of deferred tax – change in future tax rate | **(32)** | (19) |
| – Income not subject to tax | **(2)** | (238) |
| – Utilisation of losses | **(67)** | (1,069) |
| – Adjustment in respect of prior years | **(94)** | 106 |
| – Impact of different tax rates in other jurisdictions | **378** | 277 |
| – Unrecognised deferred tax | **218** | - |
| – Other movements | **(162)** | 201 |
| **Tax charge** | **1,586** | 1,866 |

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

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 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.

| | **2019 £'000** | 2018 £'000 |
|---|---|---|
| Profit attributable to owners of the parent | **3,678** | 10,110 |
| Weighted average number of Ordinary Shares in issue | **454,093,227** | 457,207,272 |
| Basic profit per share | **0.81 pence** | 2.21 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 one category of dilutive potential ordinary shares being share options.

| | **2019 £'000** | 2018 £'000 |
|---|---|---|
| Profit attributable to owners of the parent | **3,678** | 10,110 |
| Weighted average number of Ordinary Shares in issue | **458,414,273** | 461,489,617 |
| Diluted profit per share | **0.80 pence** | 2.19 pence |

| | **2019** | 2018 |
|---|---|---|
| Weighted average number of Ordinary Shares in issue | **454,093,227** | 457,207,272 |
| Adjustment for: | | |
| – Assumed conversion of share awards | **277,106** | 238,405 |
| – Assumed payment of equity deferred consideration | **4,043,940** | 4,043,940 |
| Weighted average number of Ordinary Shares including potentially dilutive shares | **458,414,273** | 461,489,617 |

## 15. Dividends

The Directors propose the payment of a dividend of 1p per EKF Ordinary share held on 6 November 2020. Payment will be made on 1 December 2020.

In 2018 the Company made a distribution in specie whereby the Company's shareholding in Renalytix AI plc was distributed to ordinary shareholders of the Company at a total value of £7,027,000. The fair value per EKF share was 1.5357p.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 16. Property, plant and equipment

| Group | Land and buildings £'000 | Fixtures & fittings £'000 | Plant and machinery £'000 | Motor vehicles £'000 | Right-of-use asset £'000 | **Total £'000** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2018 | 9,655 | 1,218 | 9,670 | 139 | - | 20,682 |
| Additions | 50 | 125 | 998 | 47 | - | 1,220 |
| Exchange differences | 285 | 34 | 166 | (16) | - | 469 |
| Disposals | - | (4) | (55) | - | - | (59) |
| **At 31 December 2018** | **9,990** | **1,373** | **10,779** | **170** | **-** | **22,312** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2018 | 1,270 | 928 | 6,273 | 90 | - | 8,561 |
| Charge for the year | 275 | 155 | 706 | 22 | - | 1,158 |
| Exchange differences | 51 | 24 | 107 | (12) | - | 170 |
| Disposals | - | (4) | (42) | - | - | (46) |
| **At 31 December 2018** | **1,596** | **1,103** | **7,044** | **100** | **-** | **9,843** |
| **Net book value at 31 December 2018** | **8,394** | **270** | **3,735** | **70** | **-** | **12,569** |
| **Cost** | | | | | | |
| At 1 January 2019 | 9,990 | 1,373 | 10,779 | 170 | - | 22,312 |
| Adjustment for change in accounting policy (IFRS 16) | - | - | - | - | 743 | 743 |
| Restated 1 January 2019 | 9,990 | 1,373 | 10,779 | 170 | 743 | 23,055 |
| Additions | 88 | 236 | 1,077 | 17 | 647 | 2,065 |
| Exchange differences | (392) | (60) | (579) | 11 | (16) | (1,036) |
| Transfers | 15 | - | (15) | - | - | - |
| Disposals | - | (18) | (293) | (20) | (33) | (364) |
| **At 31 December 2019** | **9,701** | **1,531** | **10,969** | **178** | **1,341** | **23,720** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2019 | 1,596 | 1,103 | 7,044 | 100 | - | 9,843 |
| Charge for the year | 286 | 133 | 737 | 19 | 337 | 1,512 |
| Exchange differences | (68) | (52) | (415) | 4 | 2 | (529) |
| Disposals | - | (18) | (249) | (20) | - | (287) |
| **At 31 December 2019** | **1,814** | **1,166** | **7,117** | **103** | **339** | **10,539** |
| **Net book value at 31 December 2019** | **7,887** | **365** | **3,852** | **75** | **1,002** | **13,181** |

