

# Annual Report



Point-of-care



Central Laboratory



Life Sciences

2022

2022

**EKF**  
Diagnostics



<b>1.0</b>	<b>Strategic Review and Corporate Governance</b>	<b>4-31</b>
	Financial and Operational Highlights	4
	At a Glance	5
	Executive Chairman's Statement	12
	Chief Financial Officer's Review	17
	Board of Directors	21
	Strategic Report	23
	Report of the Directors	27
	Corporate Governance Statement	29
	Report of the Remuneration Committee	31
<b>2.0</b>	<b>Financial Statements</b>	<b>32-80</b>
	Independent Auditors' Report	32
	Consolidated Income Statement	38
	Consolidated Statement of Comprehensive Income	39
	Consolidated and Company's Statement of Financial Position	40
	Consolidated and Company's Statement of Cash Flows	41
	Consolidated Statement of Changes in Equity	42
	Company Statement of Changes in Equity	43
	Notes to the Financial Statements	44
<b>3.0</b>	<b>Additional Information</b>	<b>81-85</b>
	Notice of Annual General Meeting	81
	Notes	83
	Company Information	85

## Financial and Operational Highlights

### 2022 - Key points

#### Financial Highlights

- Revenues of £66.6m<sup>2</sup> in-line with market expectations (2021: £81.8m)  
– 17% year-on-year growth in revenues, excluding all COVID-related activities
- Gross profit before exceptionals of £30.8m (2021: £39.4m)
- Adjusted EBITDA<sup>3</sup> of £14.9m (2021: £26.5m)  
– 24% up from pre-pandemic levels (2019: £12.0m)
- Loss before tax of £8.9m (2021: £21.4m profit) after exceptional transition and restructuring costs of £17.5m
- Cash generated from operations of £12.7m (2021: £14.2m)
- Group cash, net of borrowings (excluding IFRS 16 liabilities), as at 31 December 2022 of £11.4m (31 December 2021: £19.6m), primarily reflecting cash generated from operations less £4.4m capital expenditure, £2.9m investments, £3.9m share buyback and £5.5m dividend payment
- Cash dividend paid to shareholders, equivalent to 1.2p per ordinary share (2021: 1.1p per share), plus dividend *in specie* of Verici Dx shares valued at £2.0m

<sup>1</sup> Core established business includes Point-of-Care and Central Laboratory

<sup>2</sup> Includes £3.5m relating to US inventory receipt

<sup>3</sup> Earnings before interest, tax, depreciation and amortisation, excluding exceptional items and share based payments

#### Operational Highlights

- 13% year-on-year growth in core established business revenues to £45.3m (2021: £40.1m)  
– **Point-of-Care** up 14% to £30.8m (2021: £27.0m)  
– **Central Laboratory** up 11% to £14.5m (2021: £13.1m)
- 60% year-on-year growth in **Life Sciences** to £3.2m (2021: £2.0m)
- Investment to increase fermentation capacity and capability to deliver significant revenue growth with final larger-scale fermenter installation to complete in Q3 2023
- Cost reduction, restructuring and operational efficiency measures implemented to benefit 2023 performance and beyond
- Exit from underperforming Laboratory Testing and Contract Manufacturing businesses, including sale of ADL Health
- Board changes: Julian Baines assumed Executive Chair role on a short-term basis and Mike Salter to concentrate on delivering growth in Life Sciences, effective from 7 February 2023

## At a Glance

### Commentary

EKF Diagnostics Holdings plc (“EKF”) is a leading global medical diagnostics company that specialises in the development, production, and distribution of innovative diagnostic tools and technologies. Helping patients and healthcare professionals around the world by enabling access to high-quality diagnostic solutions that deliver faster and more accurate diagnosis and monitoring of a wide range of medical conditions.

At EKF Diagnostics, we are dedicated to improving patient outcomes and making a positive impact on global healthcare. Our products, services, and technologies are designed to help identify, monitor, and support a range of healthcare areas including haematology, diabetes, women’s health, sports performance, pathology, and clinical research.

EKF specialises in point-of-care testing, central laboratory reagents and analyzers, enzyme manufacturing, and contract manufacturing services for the healthcare industry. Our solutions are used in a variety of settings, including clinics, hospitals, laboratories, and research facilities.

In response to the challenges posed by the COVID-19 pandemic, EKF Diagnostics was at the forefront of the global effort to combat the disease. Tests developed by EKF have helped to identify and monitor COVID-19 cases around the world, and have played an important role in the fight against the pandemic. During this time we remained committed to our mission and continued to deliver on our promises, and we are proud of the resilience and adaptability demonstrated by our team during that time. EKF Diagnostics is using its experience in this global challenge to further develop and enhance our core business offering away from our pandemic response.

At EKF, we recognize that timely and accurate diagnosis is crucial to improving patient outcomes and reducing healthcare costs. However, traditional laboratory-based testing methods can be slow, expensive, and require specialised equipment and personnel. Our products and services offer a solution to these challenges, enabling healthcare professionals to perform diagnostic tests quickly and easily at the point of care, without compromising accuracy or reliability.

As a leading global medical diagnostics company that specializes in the development, production, and distribution of diagnostic tools and technologies, EKF Diagnostics believes that every patient has the right to access accurate and timely diagnostic information, and this is what drives us to develop new technologies and solutions.

Looking ahead, EKF is committed to continuing to innovate and expand our product portfolio, with a focus on developing cutting-edge diagnostic technologies for a wide range of medical conditions and unmet medical needs. We will continue to seek out new opportunities to improve patient outcomes and support healthcare professionals. We will also continue to expand our global reach through strategic partnerships, commercialisation opportunities, and distribution agreements.

We believe that by staying at the forefront of medical diagnostics, we can make a meaningful difference in the lives of patients around the world.

We remain confident in our ability to deliver value to our shareholders, customers, and patients, and we look forward to continued success in the years to come.

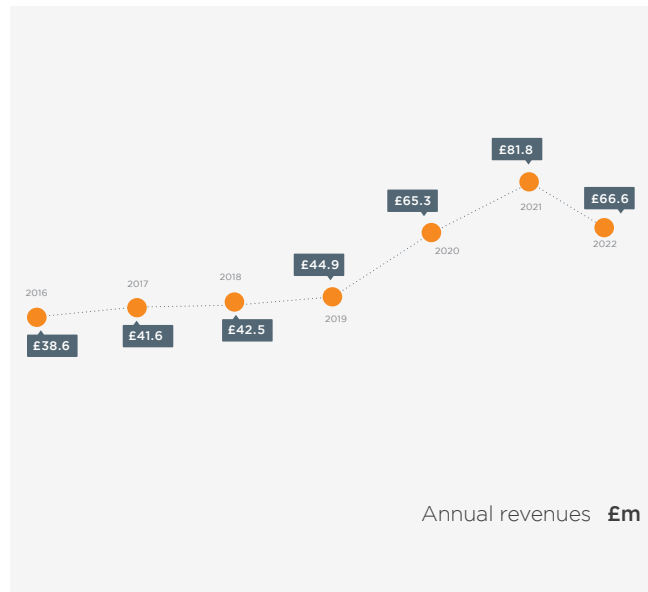
## 2022 Summary

	2022	2021	+/-
Revenue (£m)	£66.6	£81.8	(18.6%)
Net cash* (£m)	£11.4	£19.6	(41.8%)
Adjusted EBITDA (£m)	£14.9	£26.5	(43.8%)

\*Group cash net of borrowings, excluding IFRS 16 Liabilities

# 18.6%

Decrease in revenues  
year on year



### POINT OF CARE REVENUES



FY 2022  
£30,786 (£k)

## +14%

FY 2021  
£27,003 (£k)

### CLINICAL CHEMISTRY REVENUES



FY 2022  
£14,516 (£k)

## +11%

FY 2021  
£13,055 (£k)

### CONTRACT MANUFACTURING REVENUES



FY 2022  
£9,514 (£k)

## -74%

FY 2021  
£36,308 (£k)

### LAB SERVICES REVENUES



FY 2022  
£2,630 (£k)

## +155%

FY 2021  
£1,030 (£k)

### LIFE SCIENCES REVENUES



FY 2022  
£3,235 (£k)

## +60%

FY 2021  
£2,019 (£k)

## 2022 Sales

Year	Annual Revenue	Revenue	FY2022 (£k)	FY2021 (£k)	+/-
2016	£38.6m	Point-of-care	30,786	27,003	14.0%
2017	£41.6m	Central Laboratory	14,516	13,055	11.2%
2018	£42.5m	Life Sciences	3,235	2,019	60.2%
2019	£44.9m	Contract Manufacturing	9,514	36,308	(73.8%)
2020	£65.3m	Laboratory Testing	2,630	1,030	155.3%
2021	£81.8m	Other	5,954	2,421	145.9%
2022	£66.6m				

### ANALYSERS SOLD (Point-of-Care)

2022  
16,680



2021  
16,111

Revenue (£000s)	FY2022	FY2021	+/- (£k)	Sales FY 2022	Analysers (PoC)
APAC	5,117	4,295	19.1	APAC	3,887
EMEA	26,451	42,711	(38.1)	EMEA	7,596
AMERICAS	35,067	34,770	0.9	AMERICAS	5,197

## EKF Locations



## 2022 Market and Product Highlights



### In the news



#### **Strategic partnership agreement with Yourgene Health plc (Jan 2022)**

EKF Diagnostics Holdings plc, signed a strategic partnership agreement with Yourgene Health plc, a leading international molecular diagnostics group, whereby EKF will offer a non-invasive prenatal test service to the US market based on Yourgene's proprietary Flex technology, using EKF's accredited US laboratory to process returned test samples. Over time, EKF and Yourgene intend to provide further tests including in oncology, for which Yourgene has additional tests. The agreement is for an initial 5-year period.

#### **EKF launches middleware connectivity solution for PoC analyzers and data management (May 2022)**

EKF Diagnostics announced the launch of its new EKF Link digital connectivity solution for the secure management of point-of-care (PoC) analyzers and associated data on one centralized platform. An open, flexible solution, EKF Link middleware can be interfaced to all vendors' POC analyzers, including EKF's own portfolio, to enable real-time remote management of data, such as patient test results, QC results, operator management and analyzer configuration.

#### **EKF highlights specific glycemetic control marker at AACC 2022 (Jun 2022)**

EKF Diagnostics was at the 2022 AACC Clinical Lab Expo in Chicago, exhibiting its range of laboratory and point-of-care diagnostics products. This included the FDA cleared Lucica® Glycated Albumin-L test kit, manufactured by Asahi Kasei Pharma Corporation and sold exclusively in the U.S. by EKF. A specific, quantitative test for glycated albumin, it is one of the most widely published methods worldwide used for the intermediate-term monitoring of glycemetic control in diabetes patients.

#### **EKF introduces hand-held hemoglobin analyzer with secure POC connectivity (Oct 2022)**

The hand-held DiaSpect Tm hemoglobin analyzer connects securely to EKF Link, the company's own point-of-care (POC) middleware, enabling additional features including a calculated hematocrit value and data management. Available globally, the DiaSpect Tm has received an IVD CE-mark, FDA clearance and is registered in many more countries across all continents.

#### **EKF launches handheld veterinary lactate analyzer (Dec 2022)**

EKF Diagnostics, announced the launch of a new version of its Lactate Scout analyzer, designed specifically for use in veterinary settings. Lactate Scout Vet uses the same proven technology that was initially developed to provide elite sports coaches and athletes with a precise and easy-to-use handheld lactate test. The new Lactate Scout Vet features species selection for dogs, horses, pigs and cattle, making it ideal for use in both small and large animal practices.

For further information and product details visit [ekfdiagnostics.com/rns.html](https://ekfdiagnostics.com/rns.html) and [ekfdiagnostics.com/news.html](https://ekfdiagnostics.com/news.html)



## Portfolio



### Point of Care

EKF Diagnostics offers a range of point-of-care (PoC) solutions to enable rapid, accurate and reliable medical diagnostic results. Here are five key points about EKF Diagnostics' PoC offering:

- 1. Comprehensive range:** EKF Diagnostics' PoC solutions cover a broad range of clinical applications, including diabetes, hemoglobin testing, lactate testing, and more.
- 2. Portable and user-friendly:** Many of EKF Diagnostics' PoC devices are compact, lightweight, and easy to use, making them well-suited for use in a variety of settings, from hospitals to clinics to remote locations.
- 3. Rapid results:** With EKF Diagnostics' PoC solutions, healthcare professionals can obtain accurate and reliable test results within minutes, allowing for timely diagnosis and treatment of medical conditions.
- 4. Quality and compliance:** EKF Diagnostics' PoC solutions are manufactured to the highest quality standards and comply with regulatory requirements such as CE marking and FDA clearance.
- 5. Cost-effective:** By providing accurate and reliable results at the point of care, EKF Diagnostics' PoC solutions can help to reduce healthcare costs associated with laboratory-based testing and improve patient outcomes.

For further information and product details visit [ekfdiagnostics.com/point-of-care](https://ekfdiagnostics.com/point-of-care)



### Central Laboratory

EKF Diagnostics offers a range of central laboratory solutions for clinical chemistry and immunoassay testing. Here are five key points about EKF Diagnostics' central laboratory offering:

- 1. Wide range of analyzers:** EKF Diagnostics' central laboratory offering includes a wide range of analyzers for clinical chemistry and immunoassay testing, ranging from small benchtop models to high-throughput automation systems.
- 2. Flexible testing options:** EKF Diagnostics' analyzers offer flexible testing options, including open reagent systems and pre-packaged assay kits, allowing laboratories to choose the best approach for their needs.
- 3. High-quality results:** EKF Diagnostics' analyzers provide accurate and reliable results for a variety of clinical applications, including diabetes, kidney function, liver function, and more.
- 4. User-friendly software:** EKF Diagnostics' analyzers are supported by user-friendly software that simplifies assay setup, calibration, and quality control procedures.
- 5. Comprehensive service and support:** EKF Diagnostics provides comprehensive service and support for its central laboratory analyzers, including training, technical support, and maintenance services, to ensure optimal performance and uptime.

For further information and product details visit [ekfdiagnostics.com/central-laboratory](https://ekfdiagnostics.com/central-laboratory)



## Life Sciences



EKF Diagnostics offers a range of life sciences solutions, including enzymes, antibodies, and other reagents for use in research and development, as well as diagnostic kits for veterinary and food testing applications. Here are five key points about EKF Diagnostics' life sciences offering:

- 1. Extensive product portfolio:** EKF Diagnostics' life sciences product portfolio includes a broad range of enzymes, antibodies, and other reagents for use in research and development applications, as well as diagnostic kits for veterinary and food testing.
- 2. Custom development:** EKF Diagnostics offers custom development services for customers with specific needs, including the development of antibodies, enzyme, and other reagents to customer specifications.
- 3. High quality:** EKF Diagnostics' life sciences products are manufactured to the highest quality standards and are supported by comprehensive quality control procedures.
- 4. Expert technical support:** EKF Diagnostics' life sciences team includes expert technical support staff who can provide guidance on product selection, assay development, and other issues.
- 5. Flexibility and scalability:** EKF Diagnostics' life sciences products are designed to be flexible and scalable, allowing researchers and developers to choose the best approach for their specific needs and to easily scale up as their requirements grow.

For further information and product details visit [ekfdiagnostics.com/life-sciences](https://ekfdiagnostics.com/life-sciences)

### Lab Services:

EKF Diagnostics lab services are provided by ADL Health, a healthcare services company acquired in 2021 that offers a range of services and solutions out of a CLIA-certified facility to support patients and healthcare providers. ADL was divested in March 2023.



## Contract manufacturing



EKF Diagnostics offers contract manufacturing services for customers looking to outsource the production of their diagnostic or life sciences products. Here are five key points about EKF Diagnostics' contract manufacturing offering:

- 1. Comprehensive capabilities:** EKF Diagnostics' contract manufacturing capabilities include product development, manufacturing, packaging, and logistics for a wide range of diagnostic and life sciences products.
- 2. Quality and compliance:** EKF Diagnostics' contract manufacturing services are conducted in accordance with cGMP and ISO 13485 quality standards, ensuring that products are manufactured to the highest quality and compliance standards.
- 3. Flexibility and scalability:** EKF Diagnostics' contract manufacturing services are flexible and scalable, allowing customers to choose the best approach for their needs and easily scale up production as demand grows.
- 4. Expert technical support:** EKF Diagnostics' contract manufacturing team includes expert technical support staff who can provide guidance on product development, regulatory compliance, and other issues.
- 5. Confidentiality and IP protection:** EKF Diagnostics places a high priority on maintaining confidentiality and protecting customers' intellectual property throughout the contract manufacturing process.

For further information and product details visit [ekfdiagnostics.com/contract-manufacture](https://ekfdiagnostics.com/contract-manufacture)

## Executive Chairman's Statement



We are pleased to announce a solid set of results for 2022 which saw EKF deliver full year revenues of £66.6m, reflecting both attractive growth from core established revenues streams and the expected significant drop-off in COVID revenues during the year.

We have previously set out our aim to return the core established business to pre-pandemic 2019 levels and position ourselves for future sustainable growth outside of short-term COVID-related revenues, and we believe we have made excellent progress.

We are particularly pleased with the strong performance of the core established business, comprising of Point-of-Care and Central Laboratory, which has delivered organic growth of 13% year-on-year. In 2022 those two divisions contributed £45.3m, representing 68% of Group revenues, a 12% improvement on pre-pandemic levels, and by itself now more than total Group revenues for 2019, when no COVID related activities were recorded. Not only have we successfully grown these core divisions to above their respective pre-pandemic levels, we have delivered respectable double-digit organic growth across 2022 and expect this momentum to continue into 2023.

A further major contributor to establishing ourselves for future sustainable growth has been our Life Sciences division, which has already seen significant year-on-year growth of 60% in 2022 to £3.2m (2021: £2.0m), even before the capacity expansion plans at our US enzyme fermentation facility have been fully implemented. We are confident in the commercial potential and payback of this growth opportunity and expect to realise the full impact on revenue growth in 2024.

Alongside these strong positive developments, there has been some 'drag' on performance in 2022, namely from the longer than anticipated transition to non-COVID revenues in both Contract Manufacturing and Laboratory Testing. Whilst progress has been made in this regard, in 2023 there is a significant focus on cost reduction and restructuring within these divisions, as well as more general operational efficiency measures being introduced across the Group. This has resulted in the decision to close down the Contract Manufacturing operations in the UK and the disposal of the Laboratory Testing subsidiary, Advanced Diagnostic Laboratory LLC ("ADL Health") in the US. The Group now has a clear focus on the Point-of-Care, Central Laboratory and Life Sciences divisions.

Adjusted EBITDA for the year was £14.9m (2021: £26.5m) which, while lower than originally anticipated, reflects a 24% improvement on pre-pandemic levels (2019: £12.0m). Adjusted EBITDA was reduced as a result of the underperformance in Contract Manufacturing and Laboratory Testing. As confirmed above, action has been taken to ensure this is non-recurring.

Cash levels remain healthy, with net cash after borrowings (excluding IFRS 16 lease liabilities) of £11.4m (31 December 2021: £19.6m) and cash and cash equivalents of £11.6m (31 December 2021: £20.3m). This position is after the significant investment in increasing our enzyme fermentation capacity, as well as the funding of our share purchase programme, payment of shareholder dividend, and other investments made during the year. Cash held in our Russian subsidiary at year end was £2.4m (31 December 2021: £1.3m) and is discussed further in the Chief Financial Officer's statement.

Whilst 2022 has been a year of significant transition, the Board is confident that EKF has well-established foundations from which to execute its next phase of sustainable growth.

## Executive Chairman's Statement *(continuation)*

### Operational overview

As already mentioned, the highlights of our 2022 results have been the performance of the core established business year-on-year, and in comparison to pre-pandemic levels, as well as the strong growth coming from our Life Sciences division using existing fermentation capacity levels. The table below highlights this strong performance:

Division revenues <i>£ millions</i>	2022	2021	+/- % Yr-on-Yr	2019 (pre-pandemic)	+/- % 2022 vs. 2019
<b>Core established business</b>	<b>45.3</b>	<b>40.1</b>	<b>13.1%</b>	<b>40.6</b>	<b>11.6%</b>
<i>Point-of-Care</i>	30.8	27.0	14.0%	27.3	12.8%
<i>Central Laboratory</i>	14.5	13.1	11.2%	13.3	9.0%
<b>Life Sciences</b>	<b>3.2</b>	<b>2.0</b>	<b>60.2%</b>	<b>2.7</b>	<b>18.5%</b>
Contract Manufacturing	9.5	36.3	(73.8%)	0.2	4,650%
Laboratory Testing*	2.6	1.0	155.3%	-	-
Other	6.0 <sup>†</sup>	2.4	143.1%	1.4	328.6%
<b>Total Group Revenues</b>	<b>66.6</b>	<b>81.8</b>	<b>(18.6%)</b>	<b>44.9</b>	<b>48.3%</b>

\*contribution from 27 September 2021

<sup>†</sup>Includes £3.5m relating to US inventory receipt

#### Point-of-Care & Central Laboratory

<b>Point-of-Care</b>	Providing a portfolio of Point-of-Care analysers and consumables, particularly for use in the area of Hematology and Diabetes, for use in hospital and research laboratories, doctor's offices, blood banks and for in-field anaemia screening programmes. EKF has an estimated 80,000 hemoglobin, hematocrit, HbA1c, glucose and lactate analysers in regular use across more than 100 countries.
<b>Central Laboratory</b>	Clinical chemistry (manufacture and supply of reagents and materials, as indicated below), and laboratory equipment including small lab analysers and centrifuges. <i>Beta-Hydroxybutyrate (β-HB) LiquiColor, Glycated Albumin, Glycated Serum Protein, Nitro-tab, Procalcitonin</i>

Our core established business, a combination of our Point-of-Care (POC) and Central Laboratory divisions, performed well, growing revenues by 13% to £45.3m (2021: £40.1m). We continue to focus on driving organic growth from these stable and established businesses, leveraging existing products and routes to markets, and innovating and expanding into new territories. We expect to see continued growth into 2023.

As well as showing strong year-on-year growth, **Point-of-Care** sales in 2022 were some 13% above the level of sales seen pre-pandemic in FY 2019. In 2022 we saw a strong sales performance from our range of hematology analysers and tests, and in particular from the continued use of the consumables associated with them. Revenues from our flagship hemoglobin analyzer, Hemo Control, grew by 37% in the year, and is the largest contributor to this division, now representing just short of a quarter of POC revenues. Sales of our HemataStat product, a light and efficient centrifuge for fast haematocrit sampling, grew by 31%. DiaSpect Tm sales were slightly down year-on-year, but did so on the back of strong growth in 2021, and sales still remain over 30% above pre-pandemic levels. The newly updated DiaSpect Tm, now powered by our data management platform EKF Link and with additional functionality, is expected to inject greater impetus for sales of this palm-sized haemoglobin analyzer.

We have also seen growth across all our diabetes instrument range, driven by high growth from our Quo-Lab HbA1c analyzer (sales up by 23%) and a solid performance from our second largest contributor to POC sales, Biosen, a lab accurate glucose and lactate analyzer, which showed 15% growth. Revenues from Lactate Scout, a handheld lactate analyzer for sports performance monitoring, remained broadly flat year-on-year. The launch of Lactate Scout Vet in Q4 2022, will utilise our existing product technology to open up new and attractive markets in animal health, with considerably lower barriers to entry.

**Central Laboratory** also performed well in 2022 delivering 11% growth compared to 2021, and maintaining revenue levels 9% ahead of pre-pandemic levels at £14.5m. The vast majority of sales in this division are derived from our β-HB (Beta-Hydroxybutyrate) reagent, which is used to detect ketones to identify patients suffering from diabetic ketoacidosis, amongst many other clinical applications. In 2022 β-HB sales increased by 10% to around £12m, as a result of increased demand generated from our US distribution partners.



## Executive Chairman's Statement *(continuation)*

### Life Sciences

<b>Life Sciences</b>	Enzyme fermentation, Custom products and Bulk fermentation
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Our **Life Sciences** division grew by 60% to £3.2m (2021: £2.0m). We believe that this is a highly-scalable business unit, where we can take advantage of a demand-driven opportunity to produce research and diagnostic enzymes in the molecular and clinical chemistry markets, and in industrial and agricultural enzymes settings as well as food grade fermentation digestive proteins. Our production expansion is for customers that we have established relationships with, and who are well advanced in the process of transferring to our enzyme contract manufacturing services delivered from our two US sites in Indiana.

As we updated shareholders recently, we expect to have our largest fermenter (14,500 litre) installed and validated in Q3 2023. This means all our fermentation capacity and capability investment in South Bend will be installed and validated towards the end of Q3 2023.

As part of our \$14.2m investment programme, we will have installed 65L, 300L, 1,500L, 3,000L and 14,500L units as well as key upstream and downstream process capabilities, to complement the existing capacity provided by our existing BioFlo 10L (x2), 125L and 1,600L units in our established Elkhart facility. We have a strong pipeline of opportunities to take up our enlarged capacity, and current customer onboarding processes (internal audit, validation and tech transfer) continue to progress well. We remain confident that all of the planned fermenters will be operational in Q3 2023, and we will deliver significant revenue growth from this opportunity, with the full impact seen in 2024 financial results and further growth beyond.

As we expect Life Sciences to become a larger contributor to Group performance we have performed an internal reorganisation to record higher value, non-COVID, Contract Manufacturing activity performed by our US operation in this division. This reinforces management's focus on the core business (i.e. all non-COVID related products and services) and will increase visibility and reduce complexity in our Group, becoming effective in 2023 reporting.

<b>Contract Manufacturing</b>	Bulk formulation, Sample collection kits, Private labelling, Molecular and forensic kits
<b>Laboratory Testing</b>	Laboratory testing services certified under the Clinical Laboratory Improvement Amendments ("CLIA") for high complexity testing.

### Contract Manufacturing & Laboratory Testing

The key focus for both **Contract Manufacturing & Laboratory Testing** has been to transition these businesses into non-COVID activities and build revenues by broadening our high-value services offering.

In Contract Manufacturing this process has taken longer than originally expected and as already described to shareholders in our recent trading update, EKF is now focused on taking out significant costs from this division, using pre-pandemic levels as a benchmark. Furthermore, the Company is extending its reorganisation programme and efficiency drives as discussed in the Half-Yearly results. Our UK Contracting Manufacturing operation, which was set up in 2020 to meet COVID related demand, has been closed in Q1 2023, and its existing business is being transferred to other EKF locations where commercially viable. This division was loss making and so the Board has taken decisive action to adjust the cost base accordingly.

As discussed above, in 2023 all activity relating to the high value non-COVID Contract Manufacturing services performed from the US will be recorded in Life Sciences. Any residual COVID related Contract Manufacturing will be captured in Other, which is not expected to be material.

As announced on 23 March 2023, Management has determined that Laboratory Testing will no longer form part of EKF's core offering and, therefore, ADL Health was disposed to Medical Management Partners, LLC, an entity which is 100% controlled by Stan Crawford, a member of the management team of ADL Health. The Disposal will provide cost savings to EKF, allow Management time to focus on growth initiatives in other areas, and also simplify the reporting structure of the wider group.

The performance of these two divisions had a significant impact on overall 2022 Group performance. However, quick action to realign the cost base and to undertake appropriate reorganisational steps will ensure that they will no longer act as a drag on growth in gross margin and adjusted EBITDA moving forward.

In addition to the above business divisions there was a further £6.0m revenues recorded in Other, which mainly related to shipping and handling recharges, repairs and other sundries (2021: £2.4m). However, in 2022 £3.5m of revenue in Other relates to the one-off US inventory receipt received in May 2022 which is non-recurring.

In light of the operational changes mentioned above we will present the EKF business going forward under two simplified divisions:

<b>Point-of-Care (Products)</b>	incorporating the core established businesses of <b>Point-of-Care &amp; Central Laboratory</b>
<b>Life Sciences (Services)</b>	incorporating the <b>Life Sciences</b> division (enzyme fermentation services) and the remaining high-value contract manufacturing services offered to customers looking to outsource the production of their diagnostic or life sciences products

## Executive Chairman's Statement *(continuation)*

### Transition and restructuring activities

In light of the significant macro changes during 2022, the Board took swift action to transition and restructure the business activities of the Group. This centred around transitioning the structure and costs base associated with COVID related activities as well as prioritising the resources of the Group towards sustainable, high value business with strong potential for growth.

This resulted in an exceptional charge of £17.5m being recognised for 2022. The Board believes these actions will provide a solid platform for the further development of the business. Further actions have been taken in 2023, including exiting underperforming business units, and it is expected the process will be completed within the first half of 2023.

The main transition and restructuring activities performed in 2022 were:

- Impairment of the ADL Health business, which was subsequently disposed of in March 2023
- Provisioning against excess COVID related and other inventory throughout the Group in light of the decision to transition away from these areas
- Exit from unprofitable commercial arrangements in order to focus on the Group's restructure
- Scaling back of property portfolio in light of current and future requirements
- Reduction of Group personnel to align with demand for products and services
- Corporate reorganisation to simplify Group structure and mirror operational needs

In addition, the restructuring costs associated with the announcement in February 2023 of the closure of the UK Contract Manufacturing business will be recognised in the 2023 financial statements.

Whilst a number of decisions taken during the year have been challenging, they reflect the change necessary to simplify and refocus EKF and to support the robust platform being built for growth.

### Board changes

Post-period end, we announced a number of Board changes in recognition of the critical success factors around the delivery of expected growth in our Life Sciences division. Mike Salter is now fully focussed on these critical operational tasks in the US and does so unencumbered by the additional duties he had as Chief Executive Officer (CEO). Mike remains a key part of the Management, reporting directly to the Board, and the Board is very grateful to Mike both for his time as CEO and his continued commitment to focus on delivering these key operational aspects of our strategy.

For the time being, I have assumed the role of Executive Chair, and previously announced that the Board would begin the process of recruiting a new CEO. The Board believes the recruitment focus should be on an experienced operational leader given the stated focus on our core established business and the Life Sciences expansion. Christopher Mills stood down as Non-executive Chair but remains on the Board as a Non-executive Director. We are hugely grateful to Christopher for his stewardship as Non-executive Chair and are very pleased to retain his counsel and guidance in a non-executive capacity. Carl Contadini retired from the Board in February 2022, and we wish him well for the future.

The Board now comprises five members – two Executive Directors and three Non-executive Directors:

- Julian Baines, Executive Chair
- Marc Davies, Chief Financial Officer
- Christian Rigg, Senior Independent Non-executive Director
- Jenny Winter, Independent Non-executive Director
- Christopher Mills, Non-executive Director

Until the appointment of a new CEO, the Board believes that any other revision to Board composition would be inappropriate. We have adopted the Corporate Governance Code issued by the Quoted Company Alliance and our two independent Non-executive Directors, Chris Rigg and Jenny Winter, continue to play very important roles. Further details of compliance to our adopted governance code can be found in the Corporate Governance Statement of the Annual Report and on the Company's website.

## Executive Chairman's Statement *(continuation)*

### Outlook

I am delighted that the core established business has grown by 13% year-on-year and by 12% compared to pre-pandemic levels. These financial results show the strength and robustness of the business as a whole and the potential that EKF offers to shareholders.

EKF has a well-established core business that offers a stable "razor, razor blade" consumable model in Point-of-Care, alongside an exciting upside opportunity within the Life Sciences division for rapid scale up and significant revenue growth. The business is operationally profitable and is cash generative, has no long-term debt and supports an attractive dividend policy.

Cost reduction, restructuring and efficiency measures will further improve our performance in 2023 and onwards. The work to deliver these measures has already begun in earnest and the Board remains confident that the performance of the business for the year remains in-line with management expectations, with EKF now well positioned for long-term sustainable growth.



**Julian Baines**  
Executive Chairman

28 March 2023



## Chief Financial Officer's Review



### Revenue

Revenue for 2022 was £66.6m (FY 2021: £81.8m), a decrease of 19% on the prior year, reflecting the anticipated reduction in revenues from COVID-19 related products and services. At constant 2021 exchange rates, revenue for the year would have been £62.7m. Revenue in 2022 included £3.5m relating to a one-off US inventory receipt.

Revenue by geographical segment based on the legal entity locations from which sales are made, is as follows:

	2022 £'000	2021 £'000	+/- %
Germany	24,192	34,171	(29%)
USA	36,822	36,056	2%
UK	1,419	8,323	(83%)
Russia	4,202	3,286	28%
Total	66,635	81,836	(19%)

	Revenue £'000	Adjusted EBITDA* £'000
Germany	24,192	8,089
USA	36,822	8,309
UK	1,419	(3,057)
Russia	4,202	1,563
Total	66,635	14,904

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

### Observations by geographical segment:

**Germany** – Significant reduction in revenue primarily due to sample collection tubes and kits contract manufacturing activity following COVID drop off in Q1 2022.

**USA** – Strong core sales growth offsetting reduction in contract manufacturing following COVID drop off in Q1 2022.

**UK** – Reduced contract manufacturing activity following COVID drop off in the first quarter of 2022. The UK contract manufacturing facility was closed in Q1 2023.

**Russia** – Solid demand in Point-of-Care portfolio and foreign exchange benefit. EKF's Russian entity is 60% owned by the Group with 100% of its results consolidated, with the non-controlling interest shown separately in the income statement and statement of financial position.

### Russia Update

During 2022 EKF continued to supply essential medical products to its 60%-owned Russian subsidiary, in compliance with current international sanctions guidance and following regular management review. International sanctions mean that the Company remains unable to distribute cash dividends from this subsidiary and this situation is not

expected to change in 2023. As at 31 December 2022, cash held in Russia totalled £2.4m (31 December 2021: £1.3m).

Management continues to assess the situation in Russia and are mindful of the growing financial and operational challenges.

### Gross profit

Gross profit was £24.0m (2021: £39.4m), which represents a gross margin of 36% (2021: 48%). Before exceptional costs of £6.8m (2021: £nil) the Gross Margin was £30.8m, representing a gross margin percentage of 46%. The decreased gross profit was largely due to the lower sales volumes following the COVID drop off. The reduction in gross margin was primarily caused by changes in the mix of products as well as increased costs in the supply chain.

### Administration costs and research and development

Administration costs excluding exceptional items have increased to £23.2m (2021: £17.6m), largely as a result of higher sales administration costs in the USA, the full year effect of ADL Health and the accounting treatment associated with the one-off US inventory receipt.

To aid understanding, administrative expenses in each period are made up as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Non-exceptional administration expenditure before R & D capitalisation	24,877	19,511
Effect of share-based payments	(308)	(1,238)
Less capitalised R & D	(1,392)	(659)
Total administrative expenses	23,177	17,614

Research and development costs included in administration expenses were £1.5m (2021: £1.4m). A further £1.4m (2021: £0.7m) 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 £2.9m (2021: £2.1m). The charge for depreciation of fixed assets and amortisation of intangible assets increased to £6.7m (2021: £5.9m). The increase was mainly associated with the capital programme in recent periods.

## Chief Financial Officer's Review *(continuation)*

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

The Group generated an operating loss of £9.0m (2021: £21.7m profit). This was a result of the lower revenue levels seen during the year and the significant exceptional costs. 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 provides a clearer comparison of the underlying operating performance between periods. In 2022 we achieved adjusted EBITDA of £14.9m (2021: £26.5m), a decrease of 44%. The calculation of this non-GAAP measure is shown on the face of the income statement. It excludes the effect of a non-cash share-based payment credit of £0.3m (2021: credit of £1.2m), and exceptional costs of £17.5m (2021: £0.1m), the main element of which in 2022 is the transition and restructuring of the business to enhance future profitability including the impairment of assets in relation to the ADL Health business. This is outlined in more detail in note 19.