Depreciation expense of £792,000 (2018: £768,000) has been charged to cost of sales and £720,000 (2018: £390,000) has been charged to administrative expenses.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 16. Property, plant and equipment (continued)

| Company | Investment property £'000 | Fixtures & fittings £'000 | Right-of-use asset £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2018 | 1,673 | 130 | - | 1,803 |
| Additions | - | 12 | - | 12 |
| **At 31 December 2018** | **1,673** | **142** | **-** | **1,815** |
| **Accumulated depreciation** | | | | |
| At 1 January 2018 | 243 | 100 | - | 343 |
| Charge for the year | 40 | 21 | | 61 |
| **At 31 December 2018** | **283** | **121** | **-** | **404** |
| **Net book value at 31 December 2018** | **1,390** | **21** | **-** | **1,411** |
| **Cost** | | | | |
| At 1 January 2019 | 1,673 | 142 | - | 1,815 |
| Adjustment for change in accounting policy (IFRS 16) | - | - | 176 | 176 |
| Restated 1 January 2019 | 1,673 | 142 | 176 | 1,991 |
| Additions | - | 74 | 203 | 277 |
| Disposals | - | - | (33) | (33) |
| **At 31 December 2019** | **1,673** | **216** | **346** | **2,235** |
| **Accumulated depreciation** | | | | |
| At 1 January 2019 | 283 | 121 | - | 404 |
| Charge for the year | 40 | 28 | 76 | 144 |
| **At 31 December 2019** | **323** | **149** | **76** | **548** |
| **Net book value at 31 December 2018** | **1,350** | **67** | **270** | **1,687** |

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 (£11,800) per month to the parent Company. €167,000 (£146,460) (2018: €167,000 (£149,760)) was paid to the parent Company for the year. The Company adopts the cost model and shows the investment property at cost less accumulated depreciation and any accumulated impairment losses. As the property is occupied by a subsidiary, it does not meet the definition of an investment property for the Group.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 17. Leases

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

| Right-of-use assets | Group 31 December 2019 £'000 | Group 1 January 2019 £'000 | Company 31 December 2019 £'000 | Company 1 January 2019 £'000 |
|---|---|---|---|---|
| Properties | **941** | 546 | **269** | 174 |
| Equipment | **18** | 97 | **1** | 2 |
| Motor vehicles | **43** | 100 | **-** | - |
| **Total right-of-use** | **1,002** | 743 | **270** | **176** |

| Lease liabilities | | | | |
|---|---|---|---|---|
| Current | **286** | 349 | **93** | 92 |
| Non-current | **716** | 394 | **177** | 84 |
| **Total lease liabilities** | **1,002** | 743 | **270** | **176** |

*In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17, 'Leases'. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 27.*

Additions to the right-of-use assets during the 2019 financial year were £647,000 for the Group and £203,000 for the Company.

(ii) Amounts recognised in the statement of Comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

| Depreciation charge right-of-use assets | Group 2019 £'000 | Group 2018 £'000 | Company 2019 £'000 | Company 2018 £'000 |
|---|---|---|---|---|
| Buildings | **212** | - | **76** | - |
| Equipment | **75** | - | **-** | - |
| Vehicles | **50** | - | **-** | - |
| Other | **-** | | | |
| **Total right-of-use** | **337** | - | **76** | - |
| **Interest expense (included in finance cost)** | **37** | - | **6** | - |

The total cash outflow for leases in 2019 was £381,000 for the Group and £101,000 for the Company