### Finance costs

Net finance costs are £0.03m (2021: £0.3m). The benefit of interest received on cash balances, mainly those held in Russia, is offset by charges relating to leases accounted for in accordance with IFRS 16. Although the Group holds net cash, achievable financial returns on this remain very low because of low interest rates around the world.

### Tax

There is an income tax charge of £0.6m, a decrease from the prior year charge (2021: £5.3m). Deferred tax of £(1.5m), associated with the decrease in the market value of listed investments, has been credited direct to Other Comprehensive Income.

### Dividend

A cash dividend of 1.2p per ordinary share was paid in December 2022, in respect of the final dividend for 2021. In addition, the majority of the Group's investment in Verici Dx plc was transferred to shareholders by way of a dividend in specie in June 2022, at a value of £2.0m. We are pleased to confirm that we intend to make a further dividend payment to shareholders of 1.2p per ordinary share in respect of the performance of the business in 2022. If approved by shareholders at the Company's next Annual General Meeting, payment of the dividend will be made on Friday 1 December 2023. The associated record date for this dividend is Friday 3 November 2023, and the ex-dividend date would be Thursday 2 November 2023.

### Balance sheet

#### *Property plant and equipment and right-of-use assets*

Additions to fixed assets were £7.0m (2021: £5.7m). Major programmes include the continuing work on the fit out of the new factory building in South Bend, Indiana and upgrading and refurbishment of the Group's manufacturing facility in Elkhart, Indiana; new equipment at ADL Health, and the capitalisation of new and replacement leases under IFRS 16 including replacement leases on properties in the USA and Germany. These leases are generally for short terms or have break clauses that limit our commitment.

#### *Intangible assets*

The carrying value of intangible assets has decreased, from £41.9m at the end of 2021 to £33.8m as at 31 December 2022. This is largely due to the impairment of goodwill and intangible assets associated with ADL Health.

#### *Investments*

During the year the Company invested an additional £0.4m in Renalytix plc, a developer of artificial intelligence enabled acute kidney injury products. At year-end, the Company held approximately 1.53% of the issued share capital of Renalytix plc. In addition, the Company invested £2.5m in Verici Dx plc, a developer of advanced clinical diagnostics for organ transplant. Subsequently, the majority of the Company's holding in Verici Dx was transferred to its shareholders by way of a dividend in specie. The fair value reduction of the Company's investments was £7.6m during the year.

Due to the stated strategic focus on the core established business and Life Sciences we do not expect to make any further external investments in 2023.

#### *Deferred consideration*

The Group made a payment of £0.4m in respect of deferred consideration relating to the acquisition of ADL Health. The remaining deferred consideration which is contingent on the performance of ADL Health over a three year period commencing at the date of acquisition in September 2021, has been written back. No deferred consideration was payable for the period to September 2022. Post year end, ADL Health has been disposed and hence there are no further deferred consideration obligations.

## Chief Financial Officer's Review *(continuation)*

### *Cash and working capital*

Group cash net of borrowings (which excludes marketable securities and lease creditors assessed in relation to IFRS 16 assets) has decreased to £11.4m from £19.6m. Excluding cash held in Russia the cash balance net of borrowings is £9.0m (2021: £18.3m). Gross cash has fallen to £11.6m (2021: £20.3m). Existing Borrowings reduced in line with repayments to £0.1m (2021: £0.7m), this included the repayment of borrowings taken on at the acquisition of ADL Health. Cash generated by operations is £12.7m (2021: £14.2m). Investment has been made in the acquisition of fixed assets (£4.4m excluding IFRS 16 leases), and in support of existing investments in AIM listed businesses. The dividend paid in December 2022 totalled £5.5m.

The Company has agreed a funding line with North Atlantic Smaller Companies Investment Trust PLC. Christopher Mills, Non-executive Director of the Company, sits on the Board as Chief Executive Officer of North Atlantic Smaller Companies Investment Trust PLC and is a substantial shareholder of both the Company and the lender. This is a committed facility for a maximum value of £3.0m which, as at the date of this statement, is not drawn down. The terms of the facility are substantially similar to those considered to be commercially available to the Company. This facility partially sets off the exposure currently faced by the Group given the inability to access cash reserves held in Russia. The Board believes it is a prudent measure to have access to additional cash if needed and further that the facility demonstrates the continued support from its largest shareholder, Christopher Mills. The direct and indirect shareholdings of Mr. Mills in the Company include those of the North Atlantic Smaller Companies Investment Trust PLC.

The lending facility is available for three years from the date of this announcement and any amounts drawn down carry interest at 2.5% above the Bank of England base rate from time to time, payable quarterly in arrears. Any loan under the facility is required to be fully repaid at the end of the facility term. The Company may repay any such loan early, in part or in full, but may not re-borrow such amounts.

As a Substantial Shareholder (as defined in the AIM Rules), the arrangement of a debt facility with North Atlantic Smaller Companies Investment Trust PLC represents a related party transaction pursuant to AIM Rule 13. The independent Directors of EKF (being the Directors of the Company other than Christopher Mills), having consulted with Singer Capital Markets as the Company's nominated adviser, consider that the terms of the agreement governing the debt facility from North Atlantic Smaller Companies Investment Trust PLC are fair and reasonable in so far as shareholders are concerned.

### 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, even taking into account severe but plausible changes in financial performance, that the Group will be able to operate as outlined below.

Following the year of transition away from Covid related activities in 2022, the business continues to grow its core base under both Point-of-care and Central Laboratory, funding the investment into Life Sciences at the new facility in South Bend. The Directors have modelled a range of sensitivities from the base internal Budget including lower revenues, and continued restrictions in Russia in relation to accessing cash. In addition, the Group has taken actions including cost reductions through the closure of the UK manufacturing operations and the divestment of ADL Health, and securing the committed £3m of funding from North Atlantic Smaller Companies Investment Trust to be drawn down should the worst-case scenario materialise.

Considering the range of sensitivities which account for a severe downturn versus expectation in 2023, plus the range of mitigation options available the business demonstrates sufficient headroom giving the Directors confidence that the business can continue to meet its obligations as they fall due, even under the worst-case scenarios, for at least the next 12 months. Accordingly, the directors are satisfied they can prepare the accounts on a going concern basis.

## Chief Financial Officer's Review *(continuation)*

### Share capital

During the year the Company acquired 9m of its own ordinary shares at a cost of £3.9m, paying an average price of 43.3p per share. These shares were subsequently cancelled.

### Post Balance Sheet Events

In February 2023 the Group's UK manufacturing operations were closed down. This resulted in a small number of redundancies.

The transition of the Laboratory Testing business towards generating non-COVID revenues has presented certain challenges following the rapid drop in demand for COVID testing worldwide since Q1 2022. ADL Health contributed a loss in 2022, which has led to EKF's management team ("Management") reviewing the business and its rationale in the context of the group's wider strategy.

Following the review undertaken in early 2023, Management determined that Laboratory Testing will no longer form part of EKF's core offering and, therefore, disposed of ADL Health to Medical Management Partners, LLC, an entity which is 100% controlled by Stan Crawford, a member of the management team of ADL Health. The disposal will provide cost savings to EKF, allow Management time to focus on growth initiatives in other areas, and also simplify the reporting structure of the wider group. In the year ending 31 December 2022, ADL Health generated revenue of £2.6 million and loss before tax of approximately £1.0 million, with net assets of £0.1 million as at 31 December 2022. The disposal was classified as a related party transaction under the AIM Rules by virtue of Stan Crawford being a director of a subsidiary of the Company. Further details of this transaction and related regulatory disclosures are contained in the announcement made on 23 March 2023.

The consideration will primarily comprise of 1,200,000 EKF shares of ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") to be held, initially, in treasury.



**Marc Davies**  
Chief Financial Officer

28 March 2023

## Board of Directors

### Executive Directors



#### Julian Baines MBE (Non-executive Director until 7 February 2023)

##### Executive Chair

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. Julian founded and was CEO of the Group from its inception in 2009 until 2021, during which time he 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 served as Non-executive Deputy Chair from 2021 before returning to an executive position with the Group on a short term basis in January 2023. Julian is also Chair of Verici Dx plc.



#### Marc Davies (appointed 1 January 2022)

##### Chief Financial Officer

Marc joined EKF on 1 January 2022 from medical device business Flexicare Medical, where he was Group Finance and Operations Director from October 2017. Marc was responsible for overseeing substantial revenue growth throughout his time with Flexicare, driven by both organic performance and acquisition. Whilst at Flexicare Medical, Marc led several corporate finance transactions including post-transaction integration.

Previously, Marc was a Corporate Finance Director at PricewaterhouseCoopers (PwC), providing mid-market private business and private equity focused corporate finance advice as Head of the PwC West and Wales Corporate Finance Team. Before joining PwC in 2013, Marc was an AIM focussed Corporate Finance Advisor for over five years, during which he spent four years at WH Ireland, including work within its Nominated Adviser function. Marc began his career in finance as part of the PwC Corporate Recovery team.

Marc is a Fellow Chartered Accountant (FCA) and an Oxford graduate with an MSc (Distinction) in Mathematical Modelling and Scientific Computation and an MA (First Class) in Mathematical Science.



#### Michael Salter (resigned 6 February 2023)

##### Chief Executive Officer

Mike Salter joined EKF in 2017 as head of the Group's American business where he was responsible for all USA facilities including sales, operations and Regulatory Affairs, and also had a particular focus on EKF Life Sciences in Elkhart, Indiana. Previously, Mike worked at GE Healthcare where he was General Manager for the Custom Molecular Reagent Business within GE Life Sciences. Mike has over 35 years of experience in the Life Science and Diagnostics Industry, 33 of which were spent with GE and Amersham in a variety of positions in the UK, Canada and USA. Since joining EKF, Mike has been responsible for overseeing the growth of EKF's Diabetes and Haematology business in the US and for leading the Group's COVID-19 response.



## Board of Directors

### Non-Executive Directors



**Christopher Mills**

Non-executive Chairman (Non-Executive Director from 7 February 2023)

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 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 stood down from the audit committee in March 2022.



**Christian Rigg**

Senior Independent Non-Executive Director

Chris Rigg is a chartered accountant who has significant executive experience at both public and private companies. He was formerly the Chief Executive Officer of Project Galaxy UK Topco Limited (the holding company of Mandata Holdings Limited) and formerly a Non-executive Director of the main market listed Sportech plc. Chris previously held the positions of Chief Financial Officer and latterly Chief Executive Officer at Quantum Pharma plc, which, under his stewardship, was refinanced and implemented a new strategy facilitating growth and leading to its acquisition by Clinigen Group plc for an enterprise value of £160 million.

Chris is chair of the Audit Committee and a member of the Remuneration Committee.



**Jennifer Winter (appointed 1 February 2022)**

Non-executive Director

Jenny has over 20 years' experience across a broad variety of healthcare organisations ranging from small not-for-profit companies to large corporates. Jenny is currently Chief Executive Officer of AIM listed Animalcare Group plc (AIM: ANCR) where she is successfully executing on the business's long-term growth strategy, against a backdrop of very challenging market conditions. Before joining Animalcare Group plc in October 2018, Jenny was Vice President of Respiratory products - Global Supply Chain and Strategy at AstraZeneca, a position she held from 2015. Jenny has a BSc in Physiology and Pharmacology from the University of Southampton.

Jenny is chair of the Remuneration Committee and a member of the Audit Committee.



**Carl Contadini (resigned 1 February 2022)**

Non-executive Director

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 LLC, where he assists in sourcing, evaluating and monitoring investments. Carl also holds the positions of Executive Chairman at Utitec Holdings Inc. and of Chairman of the Harold Lever Cancer Centre. He is also a board member of Waterbury Hospital which is part of the Prospect Medical Company. 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 Bachelor of General Studies degree specialising in Human Resources from University of Connecticut. Carl retired from the Board in February 2022.

## Strategic Report

for the year ended 31 December 2022

The Directors present their Strategic Report for the year to 31 December 2022.

### Review of the business

A review of the business is contained in the Executive Chairman's Statement on pages 12 to 16 and the Chief Financial Officer's Review on pages 17 to 20.

We recognise that effective risk management is essential to the successful delivery of the Group's strategy. As we continue to develop our business we believe it is important to expand 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 and emerging 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. There has been no change in the level of this risk in the last 12 months.

#### Political risk

A significant proportion of the Group's revenues are accounted for by agreements in developing countries. Any instability in these countries could meaningfully affect the operations and the revenue of the Group. In particular the Group has revenues from customers in Russia and an entity based there. As a result of the sanctions imposed on Russia by the EU, the USA and other countries, there are enhanced risks in respect of our Russian entity, including credit risk to cash balances, its ability to collect debtors, and our ability to import products into Russia. The situation in Russia is changing rapidly and mitigation of these risks is difficult, however we maintain

frequent communications with our senior management in the country who have a good knowledge of operating there in difficult circumstances. In addition we have discounted sales from this region in our growth forecasts.

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.

The UK has withdrawn from the EU. Although the Group has not faced 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, including the movement of certain activities between the UK and the EU.

The level of this risk has increased in the last 12 months.

#### 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 apprised with changes in the standards geographically, by seeking advice from regulatory advisers, consultations with regulatory approval bodies and by working with experienced distribution partners.

The Group's operations are covered by the In Vitro Diagnostic Regulation (IVDR) which affects all our products produced or sold in the EU. We have adapted to the significant changes the IVDR brings such that we are ready to meet the immediate requirements, and have a defined plan for the amended transitional provisions. A number of the dates by which full compliance is required have been postponed. There has been no change in the level of this risk in the last 12 months.

#### 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. There has been no change in the level of this risk in the last 12 months.

#### 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

## Strategic Report

for the year ended 31 December 2022 (continuation)

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. There has been no change in the level of this risk in the last 12 months.

### 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 Company'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 where appropriate 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. There has been no change in the level of this risk in the last 12 months.

### 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. There has been no change in the level of this risk in the last 12 months.

### 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 Chief Financial Officer. The annual financial statements are also subject to audit by the Group's external auditors. There has been no change in the level of this risk in the last 12 months.

### 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. Formal procedures are in place where necessary. The level of this risk has increased in the last 12 months.

### Pandemic risk

The recent COVID-19 pandemic created uncertainty in the market in the short term. The effect of this is reducing as the world moves to treating the

COVID-19 virus as endemic rather than pandemic. However this shift resulted in a very rapid reduction in the market for COVID related products which has led to a requirement for a reorganisation of the Group's operations which in turn have led to the requirement for significant restructuring provisions.

The level of this risk has increased in the last 12 months.

### Climate change risk

Climate change means we may face physical risks such as more frequent or severe weather events; transitional risks such as increased regulatory requirements from our customers or that a move towards a greener economy could mean the Group might face reductions in asset values or higher costs of doing business. Equally the response to climate change may lead to new, but not yet identified, opportunities for the Group. While the potential economic effect on the Group is uncertain, the Group does not believe its operations are materially at risk. The Group seeks to manage this risk by monitoring events and taking mitigating actions if necessary. More information on our response to climate change risks is shown in the Environment section of this Report on page 26. The level of this risk has increased in the last 12 months.

### Plastic packaging tax

A new environmental tax on plastic packaging manufactured in, or imported into the UK, that does not contain at least 30% recycled plastic is being introduced from 1 April 2022. We have taken steps to increase our knowledge of this new tax and introduced systems to measure its effect, so as to mitigate any possible financial effect. The level of this risk has not changed in the last 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 global, world class, IVD business through organic growth and strategic partnerships, concentrating on point-of-care, central laboratory, and contract manufacturing, while investing heavily in our enzyme 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 includes 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.

Within its point-of-care business the Group works mainly on the principle of providing value priced instrumentation which generates long-term revenue streams from the subsequent delivery 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 Executive Chairman's Statement on pages 12 to 16 gives information on the future outlook of the Group, including the main trends and factors likely to affect its future development.



## Strategic Report

for the year ended 31 December 2022 (continuation)

### Key Performance Indicators (KPIs)

The key performance indicators currently used across the Group are revenue, gross profit, adjusted EBITDA and cash and working capital. Local entities also use a variety of non-financial measures for measuring their own performance. The Group is working to establish other key performance indicators including non-financial measures across the Group. KPIs are discussed in more detail in the Chief Financial Officer's review on pages 17 to 20.

### 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.

Primary responsibility for governance of the Group's response to climate change lies with the Board, which sets the strategy for managing associated risks in association with the Group's senior management. Senior management are responsible for identifying, assessing, and managing climate change risks and opportunities, and for determining processes and actions that need to be taken to manage and report on that risk. The Group's response is developing in line with, and where appropriate ahead of government requirements and is led by an assigned senior manager. Part of this process will include an analysis of the metrics, targets, and reporting requirements that we are likely to face.

#### Physical risks

The Group operates in a number of geographical locations throughout the world. None of these locations are in environmentally sensitive areas, and the Group does not believe that any locations are at material risk from severe weather events or similar consequences of climate change. We will monitor potential changes to our physical risk profiles by monitoring events and assessing our response to them.

#### Transitional risks

Many of our ultimate customers are government bodies or national health systems which are funded by governments, large charities, or similar bodies. It is likely that part of their climate change management will involve trickling down net zero or similar initiatives to their supply chain. It is likely these requirements will increase over time. We have commenced a process of seeking to understand what effects if any this process will have on our own response, risk profile, and on the value of our income streams and assets. Areas we have initially identified include use of plastics and packaging. Our strategy is to work together with our customers and our own supply chain to ensure that we can operate successfully within customer requirements while mitigating as far as possible any additional costs.

#### UK energy use

The Group is required to report on energy use in the UK only, as our overseas subsidiaries do not come within the scope of the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirements. We have voluntarily extended reporting to cover the remainder of the Group, on the same basis as the UK reporting. It is our intention to improve our climate change reporting over time, however this is the start of our climate change journey and our response will continue to evolve.

We have appointed a senior employee to champion our climate change response as part of a wider ESG portfolio, who is working to produce a road map of our actions and our reporting upon them. The need to respond quickly and rigorously is being driven by our customers, suppliers and other stakeholders. Our ESG lead is working with the Group's executive management, Finance staff and other senior management to formulate and action our climate change response and other ESG matters.

The tables below represent the energy use and associated greenhouse gas (GHG) emissions from electricity and fuel use in the UK and for the Group for the year ended 31 December 2022. For the Group, this is the first year that we are voluntarily reporting on emissions, and we have therefore, reported comparative numbers for 2021 for the UK only. Comparative numbers for the remainder of the Group will be included in future years.

The Company has sought to improve its energy efficiency by reducing electricity usage through wastage, and by promoting the use of video conferencing rather than international travel. Energy usage has decreased because of lower activity levels.

#### UK

Energy consumption used to calculate emissions:	2022	2021
Electricity usage	61,321 kWh	68,468 kWh
Transport	3,044 kWh	2,017 kWh

Conversion factors used to calculate emissions:	2022	2021
Electricity usage (scope 2)	0.19121	0.21016
Transport (scope 1)	0.2781	0.27698

The 2022 emission conversion factors are based on the UK Government GHG Conversion Factors for Company Reporting 2022.

	2022	2021
Calculated emissions	Tonnes of CO <sub>2</sub>	Tonnes of CO <sub>2</sub>
Electricity usage	12	14
Transport	1	1
Total	13	15

The rate of emissions per £m of turnover is 0.19 (2021: 0.18) tonnes of CO<sub>2</sub>.

#### Group

Energy consumption used to calculate emissions:	2022
Electricity usage	1,526,111 kWh
Gas usage	122,758 kWh
Transport	84,496 kWh

Conversion factors used to calculate emissions:	2022
Electricity usage (scope 2)	0.19121
Gas usage (scope 2)	0.20227
Transport (scope 1)	0.2557

The emission conversion factors are based on the UK Government GHG Conversion Factors for Company Reporting 2022.

	2022
Calculated emissions	Tonnes of CO <sub>2</sub>
Electricity usage	291,808
Gas usage	24,830
Transport	21,351
Total	337,989

The rate of emissions per £m of turnover is 5.07 tonnes of CO<sub>2</sub>.

## Strategic Report

for the year ended 31 December 2022 (continuation)

### 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.

The Group has 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 Executive 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 12 to 20. The Board considers that its response to changes in the market over the last three years has been measured and has allowed it to grasp opportunities as they have arrived.

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 Group has an open, flexible, and entrepreneurial culture which has allowed the Group to be flexible and responsive to customer needs. The Board monitors, assesses, and promotes the Group's corporate culture through discussions with management and employees and through the use of appropriate measures. Recently an Employee Engagement Survey has been run across the Group to test that the Group's culture is in line with its strategic objectives, and is reflecting on the results.

The Board ensures that the Group endeavours to maintain good relationships with its suppliers by contracting on reasonable business terms and paying them promptly, within agreed 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 pages 29 to 30.

The Strategic Report was approved by the Board on 28 March 2023 and signed on its behalf by:



**Marc Davies**  
Chief Financial Officer

## Report of the Directors

for the year ended 31 December 2022

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 2022.

### Corporate details

EKF Diagnostics Holdings PLC 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
- Marc Davies (appointed 1 January 2022)
- Christian Rigg
- Jennifer Winter (appointed 1 February 2022)
- Michael Salter (resigned 6 February 2023)
- Carl Contadini (resigned 1 February 2022)
- Richard Evans (resigned 1 January 2022)

On 7 February 2023 Julian Baines, formerly Non-Executive Director, was appointed Executive Chair. At the same time Christopher Mills stepped down as Non-Executive Chairman but remained a Non-Executive Director.

Richard Evans resigned as a director on 1 January 2022.

The Company Secretary is One Advisory Limited.

### 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 Executive Chairman's Statement on pages 12 to 16, the Chief Financial Officer's Review on pages 17 to 20, and the Strategic Report on pages 23 to 26.

### Dividends and share buy back

In December 2022 the Company paid a final dividend for 2021 of 1.2p (2020: 1.1p) per share. The Board has noted that it intends to follow an active dividend policy. If approved by shareholders at the Company's next annual general meeting, payment of a dividend of 1.2p per share will be on 1 December 2023 to shareholders on the register at close of business on 3 November 2023.

The Company holds authorisation to acquire up to approximately 15% of its Ordinary Shares in order to reduce the number of shares in issue. 9,000,000 shares (2021: no 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, even taking into account severe but plausible changes in financial performance, that the Group will be able to operate as outlined below.

Following the year of transition away from Covid related activities in 2022, the business continues to grow its core base under both PoC and Central Lab, funding the investment into Life Sciences at the new facility in South Bend. The Directors have modelled a range of sensitivities from the base internal Budget including lower revenues, and continued restrictions in Russia in relation to accessing cash. In addition the Group has taken

actions including cost reductions through the closure of the UK manufacturing operations and the divestment of ADL, and securing a committed £3m of funding from the North Atlantic Smaller Companies Investment Trust to be drawn down should the worst-case scenario materialise.

Considering the range of sensitivities which account for a severe downturn versus expectation in 2023, plus the range of mitigation options available the business demonstrates sufficient headroom giving the Directors confidence that the business can continue to meet its obligations as they fall due, even under the worst-case scenarios, for at least the next 12 months. Accordingly, the directors are satisfied they can prepare the accounts on a going concern basis.

### Financial risk management

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

### Employee policies and engagement

Employee policies are discussed in the Strategic Report on pages 23 to 26.

### 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 23 to 26.

### Streamlined Energy and Carbon Reporting (SECR)

SECR reporting is included in the Strategic Report on page 25.

### Post Balance sheet events

Post Balance sheet events are discussed in the Chief Financial Officer's Statement on pages 17 to 20.

### Directors' interests

The interests in the share capital of the Company of those Directors serving at 31 December 2022, all of which are beneficial, are set out below. There were no changes to the Directors' interests in the share capital of the Company between 31 December 2022 and the date of the signing of these financial statements.

	On 31 December 2022 <sup>1</sup> Ordinary Shares of 1p each	On 31 December 2021 <sup>2</sup> Ordinary Shares of 1p each
Christopher Mills	132,150,000	130,875,000
Julian Baines	1,616,288	1,605,288
Michael Salter	125,000	125,000
Christian Rigg	-	-
Marc Davies	-	-
Jennifer Winter	-	-

<sup>1</sup> or date of resignation if earlier

<sup>2</sup> or date of appointment if later

On 20 June 2022 Mr Baines acquired 11,000 shares at a price of 32.596 pence per share. On 28 April 2022, funds connected with Mr Mills purchased 1,275,000 shares at a price of 35p per share. 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 ("NASCIT") and Oryx International Growth

## Report of the Directors

for the year ended 31 December 2022 (continuation)

Fund Limited (“Oryx”). Harwood Capital LLP (“Harwood”) is investment manager and investment adviser to NASCIT and Oryx respectively. Christopher Mills is a partner and Chief Investment Officer of Harwood. Christopher Mills is also a director of Oryx and NASCIT. He holds 2.50 per cent. of the shares in Oryx in his own name as well as a further 52.68 per cent. of the shares in Oryx via his 27.74 per cent. shareholding in NASCIT.

### Substantial shareholdings

As at 27 March 2023, 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	132,150,000	29.05%
LionTrust Asset Management	45,784,310	10.06%
Schroder Investment Management	24,241,709	5.33%
Canaccord Genuity Wealth Management	22,868,222	5.03%
Gresham House	20,815,254	4.58%
Stockinvest Limited	18,555,500	4.08%

The interests disclosed above are those as at 31 December 2022, updated for any substantial shareholding notifications received up to 24 March 2023.

### 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 and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 company and of the profit or loss of the group 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 UK-adopted international accounting standards have been followed, 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 company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group’s and company’s transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors’ confirmations

In the case of each director in office at the date the directors’ report is approved:

- so far as the director is aware, there is no relevant audit information of which the group’s and company’s auditors are unaware; and
- they have 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 group’s and company’s auditors are aware of that information.

### 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 29 and 30 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 79 to 81.

### 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 28 March 2023 and signed on its behalf by:



**Marc Davies**  
Chief Financial Officer



## Corporate Governance Statement

for the year ended 31 December 2022

### Compliance

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

The following statement describes how the Group as at 31 December 2022 sought to address the principles underlying the Code.

### Board composition and responsibility

A number of changes to the Board took place on 7 February 2023. Christopher Mills stepped down as Non-Executive Chairman but remains a Non-Executive Director; Julian Baines was appointed Executive Chairman; and Michael Salter resigned as Chief Executive. As a result the Board currently comprises two Executive Directors and three Non-Executive Directors. Earlier, Marc Davies was appointed as an Executive Director on 1 January 2022, Richard Evans resigning on the same day. Jennifer Winter was appointed a Non-Executive Director on 1 February 2022, and Carl Contadini resigned as a Director on the same day.

It is the Board's opinion that the two directors, Christian Rigg and Jennifer Winter (replacing 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. Rigg and Ms. Winter have been appointed to the Boards of numerous companies, with Mr. Rigg specialising in finance and operational matters and Ms. Winter specialising in commercial operations in the healthcare sector. The Directors keep their skills up to date through appropriate training and experience both within and outside the organisation.

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. More details of the Group's objectives, strategy, and business model, and the Board's assessment of the state of the Group's culture are given in the Strategic Report on pages 23 to 26.

On a short-term basis the Executive Chairman will be responsible for the overall strategy of the Group and running the Board including corporate governance, as well as being responsible for implementing the strategy and day to day running of the Group. He is assisted by the Chief Financial Officer.

### Board meetings

10 Board meetings were held during the year. The Directors' attendance record during the year, along with the number of meetings for which they were eligible to attend, is as follows:

Christopher Mills (Non-Executive Chair)	9 (9)
Julian Baines (Non-Executive Deputy Chair)	9 (9)
Michael Salter (Chief Executive)	9 (10)
Marc Davies (Chief Financial Officer)	10 (10)
Chris Rigg (Non-Executive Director)	10 (10)
Jennifer Winter (Non-Executive Director)	9 (9)
Carl Contadini (Non-Executive Director)	1 (1)

Mr Davies works full time for the Group. Mr Baines is working for the Group on a part-time basis for two days per week. 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.

### Board evaluation

On March 11 2022 the Board performed an evaluation of their performance and that of the Chairman, as well as the effectiveness of the Board committees. The evaluation found that the Board and the Chairman's performance were satisfactory. Given the Group's size, the Board currently considers it unnecessary to have evaluations facilitated by an external consultant, but will keep this under review.

The Board performed a further evaluation of its performance in late-2022, with the results being presented to the Board in January 2023. The evaluation focussed on board role, composition and dynamics. The evaluation confirmed that many of the processes and procedures in place to support the Board remain effective; the Board will use the findings to help to shape the focal areas for the Board and Board Committees across 2023. The evaluation did not lead to any recommendations.

As the Senior Independent Director Chris Rigg will conduct an evaluation of the Non-executive Chairman's performance in conjunction with the other independent Director, Jenny Winter and input from the two Executive Directors.

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

### Audit Committee

This now comprises two Non-Executive Directors, Chris Rigg (Chairman) and Jennifer Winter. Chris Rigg is the Senior Independent Director and has recent and relevant finance experience. Christopher Mills stood down from the Audit Committee on 11 March 2022, and was replaced by Ms Winter. The committee has responsibility over the following:

- Recommend the appointment, re-appointment and removal of the external auditors. The external audit process is assessed through discussion within the committee and with management. If the committee believes based on this assessment that the external auditors should be replaced or the audit put out to tender, this is determined by the full Board. The Company rotates its auditor or performs a retender in line with the needs

## Corporate Governance Statement

for the year ended 31 December 2022 (continuation)

of the business and legislation. The current auditors have been in place since 2010, and the audit was last retendered in 2015. There are no current plans to seek a retender.

- Ensure the objectivity and independence of the auditors including occasions when non-audit services are provided. From 2020 the external auditors do not provide non-audit services.
- Ensure appropriate 'whistle-blowing' arrangements are in place

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

The committee met twice formally during 2022. All eligible members attended all meetings. There were no significant matters communicated to the Committee by the Auditors. Key matters of judgement discussed with the Auditors are noted within the Audit report on pages 32 to 37.

### 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 now made up of Julian Baines (Chairman), Chris Rigg, 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 once during 2022. All eligible members attended all meetings.

### 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, which will commence its work in 2023.

### 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

**Email:** [investors@ekfdiagnostics.com](mailto: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 28 March 2023 and signed on its behalf by:



**Marc Davies**  
Chief Financial Officer

## Report of the Remuneration Committee

for the year ended 31 December 2022

### Statement of compliance

This report does not constitute a Directors' Remuneration Report in accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 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. Increases in salaries and bonus levels for Executive Directors are determined by the Remuneration Committee, and those for the Non-Executive Directors by the full Board. No Director is involved in deciding their own remuneration. Mr Davies's salary was determined based on his skills and experience and market conditions. Mr Salter's bonus which was only approved and paid in 2022, relates to performance in 2021. Mr Davies' bonus, which is discretionary, relates to his performance in 2022. As at the date of this report, no new remuneration arrangements had been made for the Directors in 2023.

### Directors' remuneration - Audited

The remuneration of the Directors for the years ended 31 December 2022 and 31 December 2021 are shown in the table below:

	Salary and fees £'000	Benefits in kind £'000	Bonus £'000	Pension £'000	2022 £'000	2021 £'000
<b>Executive Directors</b>						
Michael Salter	282	10	114	-	406	67
Marc Davies	230	14	50	11	305	-
Richard Evans	-	-	-	-	-	2,797
	512	24	164	11	711	2,864
<b>Non-Executive Directors</b>						
Christopher Mills	50	-	-	-	50	50
Julian Baines	75	5	-	4	84	2,797
Carl Contadini	8	-	-	-	8	50
Christian Rigg	50	-	-	-	50	25
Jennifer Winter	46	-	-	-	46	-
Adam Reynolds	-	-	-	-	-	52
	229	5	-	4	238	2,974
Total fees and emoluments	741	29	164	15	949	5,838

Mr Salter resigned as a director on 6 February 2023. His 2021 remuneration is for the period from his appointment on 1 October 2021. Mr Evans resigned from the Board on 1 January 2022. Mr Baines remuneration for 2021 covers his service as both an Executive and as a Non-Executive Director. Of his total remuneration, £25,000 related to his service as a Non-Executive Director. Mr Contadini's remuneration in 2022 covers his service as a director up until his resignation, as well as payments made in lieu of notice. Mr Rigg's 2021 Remuneration is from the date of his appointment on 1 July 2021. Ms Winter's remuneration covers the period from her appointment on 1 February 2022. Mr Reynolds remuneration in 2021 covers the period to his resignation on 19 May 2021.

### Payment in Lieu of notice

Mr Contadini received £30,000 as payment in lieu of notice.

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

No director holds options under any share option plan.

In September 2021 Mr Salter 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 as Chief Executive Officer. There is a minimum price level below which no amount is payable, with the amount payable being 2.5% of the excess sale price above 70p per share. The Board estimates that it is more probable than not that no award will be made under the scheme in the foreseeable future, and the fair value of the award has therefore been calculated at £nil (2021: £3,296,000). The 2021 value was calculated using a modified form of a Black Scholes model. The liability at 31 December 2021 of £298,000 has been credited to profit and loss. On Mr Salter's resignation as Chief Executive Officer on 6 February 2023 the award lapsed.

Directors' interests in the share capital of the Company are disclosed in the Directors' Report on pages 27 and 28.

Approved by the Board on 27 March 2023 and signed on its behalf by:



**Marc Davies**  
Chief Financial Officer

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

### Report on the audit of the financial statements

#### Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards 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 2022; the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company's Statement of Cash Flows, Consolidated Statement of Changes in Equity and Company 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 other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

#### Our audit approach

##### Overview

##### Audit scope

- We performed full-scope audit procedures in respect of the Group's largest trading subsidiaries in the USA and in Germany, as well as the Parent Company, EKF Diagnostics Holdings plc, in the UK.
- Our audit procedures covered entities contributing 89% of the Group's revenues and 90% of adjusted EBITDA for the year ended 31 December 2022.
- We engaged component auditors for the audit of the Germany in-scope subsidiaries and we engaged a third party audit firm for specified procedures reporting on the Cash and cash equivalents balance reported by the Russian subsidiary. All other audit work was performed by the Group engagement team.

##### Key audit matters

- Recoverability of Group goodwill and the Company's investment in subsidiaries (group and parent)
- Valuation of inventory (group and parent)
- Classification of exceptional items (group)

##### Materiality

- Overall group materiality: £413,700 (2021: £1,014,000) based on 5% of Adjusted profit before tax (adjusted to exclude share-based payments and exceptional items).
- Overall company materiality: £350,000 (2021: £574,000) based on 1% of total assets.
- Performance materiality: £310,275 (2021: £760,000) (group) and £262,500 (2021: £430,000) (company).

##### 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.

##### 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



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

### Report on the audit of the financial statements *(continued)*

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.