(iii) The group's leasing activities and how these are accounted for

The group leases various offices, factories, equipment and vehicles. Rental contracts contracts for offices and factories are typically made for fixed periods of 5 years, and those for machinery and vehicles for 3 years, but may have extension options as described below.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received, adjusted where appropriate to reflect changes in financing conditions since third party financing was received.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 18. Intangible assets

| **Group** | Goodwill £'000 | Trademarks, trade name and licences £'000 | Customer relationships £'000 | Trade secrets £'000 | Development costs £'000 | Software £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2018 | 26,999 | 3,169 | 15,721 | 18,987 | 9,210 | - | 74,086 |
| Additions | - | 73 | - | - | 559 | - | 632 |
| Disposals | - | - | - | - | (646) | - | (646) |
| Exchange differences | 544 | 15 | 573 | 172 | 239 | - | 1,543 |
| **At 31 December 2018** | **27,543** | **3,257** | **16,294** | **19,159** | **9,362** | **-** | **75,615** |
| **Accumulated amortisation** | | | | | | | |
| At 1 January 2018 | 2,603 | 2,174 | 7,881 | 11,672 | 6,156 | - | 30,486 |
| Exchange differences | 28 | (18) | 262 | 91 | 160 | - | 523 |
| Charge for the year | - | 340 | 1,346 | 928 | 219 | - | 2,833 |
| **At 31 December 2018** | **2,631** | **2,496** | **9,489** | **12,691** | **6,535** | **-** | **33,842** |
| **Net book value at 31 December 2018** | **24,912** | **761** | **6,805** | **6,468** | **2,827** | **-** | **41,773** |
| **Cost** | | | | | | | |
| At 1 January 2019 | 27,543 | 3,257 | 16,294 | 19,159 | 9,362 | - | 75,615 |
| Additions | - | 171 | - | - | 527 | 259 | 957 |
| Transfer | - | (42) | - | - | - | 42 | - |
| Disposals | - | - | - | - | (462) | - | (462) |
| Exchange differences | (1,172) | (587) | (714) | (723) | (367) | (2) | (3,565) |
| **At 31 December 2018** | **26,371** | **2,799** | **15,580** | **18,436** | **9,060** | **298** | **72,545** |
| **Accumulated amortisation** | | | | | | | |
| At 1 January 2019 | 2,631 | 2,496 | 9,489 | 12,691 | 6,535 | - | 33,842 |
| Disposals | - | - | - | - | (462) | - | (462) |
| Exchange differences | (81) | (374) | (405) | (426) | (245) | - | (1,531) |
| Charge for the year | - | 267 | 1,274 | 876 | 512 | - | 2,929 |
| **At 31 December 2019** | **2,550** | **2,389** | **10,358** | **13,141** | **6,340** | **-** | **34,778** |
| **Net book value at 31 December 2019** | **23,821** | **410** | **5,222** | **5,295** | **2,720** | **298** | **37,767** |

Amortisation charge of £nil (2018: £63,000) has been charged to cost of sales and £2,929,000 (2018: £2,770,000) has been charged to administrative expenses in the income statement (net of the profit on the sale of intangible assets).

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.

| | **2019 £'000** | 2018 £'000 |
|---|---|---|
| Germany | **16,917** | 17,742 |
| Russia | **94** | 88 |
| USA | **6,810** | 7,082 |
| **Total** | **23,821** | **24,912** |

# Notes to the Financial Statements

*for the year ended 31 December 2019*

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 2019 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 2019 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 all units showed assessed values that exceeded the carrying values with significant headroom. Sensitivity analysis has been carried out on the assessments for each unit. In the cases of EKF Germany, Russia, Stanbio and STI, the assessment was recalculated using both a longer term growth rate of 0% and a discount rate of 15%. No impairment was required using those assumptions. In the case of DiaSpect, the assessment was recalculated using a reduction in longer term growth to 0% and also an increase in discount rate to 13%. No impairment would be required under either of these scenarios.