Valuation of inventory and Presentation and disclosure of exceptional items are new key audit matters this year. Acquisition accounting, including the identification and valuation of intangible assets and goodwill, which was a key audit matter last year, is no longer included because of the transaction being specific to the comparative period. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of Group goodwill and the Company's investment in subsidiaries (group and parent)</b></p> <p>As at 31 December 2022, the Consolidated Statement of Financial Position includes £33.8m (2021: £41.9m) of intangible assets, of which £25.1m is goodwill (2021: £27.4m), and £8.7m is amortised intangible assets (2021: £14.5m). The investments in subsidiaries included in the Company Statement of Financial Position as at 31 December 2022 is £30.8m (2021: £38.4m). Goodwill in the Group and the Company's investment in subsidiaries are significant, and the estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows in order to obtain a Value In Use calculation. The impairment reviews therefore include significant estimates and judgements in respect of future growth rates, cash flows and discount rates. In addition the Group also undertook a review of the ADL Heath CGU on a Fair Value Less Cost to Sell basis, using the sale process that commenced and completed subsequent to the year end as a reasonable estimate for the valuation as at 31 December 2022. This has resulted in an impairment charge of £8.5m to goodwill and intangible assets in the Consolidated Income Statement and an impairment of £7.6m against the investment carrying value in the Company Balance Sheet. The sensitivity of these key assumptions are detailed in note 19, Intangible assets and note 20, Investments in subsidiaries.</p>	<p>We obtained the cash flow forecasts supporting its assessment for each CGU and performed the following procedures: 1) Assessed the methodology used by management in accordance with IAS 36 'Impairment of assets' and tested the mathematical accuracy of the model; 2) Agreed forecast cash flows to board approved budgets and evaluated and challenged key assumptions within the cashflows and validated to supporting documentation, where appropriate. We liaised with our internal valuation experts to consider key inputs such as the discount rate; 3) Performed sensitivity analysis including the effect of reasonably possible changes in forecast cash flows and other assumptions to evaluate the impact on the carrying value of the goodwill and investment in subsidiaries; 4) We obtained the signed Equity Purchase and Exchange Agreement in relation to the sale of ADL Health and audited the calculation prepared to identify the impairment required at a Group and Company on the estimated consideration and associated legal costs of the transaction in order to identify the Fair Value Less Cost to Sell amount. We also satisfied ourselves that the letter of intent, signed post year end, was appropriate to reflect a fair value less cost to sell assessment as at 31 December 2022. We also considered the impact of climate change in performing our audit procedures in this area, particularly in relation to the Group's expectation that net zero initiatives will be placed upon them by Government bodies, who are ultimately the "ultimate customer" of the Group. At present, the Group is at an early stage in responding to these requirements and so there are no commitments that are directly impacting the financial reporting. Lastly, we assessed the adequacy of the Group and Company's disclosures regarding the goodwill and investment in subsidiaries and the sensitivity of the outcome of the impairment assessments to changes in key assumptions used in the model. We concur with management's assessment that an impairment charge is required in relation to the ADL Health CGU and company investment.</p>
<p><b>Valuation of inventory (group and parent)</b></p> <p>The Group's accounting policy is to state inventories at the lower of cost and net realizable value. As at 31 December 2022, the Consolidated Statement of Financial Position includes gross unimpaired inventories of £17.2m (2021: £16.7m), with total provisions of £7.8m (2021: £3.5m) reducing this balance to the net realizable value of £9.4m (2021: £13.2m). The Company Statement of Financial Position as at 31 December 2022 includes gross unimpaired inventories of £0.4m (2021: £0.5m), with total provisions of £0.3m (2021: £nil) reducing this balance to the net realizable value of £0.1m (2021: £0.5m). The significant increase in the level of provisions in the year is attributable to excess COVID-19 and other inventory throughout the Group as a result of the Group's decision to transition away from these markets. There is inherent uncertainty involved in estimating the net realizable value of inventory, and therefore this has been an area of significant audit effort in the current year. See note 24 for further disclosures relating to inventories.</p>	<p>We tested the valuation of inventory by reviewing management's assumptions in assessing the carrying value of the remaining COVID-19 and other inventory that the Group is transitioning away from, including through review of consumption/sales throughout H2 2022 and Q1 2023 and consideration of future orders or plans in relation to these assets. We also performed sample checks over the accuracy of management's general provisions based on ageing and/or expiry of products. We confirmed that inventory was held at the lower of cost and net realizable value by tracing a sample of items to recent purchase invoices, and subsequently to the latest sales invoice. Based on the evidence obtained, we concurred with management's judgements in assessing the valuation of inventory.</p>
<p><b>Classification of exceptional items (group)</b></p> <p>The Group's accounting policy is to report items outside of income and expense as exceptional items where they are of an unusual or non-recurring nature. Exceptional items of £17.5m have been disclosed on the face of the Consolidated Income Statement. These primarily relate to business reorganisation and impairment costs associated with the restructure of certain operations in the US, UK and Germany primarily driven by the sudden reduction in COVID-19 related revenues from Q1 2022 and the decision of the Group to transition away from this area of sales. We focused on this area because exceptional items are material to the Consolidated Income Statement and because there is a degree of judgement in their classification.</p>	<p>We tested the classification of exceptional items by examining supporting information such as third-party contracts and the supporting information for impairments as referenced above. From the evidence obtained, we concurred with management's assessment to classify and disclose these costs as separately reported exceptional items, in line with the disclosed accounting policy.</p>

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

### Report on the audit of the financial statements *(continued)*

#### 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 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). Manufacturing activities also occurred in the UK during 2021 and 2022, with external revenues earned from COVID-19 products. The central finance and accounting team is located in the UK and is responsible for the financial reporting of EKF Diagnostics Holdings plc (the "Company"). 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. A full-scope audit of these entities' financial information has been carried out. The audit of Stanbio and the Company was conducted by the group engagement team and component auditors were engaged to audit EKF Germany. The Company audit was scoped in accordance with our company materiality. Our audit addressed components making up 89% of the group's 2022 revenues and 90% of adjusted EBITDA. Due to the significant increase in the cash balance held by the Russian subsidiary in 2022 (£2.4m), we have also engaged a third party auditor in Russia to perform specified procedures reporting over the cash balance. Where component or third party auditors were engaged, we adopted procedures to ensure we were sufficiently involved in their audits. These included discussions with overseas audit teams during the planning, fieldwork and reporting phases, the issuance of comprehensive audit instructions and a review of key working papers in key risk areas.

#### The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

#### 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:

	Financial statements - group	Financial statements - company
<b>Overall materiality</b>	£413,700 (2021: £1,014,000).	£350,000 (2021: £574,000).
<b>How we determined it</b>	5% of Adjusted profit before tax (adjusted to exclude share-based payments and exceptional items)	1% of total assets
<b>Rationale for benchmark applied</b>	Based on the benchmarks used in the Annual Report, a profit-based measure has been used which is a primary measure used by the shareholders in assessing the performance of the group. We have used profit before tax, adjusted for share-based payments and exceptional items, which are disclosed separately to aid the users of the financial statements. The rationale is consistent with the previous year.	Historically, an asset-based measure was used for the company as no external revenues were generated, and the Company's Statement of Financial Position was included in the Annual Report. While external revenues have been earned by the company in 2021 and 2022, the revenue stream significantly declined after Q1 2022 and the UK sales will cease in 2023. Therefore an asset-based measure remains appropriate. The rationale is consistent with the previous year.

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 £250,000 to £380,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting

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

### Report on the audit of the financial statements *(continued)*

to £310,275 (2021: £760,000) for the group financial statements and £262,500 (2021: £430,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £20,685 (group audit) (2021: £50,000) and £17,500 (company audit) (2021: £28,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Verifying the integrity and mathematical accuracy of management's model as well as agreeing underlying cash flow projections to management approved forecasts.
- Assessing management's historic forecasting accuracy by obtaining management information for the financial performance year to date.
- Evaluating and challenging the reasonableness of the key assumptions in management's model, and agreeing the data and assumptions to supporting third party information, where available.
- Evaluating and assessing the severe but plausible downside scenarios modelled.
- Reviewing and challenging the basis of preparation disclosure presented by the directors in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 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.

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

### Report on the audit of the financial statements *(continued)*

#### 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 in respect of the financial statements, 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection, product safety (including but not limited to the US Food and Drug Administration regulation) and employment legislation (including health & safety regulation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquiry of group management and global head of quality and regulatory assurance around known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings of those charged with governance;
- Challenging assumptions made by management in its significant accounting estimates, in particular in relation to the impairment assessment and inventory provisioning; and
- Identifying and testing the validity of journal entries based on our assessment of risk.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

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

### Report on the audit of the financial statements *(continued)*

#### Use of this report

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

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

We have no exceptions to report arising from this responsibility.



**Stuart Couch** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

Cardiff  
28 March 2023

## Consolidated Income Statement

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Continuing operations			
Revenue	5	66,635	81,836
Cost of sales	6	(35,823)	(42,470)
Exceptional items - other charged to cost of sales	8	(6,774)	-
Gross profit		24,038	39,366
Administrative expenses	6	(23,177)	(17,614)
Exceptional items - impairment of assets	8	(10,384)	-
Exceptional items - other	8	(367)	(95)
Other income	7	919	90
Operating (loss)/profit		(8,971)	21,747
Depreciation and amortisation	6	(6,658)	(5,885)
Share-based payments		308	1,238
Exceptional items	8	(17,525)	(95)
EBITDA before exceptional items and share-based payments	5	14,904	26,489
Finance income	13	131	45
Finance costs	13	(102)	(357)
(Loss)/profit before income tax		(8,942)	21,435
Income tax charge	14	(634)	(5,277)
(Loss)/profit for the year		(9,576)	16,158
(Loss)/profit attributable to:			
Owners of the parent		(10,101)	15,851
Non-controlling interest		525	307
		(9,576)	16,158
		Pence	Pence
(Loss)/earnings per Ordinary Share attributable to the owners of the parent during the year			
Basic	15	(2.21)	3.47
Diluted	15	(2.21)	3.44

The notes on pages 44 to 78 are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
(Loss)/profit for the year		(9,576)	16,158
Other comprehensive (loss)/income:			
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of equity instruments at fair value through other comprehensive (loss)/income (net of tax)	32	(6,096)	(321)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		6,811	(1,226)
Other comprehensive income/(loss) (net of tax)		715	(1,547)
Total comprehensive (loss)/income for the year		(8,861)	14,611
Attributable to:			
Owners of the parent		(9,420)	14,315
Non-controlling interests		559	296
Total comprehensive (loss)/income for the year		(8,861)	14,611

Items stated above are disclosed net of tax. The income tax relating to each component of other comprehensive income/(loss) is disclosed in note 14.

The notes on pages 44 to 78 are an integral part of these consolidated financial statements.

## Consolidated and Company's Statement of Financial Position

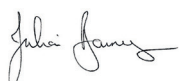
As at 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	17	20,435	15,991	231	1,609
Investment property	17	-	-	1,232	-
Right-of-use asset	18	1,279	1,875	136	367
Intangible assets	19	33,772	41,894	883	598
Investments in subsidiaries	20	-	-	30,831	38,446
Investments	22	1,119	7,789	1,119	7,789
Trade and other receivables	23	-	-	-	1,860
Deferred tax assets	29	925	15	-	-
<b>Total non-current assets</b>		<b>57,530</b>	<b>67,564</b>	<b>34,432</b>	<b>50,669</b>
<b>Current assets</b>					
Inventories	24	9,434	13,238	68	475
Trade and other receivables	23	10,739	13,428	2,332	1,417
Current income tax receivable		10	548	-	-
Cash and cash equivalents (including restricted cash of £2,366,000 (2021: £nil))	25	11,578	20,341	653	4,879
<b>Total current assets</b>		<b>31,761</b>	<b>47,555</b>	<b>3,053</b>	<b>6,771</b>
<b>Total assets</b>		<b>89,291</b>	<b>115,119</b>	<b>37,485</b>	<b>57,440</b>
<b>Equity attributable to owners of the parent</b>					
Share capital	30	4,549	4,639	4,549	4,639
Share premium	30	7,375	7,375	7,375	7,375
Other reserves	32	(629)	5,033	(670)	4,992
Foreign currency reserves		9,590	2,813	-	-
Retained earnings		52,461	74,264	11,380	32,646
		<b>73,346</b>	<b>94,124</b>	<b>22,634</b>	<b>49,652</b>
Non-controlling interest		1,177	618	-	-
<b>Total equity</b>		<b>74,523</b>	<b>94,742</b>	<b>22,634</b>	<b>49,652</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Lease liabilities	18	537	1,095	40	207
Borrowings	27	-	431	-	-
Deferred consideration	28	-	170	-	170
Deferred tax liabilities	29	2,493	5,031	-	1,502
<b>Total non-current liabilities</b>		<b>3,030</b>	<b>6,727</b>	<b>40</b>	<b>1,879</b>
<b>Current liabilities</b>					
Trade and other payables	26	8,288	9,078	14,644	4,780
Lease liabilities	18	873	838	167	184
Deferred consideration	28	-	465	-	465
Current income tax liabilities		2,440	3,004	-	480
Borrowings	27	137	265	-	-
<b>Total current liabilities</b>		<b>11,738</b>	<b>13,650</b>	<b>14,811</b>	<b>5,909</b>
<b>Total liabilities</b>		<b>14,768</b>	<b>20,377</b>	<b>14,851</b>	<b>7,788</b>
<b>Total equity and liabilities</b>		<b>89,291</b>	<b>115,119</b>	<b>37,485</b>	<b>57,440</b>

The notes on pages 44 to 78 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 £9,565,000 (2021: profit of £5,768,000).

The financial statements were approved and authorised for issue by the Board on 28 March 2023 and signed on its behalf by:



**Julian Baines**  
Executive Chair  
EKF Diagnostics Holdings plc  
Registered no: 4347937



**Marc Davies**  
Chief Financial Officer



## Consolidated and Company's Statement of Cash Flows

for the year ended 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash flow from operating activities					
Cash generated from operations	35	<b>12,655</b>	14,208	9,470	1,048
Interest received		85	45	10	34
Interest paid		(46)	(81)	-	-
Income tax paid		(3,006)	(3,934)	(539)	(22)
Net cash generated from operating activities		9,688	10,238	8,941	1,060
Cash flow from investing activities					
Payment for investments		(2,930)	-	(2,930)	-
Payment for property, plant and equipment (PPE)		(4,434)	(4,335)	(102)	(259)
Payment for intangibles		(1,394)	(1,314)	(371)	(521)
Payment for acquisition of subsidiaries, net of cash acquired		(403)	84	(403)	(208)
Proceeds from sale of PPE	35	229	43	-	-
Interest received		-	45	-	-
Net cash used in investing activities		(8,932)	(5,477)	(3,806)	(988)
Cash flow from financing activities					
Payment for shares bought back	30	(3,896)	-	(3,896)	-
Dividends paid to company shareholders		(5,459)	(5,103)	(5,459)	(5,103)
Repayments of borrowings		(613)	(178)	-	-
Principal elements of lease payments		(1,071)	(643)	(191)	(107)
Dividend payment to non-controlling interest		-	(231)	-	-
Net cash used in financing activities		(11,039)	(6,155)	(9,546)	(5,210)
Net decrease cash and cash equivalents		(10,283)	(1,394)	(4,411)	(5,138)
Cash and cash equivalents at beginning of year		20,341	21,913	4,879	10,045
Exchange gains/(losses) on cash and cash equivalents		1,520	(178)	185	(28)
Cash and cash equivalents at end of year	25	11,578	20,341	653	4,879

Cash and cash equivalents totalling £2,366,000 (2021: £1,344,000) are held by the Group's 60% owned subsidiary company in Russia. As a result of action by the Russian Government following international sanctions being imposed on Russia, access to this cash is currently restricted.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Consolidated	Notes	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 2021		4,550	200	5,354	4,028	63,516	77,648	552	78,200
Comprehensive income									
Profit for the year		-	-	-	-	15,851	15,851	307	16,158
Other comprehensive expense									
Changes in fair value of equity instruments at fair value through other comprehensive expense		-	-	(321)	-	-	(321)	-	(321)
Currency translation differences		-	-	-	(1,215)	-	(1,215)	(11)	(1,226)
Total comprehensive income		-	-	(321)	(1,215)	15,851	14,315	296	14,611
Transactions with owners									
Issue of ordinary shares as consideration for a business combination, net of transaction costs		89	7,175	-	-	-	7,264	-	7,264
Dividends to non-controlling interest		-	-	-	-	-	-	(230)	(230)
Dividends to owners	16	-	-	-	-	(5,103)	(5,103)	-	(5,103)
Total distributions to owners		89	7,175	-	-	(5,103)	2,161	(230)	1,931
At 31 December 2021 and 1 January 2022		4,639	7,375	5,033	2,813	74,264	94,124	618	94,742
Comprehensive (expense)/income									
(Loss)/profit for the year		-	-	-	-	(10,101)	(10,101)	525	(9,576)
Other comprehensive (expense)/income									
Changes in fair value of equity instruments at fair value through other comprehensive expense		-	-	(7,598)	-	-	(7,598)	-	(7,598)
Deferred tax on the above		-	-	1,502	-	-	1,502	-	1,502
Currency translation differences		-	-	-	6,777	(1)	6,776	34	6,810
Total comprehensive (expense)/income		-	-	(6,096)	6,777	(10,102)	(9,421)	559	(8,862)
Transactions with owners									
Cancellation of ordinary shares		(90)	-	90	-	(3,896)	(3,896)	-	(3,896)
Reserve transfer		-	-	344	-	(344)	-	-	-
Dividends to owners	16	-	-	-	-	(7,461)	(7,461)	-	(7,461)
Total distributions to owners		(90)	-	434	-	(11,701)	(11,357)	-	(11,357)
At 31 December 2022		4,549	7,375	(629)	9,590	52,461	73,346	1,177	74,523

## Company Statement of Changes in Equity

For the year ended 31 December 2022

Company	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2021	4,550	200	5,313	31,981	42,044
Comprehensive income					
Profit for the year	-	-	-	5,768	5,768
Other comprehensive expense					
Changes in fair value of equity instruments at fair value through other comprehensive income/(expense)	-	-	(321)	-	(321)
Total comprehensive income	-	-	(321)	5,768	5,447
Transactions with owners					
Issue of ordinary shares as consideration for a business combination, net of transaction costs	89	7,175	-	-	7,264
Dividends to owners	-	-	-	(5,103)	(5,103)
Total contributions by and distributions to owners	89	7,175	-	(5,103)	2,161
At 31 December 2021 and 1 January 2022	4,639	7,375	4,992	32,646	49,652
Comprehensive expense					
Loss for the year	-	-	-	(9,565)	(9,565)
Changes in fair value of equity instruments at fair value through other comprehensive income/(expense)	-	-	(7,598)	-	(7,598)
Deferred tax on the above	-	-	1,502	-	1,502
Total comprehensive expense	-	-	(6,096)	(9,565)	(15,661)
Transactions with owners					
Cancellation of ordinary shares	(90)	-	90	(3,896)	(3,896)
Reserve transfer	-	-	344	(344)	-
Dividends to owners	-	-	-	(7,461)	(7,461)
Total contributions by and distributions to owners	(90)	-	434	(11,701)	(11,357)
At 31 December 2022	4,549	7,375	(670)	11,380	22,634

## Notes to the Financial Statements

for the year ended 31 December 2022

### 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 Alternative Investment 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, and Russia, 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 20.

The registered number of the Company is 4347937.

### 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 financial statements of EKF Diagnostics Holdings have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 and certain financial assets measured at fair value through other comprehensive income.

The preparation of financial statements 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 has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16; and
- References to the Conceptual Framework for Financial Reporting - Amendments to IFRS 3
- Onerous Contracts, Cost of Fulfilling a Contract - Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020—Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### (b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2022 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 2022, 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 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 that, even taking into account severe but plausible changes in financial performance, the Group will be able to operate as outlined below.

Following the year of transition away from Covid related activities in 2022, the business continues to grow its core base under both Point-of-care and Central Laboratory, funding the investment into Life Sciences at the new facility in South Bend. The Directors have modelled a range of sensitivities from the base internal Budget including lower revenues, and continued restrictions in Russia in relation to accessing cash. In addition, the Group has taken actions including cost reductions through the closure of the UK manufacturing operations and the divestment of ADL Health, and securing a committed £3m of funding from the North Atlantic Smaller Companies Investment Trust to be drawn down should the worst-case scenario materialise.

Considering the range of sensitivities which account for a severe downturn versus expectation in 2023, plus the range of mitigation options available the business demonstrates sufficient headroom giving the Directors confidence that the business can continue to meet its obligations as they fall due, even under the worst-case scenarios, for at

## Notes to the Financial Statements

for the year ended 31 December 2022

least the next 12 months. Accordingly, the Directors are satisfied they can prepare the accounts on a going concern basis.

### 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.

Associates are all entities over which the group has significant influence but not control or joint control.

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.

## Notes to the Financial Statements

for the year ended 31 December 2022

### Government grants

Government grants receivable in connection with expenditure on property, plant and equipment are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. They are accounted for as deferred income, which is credited to the income statement over the expected useful economic life of the related assets, on a basis consistent with the depreciation policy. Revenue grants for the reimbursement of costs charged to the income statement are credited to the Income Statement in the year in which the costs are incurred.

### Property, plant and equipment

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

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

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

<b>Buildings</b>	2%-2.5%
<b>Leasehold improvements</b>	20% or over the life of the lease if under 5 years
<b>Fixtures and fittings</b>	16.7%-25%
<b>Plant and machinery</b>	20%-33.3%
<b>Motor vehicles</b>	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.

### Investment property

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.

### 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 asset represents the value at acquisition of long term relationships with customers. 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.



## Notes to the Financial Statements

for the year ended 31 December 2022

### (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. They represent the value at acquisition of expenditure incurred on the development of new or substantially improved products or processes. Development costs have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives of 15 years and is charged to administrative expenses in the income statement.

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

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

### (f) Software and website 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 6 - 10 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);

## Notes to the Financial Statements

for the year ended 31 December 2022

### (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. Purchases and sales of these assets are valued at the date of trade.

### Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average cost 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, and large corporate customers, 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. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical credit losses from past experience and are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables, where applicable 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.

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.

## Notes to the Financial Statements

for the year ended 31 December 2022

### Borrowings

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

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

### Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

### Provisions

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

### Leases

The Group and Company's leasing policy is described in Note 17.

### Deferred consideration

Deferred consideration is recognised at fair value. Where the value of deferred consideration is based on a future event, the amounts of future payments are discounted to their present values at the date of completion. The discount rate used is the entity's incremental borrowing rate being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions. 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 an equity-settled, share-based compensation plan, 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

## Notes to the Financial Statements

for the year ended 31 December 2022

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. Sensitivities relating to the valuation of the scheme are discussed in Note 31.

### (c) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liabilities in the balance sheet.

### 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.

#### (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

## Notes to the Financial Statements

for the year ended 31 December 2022

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

Rate compared to GBP	Average rate 2022	Average rate 2021	Year end rate 2022	Year end rate 2021
Euro	1.172	1.162	1.128	1.190
Russian Rouble	86.966	101.558	88.98	101.549
US Dollar	1.242	1.374	1.210	1.354

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.

As a guide to the sensitivity of the Group's results to movements in foreign currency exchange rates, a one per cent movement in the Euro, US Dollars and Russian Rouble to Sterling rate would impact annual earnings by approximately £76,000 (2021: £125,000), £89,000 (2021: £117,000), and £15,000 (2021: £9,000) 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 Chief Financial Officer. 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

## Notes to the Financial Statements

for the year ended 31 December 2022

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 2022:					
Borrowings	137	-	-	-	137
Lease liabilities	896	432	115	-	1,443
Deferred consideration	-	-	-	-	-
Trade and other payables	8,132	-	-	-	8,132
At 31 December 2021:					
Borrowings	265	208	223	-	696
Lease liabilities	891	679	427	-	1,997
Deferred consideration	465	101	69	-	635
Trade and other payables	8,910	-	-	-	8,910

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

### (d) Capital risk management

#### Capital risk

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. In order to maintain or adjust its capital structure, the Group might adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

	2022 £'000	2021 £'000
Net cash	10,031	17,712
Total capital	85,964	114,387

### Dividends on ordinary shares

	2022 £'000	2021 £'000
Group and Company		
Final dividend for the year ended 31 December 2021 of 1.2p per ordinary share	5,459	5,103
Dividend in specie of shares in Verici Dx plc at fair value	2,002	-

In addition, since the year end the directors have recommended the payment of a final dividend of 1.2p per ordinary share (2021: 1.2p). The aggregate amount of the proposed dividend expected to be paid on 1 December 2023 out of retained earnings at 31 December 2022 but not recognised as a liability at year end is £5,459,000 (2021: £5,459,000) based on the shares in issue at 31 December 2022.

### (e) Fair value estimation

Fair value for the investments in Renalytix plc and Verici Dx plc were determined by reference to their published price quotation in an active market (classified as level 1 in the fair value hierarchy). The Investments have been classified as financial assets at fair value through Other comprehensive income.



## Notes to the Financial Statements

for the year ended 31 December 2022

	2022 £'000	2021 £'000
Group and Company		
AIM listed ordinary shares – Renalytix plc	827	6,218
AIM listed ordinary shares – Verici Dx plc	90	1,419

The investments in the unlisted equity securities of Llusern and Epinex are classified as Level 3 in the fair value hierarchy. Their fair value is assessed annually based on inputs from the senior management of the investee companies, including the result where appropriate of further funding rounds, as well as the Group's assessment of their progress. No changes to the fair value have been made during this or the prior year. There have been no movements between levels in 2022 or 2021.

### 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 estimates have the most significant effect on the amounts recognised in the financial statements.

#### Impairment of goodwill and other intangible assets and recoverability of investment in subsidiaries

The recognition of goodwill and other intangible assets arising on acquisitions and the impairment assessments contain significant accounting estimates. 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 or fair value less costs to sell. These calculations require the use of estimates as set out in note 19 where we also detail the sensitivity of changes in the key assumptions.

#### Russia

The Directors have used judgement in determining that the Group retains control of its subsidiary company in Russia and that it remains appropriate for it to still be consolidated in these results.

### 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. Transactions between segments consist of the sale of products for resale. The basis of accounting for these transactions is the same as for external revenue. 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 2022

### 5. Segmental reporting (continued)

The segment information provided to the Board for the reportable segments for the year ended 31 December 2022 is as follows:

2022	Germany £'000	USA £'000	Russia <sup>^</sup> £'000	UK £'000	Total £'000
Income statement					
Revenue	30,384	37,220	4,202	1,427	73,233
Inter-segment	(6,192)	(398)	-	(8)	(6,598)
External revenue	24,192	36,822	4,202	1,419	66,635
Adjusted EBITDA*	8,089	8,309	1,563	(3,057)	14,904
Exceptional items - impairments (Note 7)	(32)	(10,324)	-	(28)	(10,384)
Exceptional items - other	(1,857)	(4,909)	-	(375)	(7,141)
Share-based payments (Note 31)	-	-	-	308	308
EBITDA	6,200	(6,924)	1,563	(3,152)	(2,313)
Depreciation	(744)	(1,925)	(21)	(408)	(3,098)
Amortisation	(1,667)	(1,835)	-	(58)	(3,560)
Operating profit	3,789	(10,684)	1,542	(3,618)	(8,971)
Finance income	1	1	118	11	131
Finance cost	(33)	(4)	-	(65)	(102)
Income tax	(790)	644	(348)	(140)	(634)
Profit for the year	2,967	(10,043)	1,312	(3,812)	(9,576)
Segment assets					
Operating assets	41,835	57,213	873	13,246	113,167
Inter-segment assets	(10,608)	(22,634)	-	(2,212)	(35,454)
External operating assets	31,227	34,579	873	11,034	77,713
Cash	2,774	5,785	2,366	653	11,578
Total assets	34,001	40,364	3,239	11,687	89,291
Segment liabilities					
Operating liabilities	7,211	27,125	207	15,542	50,085
Inter-segment liabilities	(986)	(21,908)	-	(12,560)	(35,454)
External operating liabilities	6,225	5,217	207	2,982	14,631
Borrowings (excluding lease liabilities)	137	-	-	-	137
Total liabilities	6,362	5,217	207	2,982	14,768
Other segmental information					
Non-current assets - PPE	5,982	13,590	155	1,987	21,714
Non-current assets - Intangibles	18,606	8,822	87	6,257	33,772
PPE - additions	877	5,909	84	102	6,972
Intangible assets - additions	832	192	-	370	1,394

\* Adjusted EBITDA excludes exceptional items and share-based payments. The UK includes head office costs.

<sup>^</sup> relates to a subsidiary with a non-controlling interest

## Notes to the Financial Statements

for the year ended 31 December 2022

### 5. Segmental reporting (continued)

2021	Germany £'000	USA £'000	Russia <sup>^</sup> £'000	UK £'000	Total £'000
Income statement					
Revenue	39,665	38,974	3,286	8,514	90,439
Inter-segment	(5,494)	(2,918)	-	(191)	(8,603)
External revenue	34,171	36,056	3,286	8,323	81,836
Adjusted EBITDA*	11,480	12,735	981	1,293	26,489
Exceptional items - other (Note 7)	(452)	-	-	357	(95)
Share-based payments (Note 31)	-	-	-	1,238	1,238
EBITDA	11,028	12,735	981	2,888	27,632
Depreciation	(752)	(938)	(57)	(294)	(2,041)
Amortisation	(1,525)	(1,383)	-	(936)	(3,844)
Operating profit/(loss)	8,751	10,414	924	1,658	21,747
Finance income	-	7	38	-	45
Finance cost	(31)	(37)	-	(289)	(357)
Income tax	(2,806)	(2,402)	(193)	124	(5,277)
Profit for the year	5,914	7,982	769	1,493	16,158
Segment assets					
Operating assets	29,672	59,803	431	29,860	119,766
Inter-segment assets	(1,441)	(16,712)	-	(6,835)	(24,988)
External operating assets	28,231	43,091	431	23,025	94,778
Cash	8,384	5,734	1,344	4,879	20,341
Total assets	36,615	48,825	1,775	27,904	115,119
Segment liabilities					
Operating liabilities	6,387	24,796	167	13,319	44,669
Inter-segment liabilities	(608)	(17,703)	-	(6,677)	(24,988)
External operating liabilities	5,779	7,093	167	6,642	19,681
Borrowings	303	393	-	-	696
Total liabilities	6,082	7,486	167	6,642	20,377
Other segmental information					
Non-current assets - PPE	5,628	8,291	80	3,867	17,866
Non-current assets - Intangibles	15,429	16,911	76	9,478	41,894
PPE - additions	693	3,366	17	1,610	5,686
Intangible assets - additions including acquisitions	694	8,171	-	521	9,386

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

The UK includes head office costs

<sup>^</sup> relates to a subsidiary with a non-controlling interest

## Notes to the Financial Statements

for the year ended 31 December 2022

### 5. Segmental reporting (continued)

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

	2022 £'000	2021 £'000
Americas		
United States of America	30,941	31,522
Rest of Americas	4,126	3,248
Europe, Middle East and Africa (EMEA)		
Germany	8,001	7,942
United Kingdom	1,886	8,848
Ireland	5,253	14,292
Rest of Europe	3,715	4,616
Russia	4,202	3,286
Middle East	1,449	1,464
Africa	1,945	2,323
Asia and Rest of World		
China	1,014	985
Rest of Asia and Oceania	4,103	3,310
<b>Total revenue</b>	<b>66,635</b>	<b>81,836</b>

In 2022 no company represented more than 10% of revenues. In 2021 revenues of £14,225,000 (17.4%) were derived from one external customer, all of whose revenues relate to Europe.

### 6. Expenses – analysis by nature

	2022 £'000	2021 £'000
Inventories consumed in cost of sales	24,612	18,364
Employee benefit expense (note 11)	22,176	17,941
Employee costs capitalised as intangible assets	(818)	(419)
Depreciation and amortisation	6,658	5,885
Exceptional items (note 8)	17,525	95
Research and development expenses	1,518	1,378
Foreign exchange	(71)	61
Other expenses	4,925	16,874
<b>Total cost of sales and administrative expenses</b>	<b>76,525</b>	<b>60,179</b>

Included within the above expenses are exceptional items as set out in note 8.

### 7. Other income

	2022 £'000	2021 £'000
Receipt from a US customer	859	-
Other	60	90
<b>Total</b>	<b>919</b>	<b>90</b>

In May 2022 a US customer made a \$5.5m payment for inventory relating to our COVID contract manufacturing services and other matters. £0.9m of this receipt has been disclosed as Other income in accordance with the terms of the contract.

## Notes to the Financial Statements

for the year ended 31 December 2022

### 8. Exceptional items

Included within cost of sales and administrative expenses are exceptional items as shown below:

	Note	2022 £'000	2021 £'000
- Warranty claim	a	-	285
- deferred consideration and settlement of warranty claim	a	2	(179)
- Business reorganisation costs - other charged to cost of sales	b	(6,774)	-
- Business reorganisation costs - Impairment	c	(10,384)	-
- Business reorganisation costs - other charged to operating expenses	d	(369)	(37)
- Acquisition costs	e	-	(164)
Exceptional items		(17,525)	(95)

- Change in the value of deferred consideration relating to the acquisition of Advanced Diagnostic Laboratory LLC. The 2021 amount relates to the resolution of a warranty claim against the former owner of EKF-Diagnostic GmbH.
- Costs associated with the transition and restructure of certain operations in the US, UK and Germany, which have been charged to cost of sales. The costs include provisions against certain COVID-19 related and other inventory and provisions for certain onerous contracts following the decision to focus on its other businesses.
- Impairments associated with the transition and restructure of certain operations in the US, as well as ADL Health, UK and Germany, which have been charged to operating expenses. These costs include the impairment of Plant, Property and Equipment and intangible assets relating to ADL Health (£9.8m), as well as the impairment of a number of development projects which have been terminated (£0.6m).
- Costs associated with the transition and restructure of certain operations in the US, UK and Germany, including redundancy costs (£0.4m) which have been charged to operating expenses. The amount has been partly offset by the write back of the value of deferred consideration in respect of Advanced Diagnostic Laboratory LLC. (£0.3m)
- Professional fees relating to the acquisition of Advanced Diagnostic Laboratory LLC in 2021

### 9. Auditor remuneration

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

	2022 £'000	2021 £'000
Fees payable to Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	52	46
Fees payable to the Company's auditor and its associates for other services:		
- The audit of Company's subsidiaries	155	123
	207	169

### 10. Directors' emoluments

	2022 £'000	2021 £'000
Aggregate emoluments	934	5,819
Share-based payments	(308)	(1,022)
Contribution to defined contribution pension scheme	15	19
	641	4,816

Retirement benefits are accruing to 2 (2021: 2) current directors under a defined contribution scheme. See further disclosures within the Remuneration Report on page 31. The highest paid director received aggregate emoluments, including the effect of the share-based payments charge, of £305,000 (2021: £2,137,000). In addition to the above, Mr Contadini received £30,000 as payment in lieu of notice.

## Notes to the Financial Statements

for the year ended 31 December 2022

### 11. Employee benefit expense

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Wages and salaries	18,392	15,944	3,631	3,275
Social security costs	2,945	2,535	483	365
Share-based payments granted to Directors and senior management (Note 31)	(308)	(1,238)	(308)	(1,238)
Other pension costs (Note 33)	329	281	109	101
	21,358	17,522	3,915	2,503
Capitalised as development costs	818	419	-	-
	22,176	17,941	3,915	2,503

Employee costs of £0.8m (2021: £0.4m) have been capitalised as part of development costs in the Group.