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

| | |
|---|---|
| Trade name | 1–5 years |
| Customer relations | 2–10 years |
| Trade secrets | 3–10 years |
| Development costs | 3-10 years |

The Company holds capitalised development costs with a cost and net book value of £1,470,000 (2018: £1,876,000) and £128,000 (2018: £334,000) respectively. These are amortised over their useful lives and an amortisation charge of £262,000 (2018: £204,000) has been recognised in the income statement in 2019.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 19. Investments in subsidiaries

| Company Shares in Group undertakings | 2019 £'000 | 2018 £'000 |
|---|---|---|
| At 1 January and 31 December 2019 | **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 2019 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**

- 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.
- Incorporated in Sweden. The principal place of business is in Germany. The registered address is Lytta Gard, 75593 Uppsala, Sweden.
- Incorporated, registered, and having its principal place of business in Germany at Ebendorfer Chaussee 3, 39179 Barleben, Germany.
- Incorporated, registered, and having its principal place of business in Poland at ul. Kazimierza Wielkiego 58, 32-400 Myślenice, Poland.
- Incorporated, registered, and having its principal place of business in Russia at 117648, Moscow, PO Box: 30, District Severnoe Chertanovo, House 2, building 207.
- 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.
- 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.
- 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

# Notes to the Financial Statements

*for the year ended 31 December 2019*

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.

## 20. Financial instruments by category

### (a) Assets

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| **31 December** | | | | |
| **Assets as per balance sheet** | | | | |
| Financial assets at fair value through other comprehensive income | 9,990 | 3,271 | 9,990 | 3,271 |
| Trade and other receivables excluding prepayments and corporation tax | 7,617 | 7,138 | 15,388 | 18,187 |
| Cash and cash equivalents | 12,074 | 10,282 | 1,999 | 3,721 |
| **Total** | **29,681** | **20,691** | **27,377** | **25,179** |

### (b) Liabilities

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| **31 December** | | | | |
| **Liabilities as per balance sheet** | | | | |
| Borrowings | 655 | 880 | - | - |
| Lease liabilities | 1,002 | - | 270 | - |
| Trade and other payables (excluding deferred grants and deferred income) | 7,329 | 8,833 | 2,847 | 7,713 |
| Deferred consideration | 1,385 | 1,104 | 1,385 | 1,104 |
| **Total** | **10,371** | **10,817** | **4,502** | **8,817** |

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 £1,385,000 (2018: £1,104,000) 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 2019 and 31 December 2018, 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:

| | **2019 £'000** | 2018 £'000 |
|---|---|---|
| AA- | 2,405 | 4,053 |
| Ratings lower than AA- or unrated | 9,669 | 6,229 |
| **Total** | **12,074** | **10,282** |

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 21. Investments

| Group and Company | 2019 £'000 | 2018 £'000 |
|---|---|---|
| 1 January | 3,271 | 152 |
| Additions | 124 | 3,119 |
| Change in fair value through other comprehensive income | 6,505 | - |
| **31 December** | **9,900** | **3,271** |

The investment consists of a 0.66% holding in Epinex Diagnostics Inc., a US based privately held company operating in the medical diagnostics industry; 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, and a 4.51% holding (2018: 4.79%) in Renalytix AI plc an AIM listed developer of artificial intelligence enabled diagnostics for kidney disease.

These equity securities are not held for trading. They are held as financial assets at fair value through other comprehensive income.

## 22. Trade and other receivables

| | Group 2019 £'000 | Group 2018 £'000 | Company 2019 £'000 | Company 2018 £'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Amounts owed by subsidiary undertakings | - | - | 15,326 | 18,099 |
| **Current** | | | | |
| Trade receivables | 6,182 | 6,146 | - | - |
| Less: provision for impairment of trade receivables | (181) | (487) | - | - |
| Trade receivables – net | 6,001 | 5,659 | - | - |
| Prepayments | 480 | 296 | 116 | 140 |
| Other receivables | 1,616 | 1,479 | 62 | 89 |
| | **8,097** | **7,434** | **178** | **229** |

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The group holds the trade receivables with the objective of collecting the contractual cash flows.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

As of 31 December 2019, trade receivables of £1,478,000 (2018: £3,833,000) were past due but not covered by a loss allowance. 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 2019 £'000 | Group 2018 £'000 | Company 2019 £'000 | Company 2018 £'000 |
|---|---|---|---|---|
| Up to 3 months | 1,380 | 3,659 | - | - |
| 3 to 6 months | 79 | 78 | - | - |
| Over 6 months | 19 | 96 | - | - |
| | **1,478** | **3,833** | **-** | **-** |