### 12. Monthly average number of people employed

	Group 2022	Group 2021	Company 2022	Company 2021
Monthly average number of people (including Executive Directors) employed was:				
Administration	61	54	10	9
Research and development and regulatory	26	32	11	13
Sales and marketing	67	59	8	8
Manufacturing, production and after sales	218	230	16	9
	372	375	45	39

The total number of employees (FTEs) in the Group at 31 December 2022 was 356 (2021: 386), and in the Company was 35 (2021: 41). In addition the average number of agency workers who were mainly utilised in manufacturing was 25 (2021: 88) in the Group and 4 (2020: 32) in the Company. The cost of these workers was £1,113,000 (2021: £3,303,000) in the Group and £78,000 (2021: £919,000) in the Company.

### 13. Finance income and costs

	2022 £'000	2021 £'000
Finance costs:		
- Bank borrowings	(10)	(35)
- Other interest	(46)	(1)
- IFRS 16 interest	(46)	(32)
- Financial liabilities at fair value through profit or loss	-	(289)
Finance costs	(102)	(357)
Finance income:		
- Interest income on short term deposits	128	-
- Other interest	3	45
Finance income	131	45
Net finance costs	29	(312)



## Notes to the Financial Statements

for the year ended 31 December 2022

### 14. Income tax charge

Group	2022 £'000	2021 £'000
Current tax:		
Current tax on profit for the year	2,815	5,096
Adjustments for prior periods	62	96
Total current tax	2,877	5,192
Deferred tax (note 29):		
Origination and reversal of temporary differences	(2,243)	85
Total deferred tax	(2,243)	85
Income tax charge	634	5,277

A change to the main UK corporation tax rate was substantively enacted on 24 May 2021. The rate applicable from 1 April 2020 to 31 March 2023 remains at 19% but the rate from 1 April 2023 will increase to 25%. Deferred taxes at the reporting date have been measured using these enacted tax rates and reflected in these financial statements.

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:

	2022 £'000	2021 £'000
Profit before tax	(8,942)	21,435
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19% (2021: 19%)	(1,699)	4,072
Tax effects of:		
- Expenses not deductible for tax purposes	1,225	552
- Remeasurement of deferred tax - change in future tax rate	-	630
- Income not subject to tax	(58)	(91)
- Effect of share based payments	-	(1,186)
- Effect of impairment of intangibles	942	-
- Losses carried forward	17	-
- Utilisation of losses	(182)	(21)
- Adjustment in respect of prior years	62	96
- Impact of different tax rates in other jurisdictions	260	1,024
- Other movements	67	201
Tax charge	634	5,277

In the Group and the Company, Changes in fair value of equity at fair value through comprehensive income are shown net of corporation tax of a debit of £1,502,000 (2021: credit of £1,502,000).

## Notes to the Financial Statements

for the year ended 31 December 2022

### 15. 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.

	2022 £'000	2021 £'000
(Loss)/profit attributable to owners of the parent	(10,101)	15,851
Weighted average number of Ordinary Shares in issue	457,180,086	457,001,067
Basic (loss)/profit per share	(2.21) pence	3.47 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. The potential shares were not dilutive in 2022 as the Group made a loss.

	2022 £'000	2021 £'000
(Loss)/profit attributable to owners of the parent	(10,101)	15,851
Weighted average number of Ordinary Shares including potentially dilutive shares	457,180,086	460,957,933
Diluted (loss)/profit per share	(2.21) pence	3.44 pence

	2022	2021
Weighted average number of Ordinary Shares in issue	457,180,086	457,001,067
Adjustment for:		
- Assumed conversion of share awards	-	12,640
- Assumed payment of equity deferred consideration	-	3,944,226
Weighted average number of Ordinary Shares including potentially dilutive shares	457,180,086	460,957,933

The remaining unapproved share options consist of 25,000 options which were issued on 21 January 2014 to a senior employee 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. All the outstanding options were exercisable at 31 December 2022. In August 2022 the senior employee passed away. The options remain exercisable for 12 months following the date of the employee's death.

### 16. Dividends

In December 2022, the Company paid a final dividend for 2021 of 1.2p (2021: 1.1p) per ordinary share, at a total value of £5,459,000 (2021: £5,103,000). The Board intends to follow an active dividend policy. The Directors propose, subject to approval at the Company's next Annual General Meeting, the payment of a final dividend for 2022 of 1.2p per EKF Ordinary share held on 2 November 2023. Payment will be made on 1 December 2023 to shareholders on the register at close of business on 3 November 2023 as the date of record. The expected total value of the dividend for is £5,459,000.

In addition to the cash dividend described above, in June 2022 the Company made a distribution in specie whereby the majority of the Company's shareholding in Verici Dx plc was distributed to Ordinary shareholders of the Company at a total value of £2,001,694. The fair value per EKF share was 0.440 pence.

## Notes to the Financial Statements

for the year ended 31 December 2022

### 17. Property, plant and equipment

Group	Land and buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Assets under construction £'000	Right-of-use asset £'000	Total £'000
Cost							
At 1 January 2021	10,210	1,389	11,809	201	735	1,600	25,944
Acquired with subsidiary	4	-	818	-	-	111	933
Additions	480	643	740	17	2,455	1,351	5,686
Exchange differences	(195)	(48)	(271)	(2)	(19)	12	(523)
Transfers	219	130	339	-	(688)	-	-
Disposals	(7)	(102)	(247)	(56)	(13)	(64)	(489)
At 31 December 2021	10,711	2,012	13,188	160	2,470	3,010	31,551
Accumulated depreciation							
At 1 January 2021	2,300	1,102	8,214	108	-	581	12,305
Charge for the year	328	290	786	24	-	613	2,041
Exchange differences	(26)	(42)	(137)	(2)	-	5	(202)
Transfers	-	-	-	-	-	-	-
Disposals	(7)	(101)	(238)	(49)	-	(64)	(459)
At 31 December 2021	2,595	1,249	8,625	81	-	1,135	13,685
Net book value at 31 December 2021	8,116	763	4,563	79	2,470	1,875	17,866
Cost							
At 1 January 2022	10,711	2,012	13,188	160	2,470	3,010	31,551
Additions	564	133	1,588	48	4,237	402	6,972
Exchange differences	838	180	985	22	276	195	2,496
Transfers	40	10	393	-	(443)	-	-
Disposals	(3)	(363)	(1,277)	(20)	(125)	(285)	(2,073)
At 31 December 2022	12,150	1,972	14,877	210	6,415	3,322	38,946
Accumulated depreciation							
At 1 January 2022	2,595	1,249	8,625	81	-	1,135	13,685
Charge for the year	525	308	1,249	-	-	1,016	3,098
Exchange differences	226	150	611	10	-	52	1,049
Impairment	1	-	1,129	-	-	111	1,241
Disposals	(3)	(336)	(1,217)	(14)	-	(271)	(1,841)
At 31 December 2022	3,344	1,371	10,397	77	-	2,043	17,232
Net book value at 31 December 2022	8,806	601	4,480	133	6,415	1,279	21,714

Depreciation expense of £1,359,000 (2021: £855,000) has been charged to cost of sales and £1,739,000 (2021: £1,186,000) has been charged to administrative expenses. The impairments, which largely relate to assets held by ADL Health, have been charged to exceptional items within operating expenses. A balance totalling £235,000, representing the fair value of the ADL Health sale proceeds less the costs of sale, has been retained. Further detail on the impairment of ADL Health is provided in note 19.

## Notes to the Financial Statements

for the year ended 31 December 2022

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

Company	Land and buildings £'000	Investment property £'000	Fixtures & fittings £'000	Assets under construction £'000	Right-of-use asset £'000	Total £'000
Cost						
At 1 January 2021	1,673	-	308	130	407	2,518
Additions	-	-	258	-	156	414
Disposals	-	-	130	(130)	-	-
At 31 December 2021	1,673	-	696	-	563	2,932
Accumulated depreciation						
At 1 January 2021	363	-	189	-	79	631
Charge for the year	39	-	169	-	117	325
At 31 December 2021	402	-	358	-	196	956
Net book value at 31 December 2021	1,271	-	338	-	367	1,976
Cost						
At 1 January 2022	1,673	-	696	-	563	2,932
Additions	-	-	49	53	-	102
Transfer	(1,673)	1,673	-	-	-	-
Disposal	-	(3)	(161)	-	-	(164)
At 31 December 2022	-	1,670	584	53	563	2,870
Accumulated depreciation						
At 1 January 2022	402	-	358	-	196	956
Transfer	(402)	402	-	-	-	-
Charge for the year	-	39	183	-	172	394
Impairment	-	-	-	-	59	59
Disposal	-	(3)	(135)	-	-	(138)
At 31 December 2022	-	438	406	-	427	1,271
Net book value at 31 December 2022	-	1,232	178	53	136	1,599

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 (£11,815) per month to the parent Company. €167,000 (£141,785) (2021: €167,000 (£140,336)) 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 2022

### 18. Leases

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
<b>Right-of-use assets</b>				
Properties	911	1,531	133	362
Equipment	230	248	3	5
Motor vehicles	138	96	-	-
<b>Total right-of-use</b>	<b>1,279</b>	<b>1,875</b>	<b>136</b>	<b>367</b>
<b>Lease liabilities</b>				
Current	873	838	167	184
Non-current	537	1,095	40	207
<b>Total lease liabilities</b>	<b>1,410</b>	<b>1,933</b>	<b>207</b>	<b>391</b>

Additions to the right-of-use assets during the 2022 financial year were £402,000 (2021: £1,351,000) for the Group and £nil (2021: £156,000) 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:

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
<b>Depreciation charge right-of-use assets</b>				
Properties	870	481	170	114
Equipment	79	65	2	3
Motor vehicles	67	67	-	-
<b>Total right-of-use</b>	<b>1,016</b>	<b>613</b>	<b>172</b>	<b>117</b>
Interest expense (included in finance cost)	46	32	8	7

The total cash outflow for leases in 2022 was £1,071,000 (2021: £643,000) for the Group and £191,000 (2021: £107,000) for the Company.

Right of use assets totalling £111,000 in the Group and £59,000 in the Company were fully impaired during the year. The charge to income is included in Exceptional costs.

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

The group leases various offices, factories, equipment and vehicles. Rental contracts for offices and factories are typically made for fixed periods of between 1 and 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.

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.

## Notes to the Financial Statements

*for the year ended 31 December 2022*

### 18. Leases (continued)

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.

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

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.



## Notes to the Financial Statements

for the year ended 31 December 2022

### 19. Intangible assets

Group	Goodwill £'000	Trademarks, trade name and licences £'000	Customer relationships £'000	Trade secrets £'000	Development costs £'000	Software & website £'000	Total £'000
<b>Cost</b>							
At 1 January 2021	27,003	3,317	15,541	19,056	4,453	593	69,963
Acquisition of subsidiary	3,755	467	1,166	-	-	2,684	8,072
Additions	-	104	-	-	1,137	73	1,314
Transfer	-	152	-	-	(152)	-	-
Disposals	(1,407)	(19)	(749)	(1,073)	(288)	-	(3,536)
Exchange differences	(793)	263	(252)	(655)	(127)	20	(1,544)
At 31 December 2021	28,558	4,284	15,706	17,328	5,023	3,370	74,269
<b>Accumulated amortisation and impairment</b>							
At 1 January 2021	2,605	2,947	11,556	14,461	1,343	-	32,912
Charge for the year	-	237	1,221	1,730	548	108	3,844
Disposals	(1,407)	(19)	(749)	(1,073)	(288)	-	(3,536)
Exchange differences	(21)	(144)	(203)	(454)	(24)	1	(845)
At 31 December 2021	1,177	3,021	11,825	14,664	1,579	109	32,375
Net book value at 31 December 2021	27,381	1,263	3,881	2,664	3,444	3,261	41,894
<b>Cost</b>							
At 1 January 2022	28,558	4,284	15,706	17,328	5,023	3,370	74,269
Additions	-	-	-	-	1,392	2	1,394
Disposals	(1,177)	-	-	(3,950)	(598)	(25)	(5,750)
Exchange differences	1,995	348	1,567	672	349	384	5,315
At 31 December 2022	29,376	4,632	17,273	14,050	6,166	3,731	75,228
<b>Accumulated amortisation and impairment</b>							
At 1 January 2022	1,177	3,021	11,825	14,664	1,579	109	32,375
Charge for the year	-	327	1,438	762	472	561	3,560
Disposal	(1,177)	-	-	(3,950)	(598)	-	(5,725)
Impairment	4,254	463	1,157	-	608	2,661	9,143
Exchange differences	-	236	1,166	538	150	13	2,103
At 31 December 2022	4,254	4,047	15,586	12,014	2,211	3,344	41,456
Net book value at 31 December 2022	25,122	585	1,687	2,036	3,955	387	33,772

Amortisation charge of £57,000 (2021: £55,000) has been charged to cost of sales and £3,503,000 (2021: £3,789,000) has been charged to administrative expenses in the income statement (net of the profit on the sale of intangible assets). The impairments relate to the intangible assets recognised on the ADL Cash Generating Unit, which have been impaired in full, and to certain development projects which have been terminated. These have been charged to exceptional items within operating expenses. On 23 March 2023 ADL was sold for consideration fair valued at £235,000, and the impairment of the asset was based on using this consideration as a fair value less cost to sell estimate as at 31 December.

During the year assets relating to EKF Molecular with a gross value of £5,127,000 and a net value of £nil have been written off.

## Notes to the Financial Statements

for the year ended 31 December 2022

### 19. Intangible assets (continued)

Company	Development costs £'000
Cost	
At 1 January 2021	128
Additions	521
At 31 December 2021	649
Accumulated amortisation	
At 1 January 2021	-
Charge for the year	51
At 31 December 2021	51
Net book value at 31 December 2021	598
Cost	
At 1 January 2022	649
Additions	371
Impairment	(28)
At 31 December 2022	992
Accumulated amortisation	
At 1 January 2022	51
Charge for the year	58
At 31 December 2022	109
Net book value at 31 December 2022	883

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.

	2022 £'000	2021 £'000
Germany	7,613	7,394
DiaSpect	9,952	9,434
Russia	88	77
Stanbio	6,321	5,648
STI	1,148	1,026
ADL	-	3,802
Total	25,122	27,381

Germany includes EKF-Diagnostic and Senslab.

Goodwill is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2022 was assessed on the basis of value in use, except in the case of ADL Health which was assessed on the basis of fair value less cost to sell.

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 forecasts 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.

## Notes to the Financial Statements

for the year ended 31 December 2022

### 19. Intangible assets (continued)

The key assumptions used in 2022 for the value in use calculations of cash generating units with significant goodwill are as follows:

	ADL %	EKF Germany %	DiaSpect %	Stanbio %	STI %
Longer-term growth rate	3	3	3	3	3
Discount rate	9.45	7.79	7.79	9.45	9.45

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

With the exception of ADL, 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 assessment for DiaSpect, including a lower growth rate of 3% in early model periods, and an increase in discount rate of 1%. This leads to a reduction of headroom of £1.22m but still no impairment was required using those assumptions. ADL's intangible assets have been impaired in full. Other units have significant headroom under the main assumptions used and no reasonably possible change in assumptions would give rise to an impairment.

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

Trade name	1-9 years
Customer relations	2-9 years
Trade secrets	1-9 years
Website and software	6-9 years
Development costs	3-9 years

During the year, intangible assets associated with EKF Molecular with a gross value of £5,127,000 and a net value of £nil have been written off. Following an assessment of the carrying value of certain development projects, development costs with a gross value of £598,000 and a net value of £564,000 have been impaired. The profit effect of the impairment has been treated as an exceptional cost and charged to operating costs.

### 20. Investments in subsidiaries

	2022 £'000	2021 £'000
Company Shares in Group undertakings		
At 1 January	38,446	30,521
Acquisition of Advanced Diagnostic Laboratory LLC	-	7,925
Impairment of investment in Advanced Diagnostic Laboratory LLC	(7,615)	-
At 31 December	30,831	38,446

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid, less any impairment. The remaining investment in ADL Health is £235,000 and represents the expected value of the investment as a result of the sale process as described in note 19.

## Notes to the Financial Statements

for the year ended 31 December 2022

The subsidiaries of EKF Diagnostics Holdings plc as at 31 December 2022, which are held directly unless noted otherwise, 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
000 EKF Diagnostika	4	60% (indirect)	Ordinary	Sale of diagnostic equipment
EKF Diagnostics Inc	5	100%	Ordinary	Intermediate holding company
Stanbio Laboratory LP	5	100% (indirect)	Partnership	Manufacture and sale of diagnostic equipment and consumables
Separation Technology, Inc	5	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
1261 N Main LP	5	100% (indirect)	Partnership	Dormant
Stanlab Management LLC	5	100% (indirect)	Ordinary	Dormant
1261 N Main Management LLC	5	100% (indirect)	Ordinary	Dormant
EKF POC, LLC	5	100% (indirect)	Ordinary	Dormant
Advanced Diagnostic Laboratory LLC	6	100%	Ordinary	Consumer and corporate testing
Argutus Intellectual Property Limited	7	100%	Ordinary	Dormant
EKF Diagnostics (Shanghai) Co. Ltd	8	100%	Ordinary	Dormant

### Notes

1. Incorporated, registered and having its principal place of business in the United Kingdom, with its registered office being Avon House, 19 Stanwell Road, Penarth Vale of Glamorgan, CF64 2EZ.
2. Incorporated in Sweden. The principal place of business is in Germany. The registered address is Lytta Gard, 75593 Uppsala, Sweden.
3. Incorporated, registered, and having its principal place of business in Germany at Ebendorfer Chaussee 3, 39179 Barleben, Germany.
4. Incorporated, registered, and having its principal place of business in Russia at 117648, Moscow, PO Box: 30, District Severnoe Chertanovo, House 2, building 207.
5. 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.
6. Incorporated and registered, or formed, and having its principal place of business in the United States of America at 1077 Central Parkway S., Suite 200, San Antonio, Texas, USA 78232
7. Incorporated and registered in Ireland c/o Mazars, Harcourt Centre, Block 3, Harcourt Road, Dublin 2. Its principal place of business is in the United Kingdom.
8. Incorporated and registered in China, Suite 1202, Jin Hong Qiao International Center Building I, No. 523 Loushan-guan Road, Changning District, Shanghai, P.R.C.200051

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.