As of 31 December 2019, trade receivables of £181,000 (2018: £487,000) were subject to a loss allowance. The ageing of these receivables is as follows

| | Group 2019 £'000 | Group 2018 £'000 | Company 2019 £'000 | Company 2018 £'000 |
|---|---|---|---|---|
| Up to 3 months | 1 | 3 | - | - |
| 3 to 6 months | 31 | 51 | - | - |
| Over 6 months | 149 | 433 | - | - |
| **Total** | **181** | **487** | **-** | **-** |

# Notes to the Financial Statements

*for the year ended 31 December 2019*

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

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| At 1 January | 487 | 285 | - | - |
| Provision for receivables impairment | 6 | 183 | - | - |
| Receivables written off during the year as uncollectible | - | (1) | - | - |
| Unused amounts reversed | (292) | 14 | - | - |
| Exchange differences | (20) | 6 | - | - |
| **At 31 December** | **181** | **487** | **-** | **-** |

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 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| UK Sterling | 178 | 229 | 178 | 229 |
| Euros | 3,540 | 3,394 | 3,446 | 5,744 |
| US dollar | 4,315 | 3,761 | 11,880 | 12,355 |
| Russian rouble | 62 | 40 | - | - |
| Polish zloty | 1 | 10 | - | - |
| | **8,097** | **7,434** | **15,504** | **18,328** |

## 23. Inventories

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| Raw materials | 4,492 | 4,440 | – | – |
| Work in progress | 432 | 590 | – | – |
| Finished goods | 1,149 | 1,085 | – | – |
| | **6,073** | **6,115** | **–** | **–** |

The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above. The carrying values above are stated net of impairment provisions of £1,763,000 (2018: £2,024,000).

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £9,590,000 (2018: £9,484,000).

The Company held no inventories at 31 December 2019 or at 31 December 2018.

## 24. Cash and cash equivalents

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 12,074 | 10,282 | 1,999 | 3,721 |
| **Cash and cash equivalents (excluding bank overdrafts)** | **12,074** | **10,282** | **1,999** | **3,721** |

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

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 25. Trade and other payables

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| Trade payables | 748 | 1,226 | 50 | 156 |
| Amounts due to subsidiary undertakings | - | - | 3,300 | 3,728 |
| Social security | 124 | 114 | 57 | 53 |
| Other payables | 1,985 | 2,758 | 1,835 | 2,547 |
| Accrued expenses and deferred income | 4,613 | 5,996 | 904 | 1,229 |
| | **7,470** | **10,094** | **6,146** | **7,713** |

## 26. Borrowings

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Bank borrowings | **480** | 695 | - | - |
| | **480** | **695** | - | - |
| **Current** | | | | |
| Bank borrowings | **175** | 185 | - | - |
| | **175** | **185** | **-** | **-** |

The maturity profile of borrowings was as follows:

| | **Group 2019 £'000** | Group 2018 £'000 | **Company 2019 £'000** | Company 2018 £'000 |
|---|---|---|---|---|
| **Amounts falling due** | | | | |
| Within 1 year | 175 | 185 | - | - |
| Between 1 and 2 years | 175 | 185 | - | - |
| Between 2 and 5 years | 305 | 510 | - | - |
| More than 5 years | - | - | - | - |
| **Total borrowings** | **655** | **880** | **-** | **-** |

### Bank borrowings

Bank borrowings mature in 2023 and bear an average fixed coupon of 2.5% annually (2018: 2.5%).

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 all denominated in euros.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 27. Deferred consideration

| | Group 2019 £'000 | Group 2018 £'000 | Company 2019 £'000 | Company 2018 £'000 |
|---|---|---|---|---|
| At 1 January | 1,104 | 1,062 | 1,104 | 1,062 |
| Fair value adjustment | 281 | 42 | 281 | 42 |
| **At 31 December** | **1,385** | **1,104** | **1,385** | **1,104** |

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 2019 of £1,385,000. 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.

## 28. Deferred income tax

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

| **Group** | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Deferred tax assets** | | |
| Deferred tax asset to be recovered within 12 months | (15) | (13) |
| Deferred tax asset to be recovered after more than 12 months | (19) | (23) |
| | (34) | (36) |
| **Deferred tax liabilities** | | |
| Deferred tax liability to be recovered after more than 12 months | 2,505 | 3,065 |
| Deferred tax liability to be recovered within 12 months | 114 | 114 |
| | 2,619 | 3,179 |
| **Deferred tax liabilities – net** | **2,585** | **3,143** |

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

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| At 1 January | 3,143 | 3,443 |
| Exchange differences | (142) | 87 |
| Income statement movement (note 13) | (416) | (387) |
| **At 31 December** | **2,585** | **3,143** |

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 2018** | 3,489 | 3,489 |
| Credited to the income statement | (398) | (398) |
| Exchange differences | 88 | 88 |
| **At 31 December 2018** | **3,179** | **3,179** |
| | | |
| **At 1 January 2019** | 3,179 | 3,179 |
| Credited to the income statement | (418) | (418) |
| Exchange differences | (142) | (142) |
| **At 31 December 2019** | **2,619** | **2,619** |

# Notes to the Financial Statements

*for the year ended 31 December 2019*

| Deferred tax assets | Tax losses £'000 | Other £'000 | Total £'000 |
|---|---|---|---|
| **At 1 January 2018** | (13) | (34) | (47) |
| Charged to the income statement | - | 11 | 11 |
| **At 31 December 2018** | **(13)** | **(23)** | **(36)** |
| | | | |
| **At 1 January 2019** | (13) | (23) | (36) |
| Charged to the income statement | (2) | 4 | 2 |
| **At 31 December 2019** | **(15)** | **(19)** | **(34)** |

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 £817,000 (2018: £533,000) mainly in respect of tax losses amounting to £4,300,000 (2018: £2,770,000), 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 | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Deferred tax assets** | | |
| Deferred tax asset to be recovered after more than 12 months | 19 | 23 |
| **Deferred tax** | 19 | 23 |

## 29. Share capital

| Group and Company | Number of Shares | Share capital £'000 |
|---|---|---|
| **At 1 January 2019 and 31 December 2019** | **454,093,227** | **4,541** |

The Company has not acquired any ordinary shares during this year (2018: 3,461,409).

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 30. Share options and share-based payments

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

| Unapproved share option scheme | 2019 | | 2018 | |
|---|---|---|---|---|
| | Av. Exercise price per share (£) | Options (Number) | Av. Exercise price per share (£) | Options (Number) |
| At 1 January | 0.247 | 1,200,000 | 0.252 | 1,250,000 |
| Cancelled | 0.273 | (250,000) | 0.376 | (50,000) |
| Expired | - | - | - | - |
| **At 31 December** | **0.240** | **950,000** | **0.247** | **1,200,000** |

The remaining unapproved share options include the following:

- 400,000 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.
- 50,000 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 have vested.
- 500,000 options were issued to a third party on 17 May 2015 at an exercise price of 20p. The maximum term is 10 years from grant. These options have vested.

All share option awards are equity settled. Out of the 950,000 (2018: 1,200,000) outstanding options 950,000 (2018: 1,200,000) were exercisable at 31 December 2019.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Expiry Date** | Av. Exercise price per share (£) | Options (Number) | Av. Exercise price per share (£) | Options (Number) |
| 07.07.2023 | 0.2725 | 400,000 | 0.2725 | 650,000 |
| 21.01.2024 | 0.37625 | 50,000 | 0.37625 | 50,000 |
| 06.04.2025 | 0.200 | 500,000 | 0.200 | 500,000 |
| | | **950,000** | | **1,200,000** |

On 2 June 2016 two Directors were granted a cash settled share-based incentive award. The terms of the award were varied in January 2019 and in November 2019. As varied, the awards vest if a controlling interest in the Company is acquired by a third party prior to 30 June 2021. A portion, being approximately £2,691,000, of the amount that would otherwise have been payable on an exit was paid as performance related pay in November 2019. Following this payment a residual amount representing 5% of the excess sales price achieved over 27p per share is payable to the two Directors. The fair value of this award has been calculated at £2,481,000 (2018: £3,464,000) using a modified form of a Black Scholes model. The key assumptions in the model included expected volatility of 32% (2018: 36%), a risk free rate of 0.54% (2018: (0.74%)) and an expected dividend yield of 1p per share (2018: nil); and an assumed acquisition premium and option life. The decrease in the liability is largely due to the increase in the effective share price required before any bonus is payable, offset by the increase in the share price over the period.

On 9 October 2017, a senior employee was granted a cash settled share-based incentive award. The award vests if a controlling interest in the Company is acquired by a third party at any time while the holder remains an employee. There is a minimum price level below which no amount is payable, with the amount payable rising based on the sale price achieved, up to a maximum of $700,000. The fair value of this award has been calculated at £144,000 (2018: £90,000), using a similar model and assumptions as noted above.

£2,118,000 (2018: £939,000) has been recognised as an expense in administrative expenses in the current year, and £1,835,000 (31 December 2018: £2,547,000) is shown as a liability on the balance sheet at 31 December 2019 within trade and other payables.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 31. Other reserves

| Group | Capital redemption reserve £'000 | Other reserve £'000 | Total £'000 |
|---|---|---|---|
| **At 1 January 2018** | 67 | 41 | 108 |
| Shares cancelled | 35 | - | 35 |
| **At 31 December 2018** | 102 | 41 | 143 |
| **At 1 January 2019** | 102 | 41 | 143 |
| Changes in the fair value of equity instruments at fair value through other comprehensive income | - | 6,505 | 6,505 |
| **At 31 December 2019** | **102** | **6,546** | **6,648** |

## 32. 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 £227,000 (2018: £207,000). The value of pension contributions owed to pension providers at 31 December 2019 was £9,000 (2018: £9,000).

## 33. Commitments

### Capital commitments

The Group has contracted £nil (2018: £70,500) capital expenditure at the end of the reporting period that had not yet been incurred.

# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 34. Cash generated by operations

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 £'000** | 2018 £'000 | **2019 £'000** | 2018 £'000 |
| Profit/(loss) before tax | 5,518 | 12,165 | (3,301) | 6,747 |
| Adjustments for: | | | | |
| – Depreciation | 1,512 | 1,158 | 144 | 61 |
| – Amortisation | 2,929 | 2,833 | 262 | 204 |
| – Warranty claim | (367) | (31) | - | - |
| – Loss on disposal of fixed assets | 14 | 13 | - | - |
| – Share-based payments | 2,118 | 939 | 2,118 | 939 |
| – Profit on sale of Renalytix | - | (6,356) | - | (6,356) |
| – Fair value adjustment | 281 | 42 | 281 | 42 |
| – Foreign exchange | 86 | (83) | 102 | (40) |
| – Bad debt written down/(back) | 212 | - | 8 | (514) |
| – Net finance income | (15) | (8) | (941) | (1,000) |
| – Loan write back | - | (90) | - | - |
| Changes in working capital | | | | |
| – Inventories | 37 | (461) | - | - |
| – Trade and other receivables | (327) | 11 | 3,704 | 5,961 |
| – Trade and other payables | (5,479) | (271) | (3,742) | 1,004 |
| **Net cash generated by operations** | **6,519** | **9,861** | **(1,365)** | **7,048** |

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

| **Group** | **2019 £'000** | 2018 £'000 |
|---|---|---|
| Net book value | 44 | 13 |
| (Loss)/profit on disposal of property, plant and equipment | (14) | (13) |
| **Proceeds from disposal of property, plant and equipment** | **30** | **-** |

### Non-cash transactions

The principal non-cash transactions are: the revaluation of shares held in Renalytix AI plc; 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.

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# Notes to the Financial Statements

*for the year ended 31 December 2019*

## 35. Related Party Disclosures

### Directors

Christopher Mills' controls 29.97% 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 (2018: £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.

The performance related payment made to the Executive directors under the cash settled share based payment scheme is set out in note 30.

### 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 £655,000 (2018: £545,000) 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:

| | **2019 £'000** | 2018 £'000 |
|---|---|---|
| Salaries and other short-term employee benefits | 3,366 | 690 |
| Share-based payments | 1,943 | 775 |
| Employer contribution to pension scheme | 17 | 19 |
| | **5,326** | **1,484** |

Key management includes the Directors of the Company only.

### The Company

During the year the Company invoiced management charges of £2,719,000 (2018: £2,383,000) and interest of £929,000 (2018: £984,000) to its subsidiary companies, it also invoiced rental costs to EKF Germany of €167,000 (£146,460) (2018: €167,000 (£149,760)). It purchased goods and services from subsidiaries totalling £270,000 (2018: £201,000). At 31 December 2019 the Company was owed £15,326,000 (2018: £18,099,000) by its subsidiaries and owed £3,300,000 (2018: £3,728,000) to other subsidiaries

## 36. Post Balance Sheet event

The outbreak of coronavirus (COVID-19) in early 2020 has affected business and economic activity around the world, including certain countries in which we operate. The Group considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019. The eventual severity and length of the economic disruption is impossible to forecast. We believe we have a robust plan in place to mitigate the effect of the disruption on the business, and we have taken the actions as described in our Strategic Report on page 16.

The Group continues to monitor closely the development of the coronavirus outbreak and its impact on market conditions. It is not practicable to quantify the potential financial effect of the outbreak on the Group at this stage. Nonetheless we have modelled a number of scenarios covering reductions in revenue of 10% and 50%, without taking into account the potential benefits of any mitigation strategies such as potential cost savings or insurance claims. We have also modelled out 100% reductions in revenue with cost savings within our control. While the eventual severity and length of the economic disruption stemming from the pandemic is impossible to forecast these models give the Directors reasonable confidence that the business can survive even catastrophic reductions in revenue for at least the next 12 months.

# 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 Company's offices at Avon House, 19 Stanwell Road, Penarth, Cardiff, CF64 2EZ on 10 June 2020 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 2019 together with the reports of the Directors and the auditors thereon.
2. To re-elect Julian Bainess, who retires by rotation, as a Director.
3. To re-elect Carl Contadini, who retires by rotation, as a Director.
4. To re-appoint Messrs PricewaterhouseCoopers LLP as auditors to act as such until the conclusion of the next General Meeting of the Company at which the requirements of section 437 of the Companies Act 2006 are complied with and to authorise the Directors of the Company to fix their remuneration.
5. That in substitution for any existing such authority, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to allot Relevant Securities of the Company:

   i. up to a maximum nominal amount of £52,500 (in pursuance of the exercise of outstanding share options and other potential shares granted by the Company but for no other purpose);

   ii. up to an aggregate nominal amount of £454,093.23 (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 2020, 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.

6. To declare a final dividend of one pence per ordinary share to be paid on 1st December 2020 to the holders of ordinary shares on the register of members at the close of business on 5th November 2020.

## Special Resolutions

7. 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 £454,093.23 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 2021, 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.

8. 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:

   i. the maximum aggregate number of Ordinary Shares authorised to be purchased is 68,113,984 (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;

# NOTICE OF ANNUAL GENERAL MEETING

EKF Diagnostics Holdings PLC (Company)

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 2021, if earlier; and

v. 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

7 April 2020

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 8 June 2020 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
3. A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. 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. You can vote either:
6. by logging on to **www.signalshares.com** and following the instructions;
7. or you may request a hard copy form of proxy directly from the registrars, Link Asset Services at enquiries@linkgroup.co.uk or or Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales ; or
8. In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
9. 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).
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from **www.euroclear.com/site/public/EUI**). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 11 a.m. on 8 June 2020. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
13. 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.
14. 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 8 June 2020. 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.
15. 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.
16. Voting on all resolutions will be conducted by way of a poll rather than on a show of hands.
17. 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 454,093,227 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 454,093,227.

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# 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 your phone company's access charge), or (from outside the UK) +44 371 664 0300

or e-mail **shareholderenquiries@linkgroup.co.uk**

## Financial public relations:

**Walbrook PR Limited**
4 Lombard Street London
EC3V 9HD

## Investor relations email:

**investors@ekfdiagnostics.com**

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