## Notes to the Financial Statements

for the year ended 31 December 2022

### 21. Financial instruments by category

#### (a) Assets

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
31 December				
Assets as per balance sheet				
Financial assets at fair value through other comprehensive income	1,119	7,789	1,119	7,789
Trade and other receivables excluding prepayments and corporation tax	8,585	11,005	2,112	2,983
Cash and cash equivalents	11,578	20,341	653	4,879
Total	21,282	39,135	3,884	15,651

#### (b) Liabilities

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
31 December				
Liabilities as per balance sheet				
Borrowings	137	696	-	-
Lease liabilities	1,410	1,933	207	391
Trade and other payables (excluding deferred grants and deferred income)	6,143	7,379	14,583	4,690
Deferred consideration	-	635	-	635
Total	7,690	10,643	14,790	5,716

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 contingent equity consideration totalling £nil (2021: £237,000) that is categorised as a financial liability at fair value through profit and loss (see note 28). Borrowings have been included at fair value which is not materially different to amortised cost.

#### (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 2022 and 31 December 2021, 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:

	2022 £'000	2021 £'000
A+	5,814	4,879
AA-	49	572
A	22	73
A-	772	5,544
Ratings lower than AA- or unrated	4,921	9,273
Total	11,578	20,341

£2,366,000 (2021: £1,344,000) of the cash held in banks rated lower than AA- or unrated was held by the Group's Russian subsidiary.

## Notes to the Financial Statements

for the year ended 31 December 2022

### 22. Investments

Group and Company	2022 £'000	2021 £'000
1 January	7,789	6,608
Additions	2,930	-
Change in fair value through other comprehensive income	(7,598)	1,181
Dividend in specie	(2,002)	-
31 December	1,119	7,789

During the year the Company acquired a further 137,930 shares in Renalytix plc, an AIM listed developer of artificial intelligence enabled diagnostics for kidney disease at a cost of £380,000. Following this acquisition, the Company has a 1.53% holding (2021 1.39%) in Renalytix plc, with a fair value at 31 December 2022 of £0.83m. The Company also acquired a further 7,142,857 shares in Verici DX plc, an AIM listed developer of advanced clinical diagnostics for organ transplant, of which Julian Baines was then non-executive chair, at a cost of £2,500,000. The majority of the Group's holding in Verici Dx plc was subsequently transferred to the Company's ordinary shareholders by way of a dividend in specie (see note 16). Following these transactions, the Company has a 0.42% (2021 : 1.89%) holding in Verici Dx plc, with a fair value at 31 December 2022 of £0.09m. In each case the fair value is calculated using the quoted mid price. In addition the Company acquired a 2% holding in Llusern Scientific Limited, a UK based privately held company developing molecular point-of-care tests for the detection of bacterial and viral infections at a cost of £50,000. The Company continues to have a 0.605% (2021: 0.66%) holding in Epinex Diagnostics Inc., a US based privately held company operating in the medical diagnostics industry.

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

£5,771,000 of the change in fair value relates to the Group's holding in Renalytix plc, and £1,827,000 to the Group's holding in Verici Dx plc.

### 23. Trade and other receivables

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Non-current				
Amounts owed by subsidiary undertakings	-	-	-	1,860
Current				
Trade receivables	8,012	11,010	133	1,085
Less: provision for impairment of trade receivables	(149)	(148)	(5)	-
Trade receivables - net	7,863	10,862	128	1,085
Prepayments	2,164	2,302	220	292
Amounts owed by subsidiary undertakings	-	-	1,872	-
Other receivables	722	264	112	40
	10,749	13,428	2,332	1,417

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other than to certain corporate customers who are granted 60 day terms, 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 2022, in the Group trade receivables of £2,780,000 (2021: £2,208,000) were past due but not covered by a loss allowance. In the Company, £71,000 (2021: £678,000) 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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Up to 3 months	2,133	1,835	59	595
3 to 6 months	398	179	12	-
Over 6 months	249	194	-	83
	2,780	2,208	71	678

## Notes to the Financial Statements

for the year ended 31 December 2022

As of 31 December 2022, in the Group trade receivables of £149,000 (2021: £148,000) were subject to a loss allowance. In the Company trade receivables of £5,000 (2021: £nil) were subject to a loss allowance. The ageing of these receivables is as follows:

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Up to 3 months	80	71	5	-
3 to 6 months	19	57	-	-
Over 6 months	50	20	-	-
Total	149	148	5	-

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

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
At 1 January	148	87	-	-
Provision for receivables impairment	313	81	5	-
Acquired with subsidiaries	-	8	-	-
Unused amounts reversed	(163)	(26)	-	-
Receivables written off as uncollectible	(163)	-	-	-
Exchange differences	14	(2)	-	-
At 31 December	149	148	5	-

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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
UK Sterling	460	1,417	460	1,417
Euros	3,564	3,890	-	52
US dollar	6,510	8,615	1,872	1,808
Russian rouble	215	54	-	-
	10,749	13,976	2,332	3,277

## 24. Inventories

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Raw materials	6,729	9,117	46	442
Work in progress	1,046	1,431	3	25
Finished goods	1,659	2,690	19	8
	9,434	13,238	68	475

The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above. The Group carrying values above are stated net of impairment provisions of £7,815,000 (2021: £3,455,000). The Company carrying values above are stated net of impairment provisions of £305,000 (2021: £nil). The cost of inventories recognised as expense and included in 'cost of sales' amounted to £24,612,000 (2021: £18,364,000), and in the Company £1,078,000 (2021: £2,331,000).



## Notes to the Financial Statements

for the year ended 31 December 2022

### 25. Cash and cash equivalents

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash at bank and in hand	11,578	20,341	653	4,879
Cash and cash equivalents (excluding bank overdrafts)	11,578	20,341	653	4,879

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value. Cash net of borrowings of £11,441,000 (2021: £19,645,000) is presented as gross cash of £11,578,000 (2021: £20,341,000) net of borrowings of £137,000 (2021: £696,000) detailed in Note 27. This excludes lease liabilities as shown in Note 18. Cash totalling £2,366,000 is held by the Group's 60% owned Russian subsidiary. As a result of sanctions put in place by the USA, the EU, and the UK, against Russia, the Russian Government has banned the payment of dividends by Russian companies to parent companies in these jurisdictions. Until this ban is lifted, the Group is unable to access this cash.

### 26 Trade and other payables

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade payables	1,505	4,435	82	206
Amounts due to subsidiary undertakings	-	-	14,026	3,532
Social security	156	168	61	89
Other payables	1,170	840	1	505
Accrued expenses and deferred income	5,457	3,635	474	448
	8,288	9,078	14,644	4,780

Other payables consists mainly of VAT and US sales tax liabilities. The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature. Trade payables are unsecured and are usually paid within 30 days of recognition. Amounts due by the Company to its subsidiaries are interest free and are repayable on demand.

### 27. Borrowings

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Non-current				
Bank borrowings	-	431	-	-
	-	431	-	-
Current				
Bank borrowings	137	265	-	-
	137	265	-	-

The maturity profile of borrowings was as follows:

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Amounts falling due				
Within 1 year	137	265	-	-
Between 1 and 2 years	-	208	-	-
Between 2 and 5 years	-	223	-	-
More than 5 years	-	-	-	-
Total borrowings	137	696	-	-

## Notes to the Financial Statements

for the year ended 31 December 2022

### Bank borrowings

Bank borrowings mature in 2023 and bear an average fixed coupon of 2.5% annually (2021: 3.76%).

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 Euros.

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

The Euro bank borrowings are repayable by quarterly instalments. The Dollar denominated bank borrowings were repaid in full during the year.

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

The fair value of both current and non-current borrowings equals their carrying amount, as the impact of discounting is not significant.

The carrying amounts of the group's bank borrowings are denominated as follows:

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Euro	137	304	-	-
US Dollar	-	392	-	-
	137	696	-	-

## 28. Deferred consideration

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
At 1 January	635	2,901	635	2,901
Fair value adjustment	(2)	285	(2)	285
Payment	(403)	(179)	(403)	(179)
Additions	-	632	-	632
Derecognised	(248)	(3,007)	(248)	(3,007)
Interest	10	3	10	3
Exchange differences	8	-	8	-
At 31 December	-	635	-	635

Deferred consideration is potentially payable to the former owners of ADL. The deferred contingent consideration is payable either in a mixture of ordinary shares and cash, or in just cash, based on the achievement of certain earnings target in each of the three years following completion. The fair value amount has been estimated using a balance of probabilities method based on current and expected trading, and then discounted to account for the time value of money. No deferred contingent consideration was paid during the year. The cash payment completed during the year is an amount based on a calculation of net working capital in ADL at completion.

## Notes to the Financial Statements

for the year ended 31 December 2022

### 29. 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	2022 £'000	2021 £'000
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	(925)	(15)
Deferred tax asset to be recovered after more than 12 months	-	-
	(925)	(15)
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	1,788	4,286
Deferred tax liability to be recovered within 12 months	705	745
	2,493	5,031
Deferred tax liabilities - net	1,568	5,016

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

	2022 £'000	2021 £'000
At 1 January	5,016	2,622
Exchange differences	297	(96)
Rate change through income statement	166	679
Addition following acquisition	-	906
Movement through OCI	(1,502)	1,502
Income statement movement (note 14)	(2,409)	(597)
At 31 December	1,568	5,016

## Notes to the Financial Statements

for the year ended 31 December 2022

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:

	Accelerated tax depreciation £'000	Other £'000	Total £'000
<b>Deferred tax liabilities</b>			
At 1 January 2021	225	2,411	2,636
Charged/(credited) to the income statement	60	(656)	(596)
Rate change	-	679	679
Addition through subsidiary	-	906	906
Movement through OCI	-	1,502	1,502
Exchange differences	(14)	(82)	(96)
At 31 December 2021	271	4,760	5,031
<b>Deferred tax liabilities - 2022</b>			
At 1 January 2022	271	4,760	5,031
Charged/(credited) to the income statement	168	(1,670)	(1,502)
Rate change	-	166	166
Movement through OCI	-	(1,502)	(1,502)
Exchange differences	14	286	300
At 31 December 2022	453	2,040	2,493
<b>Deferred tax assets</b>			
	Tax losses £'000	Other £'000	Total £'000
At 1 January 2021	(14)	-	(14)
Credited to the income statement	(1)	-	(1)
At 31 December 2021	(15)	-	(15)
<b>Deferred tax assets - 2022</b>			
At 1 January 2022	(15)	-	(15)
Credited to the income statement	(908)	-	(908)
Exchange differences	(2)	-	(2)
At 31 December 2022	(925)	-	(925)

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 £3,081,000 (2021: £1,190,000) mainly in respect of tax losses amounting to £13,109,000 (2021: £5,063,000), primarily arising in the UK entities, that may be carried forward against future taxable income, as the likely timing of recovery is considered too remote.

Company	2022 £'000	2021 £'000
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	-	1,502
Deferred tax	-	1,502

### 30. Share capital

Group and Company	Number of Ordinary Shares	Share capital £'000	Share premium £'000
At 1 January 2021	454,993,227	4,550	200
Acquisition of Advanced Diagnostic Laboratory	8,937,337	89	7,175
At 31 December 2021 and at 1 January 2022	463,930,564	4,639	7,375
Ordinary shares purchased for cancellation and cancelled	(9,000,000)	(90)	-
At 31 December 2022	454,930,564	4,549	7,375

Ordinary shares have a par value of 1p and are all fully paid. They entitle the holder to participate in dividends and to share in the proceeds of winding up the Company in proportion to the number and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote; and on a poll each share is entitled to one vote. The Company does not have a limited amount of authorised capital.

Information on outstanding share options including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is given in Note 31.

## Notes to the Financial Statements

for the year ended 31 December 2022

The Company has acquired ordinary shares during this year as follows: (2021: nil).

Date	Number of Ordinary Shares purchased and cancelled	Price paid (£)
29/03/2022	1,300,000	586,251
30/03/2022	900,000	402,000
31/03/2022	750,000	331,250
01/04/2022	2,000,000	874,250
04/04/2022	1,000,000	425,500
05/04/2022	1,625,000	690,601
06/04/2022	725,000	305,625
07/04/2022	500,000	200,400
08/04/2022	200,000	80,000
Total	9,000,000	3,895,877

The buy-back and cancellation were approved by shareholders at last year's annual general meeting. The shares were acquired at an average price of 43.29 pence per share. The total cost of £3,895,877, was deducted from equity. A transfer of £90,000 was made from retained earnings to the capital redemption reserve. Costs of £18,000 have been charged to administration costs.

### 31. 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	2022		2021	
	Av. Exercise price per share (£)	Options (Number)	Av. Exercise price per share (£)	Options (Number)
At 1 January	0.37625	25,000	0.37625	25,000
Cancelled	-	-	-	-
Exercised	-	-	-	-
At 31 December	0.37625	25,000	0.37625	25,000

The remaining unapproved share options consist of the following:

- 25,000 options were issued on 21 January 2014 to a senior employee 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.

All share option awards are equity settled. Out of the 25,000 (2021: 25,000) outstanding options 25,000 (2021: 25,000) were exercisable at 31 December 2022. In August 2022 the senior employee passed away. The options remain exercisable for 12 months following the date of the employee's death.

There are no charges or credits to profit and loss in relation to this scheme in either 2021 or 2022.

Expiry Date	2022		2021	
	Av. Exercise price per share (£)	Options (Number)	Av. Exercise price per share (£)	Options (Number)
21.01.2024	0.37625	25,000	0.37625	25,000
		25,000		25,000

In September 2021 a cash settled share-based incentive award scheme was granted to a director.

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 being 2.5% of the excess sale price above 70p per share. The Board estimates that it is more probable than not that no award will be made under the scheme in the foreseeable future, and the fair value of the award has therefore been calculated at £nil (2021: £3,296,000). The 2021 value was calculated using a modified form of a Black Scholes model. The liability at 31 December 2021 of £298,000 has been credited to profit and loss in the year. Following the resignation of the director in February 2023, the scheme lapsed.

## Notes to the Financial Statements

for the year ended 31 December 2022

### 32. Other reserves

The following table shows a breakdown of the balance sheet item “other reserves” and the movements in reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

Group	Capital redemption reserve £'000	Financial assets at FVOCI £'000	Total £'000
At 1 January 2021	102	5,252	5,354
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income (net of tax)	-	(321)	(321)
At 31 December 2021	102	4,931	5,033
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income (net of tax)	-	(5,752)	(5,752)
Cancellation of Ordinary Shares	90	-	90
At 31 December 2022	192	(821)	(629)

#### Capital redemption reserve

On the buy-back and cancellation of ordinary shares, an amount equal to the par value was transferred from retained earnings to the capital redemption reserve for capital maintenance purposes.

#### FVOCI reserve

The Group has elected to recognise changes in the fair value of certain investments in equity securities in Other Comprehensive Income, as explained in note 2. These changes are accumulated within the FVOCI reserve within equity and disclosed as Other reserve. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Company	Capital redemption reserve £'000	Financial assets at FVOCI £'000	Total £'000
At 1 January 2021	102	5,211	5,313
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income (net of tax)	-	(321)	(321)
At 31 December 2021	102	4,890	4,992
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income (net of tax)	-	(6,096)	(6,096)
Reserve transfer	-	344	344
Cancellation of Ordinary Shares	90	-	90
At 31 December 2022	192	(862)	(670)

#### Share-based payments

The share based payments reserve is used to recognise:

- The grant date fair value of options issued to employees but not exercised.
- The grant date fair value of shares issued to employees.

#### Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in OCI, and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

#### Retained earnings

Movements in retained earnings were as follows:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 January	74,264	63,516	32,646	31,981
(Loss)/profit for the year	(10,101)	15,851	(9,565)	5,768
Currency translation differences	(1)	-	-	-
Cancellation of ordinary shares	(3,896)	-	(3,896)	-
Reserve transfer	(344)	-	(344)	-
Dividends to owners	(7,461)	(5,103)	(7,461)	(5,103)
At 31 December 2022	52,461	74,264	11,380	32,646

## Notes to the Financial Statements

for the year ended 31 December 2022

### 33. Retirement benefit obligations

#### Pension benefits

The Company operates defined contribution pension schemes the assets of which are held separately from those of the Company in independently administered funds. The pension cost for the year represents contributions made by the Company to the funds and amounted to £329,000 (2021: £281,000). The value of pension contributions owed to pension providers at 31 December 2022 was £nil (2021: £nil).

### 34. Commitments

#### Capital commitments

The Group has contracted £1,447,000 (2021: £1,736,000) capital expenditure at the end of the reporting period that had not yet been incurred.

The Group does not have any commitments to acquire any intangible assets.

### 35. Cash generated by/(used in) operations

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
(Loss)/profit before tax	(8,942)	21,435	(9,506)	5,790
Adjustments for:				
- Depreciation	3,098	2,041	394	326
- Amortisation	3,560	3,844	58	51
- Exceptional items	17,525	(285)	8,097	-
- Loss/(profit) on disposal of fixed assets	28	(13)	-	-
- Share-based payments	(308)	(6,586)	(308)	(6,586)
- Provisions	(929)	-	-	-
- Fair value adjustment	-	285	26	(2,722)
- Cash outflows relating to exceptional items	(617)	-	(339)	-
- Foreign exchange	(71)	61	(236)	75
- Bad debt written down	127	58	5	36
- Net finance (income)/cost	(29)	26	149	(23)
Changes in working capital				
- Inventories	(815)	(4,601)	101	156
- Trade and other receivables	1,276	(3,274)	940	4,914
- Trade and other payables	(2,177)	1,217	10,089	(969)
Net cash generated by operations	12,655	14,208	9,470	1,048

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

Group	2022 £'000	2021 £'000
Net book value	257	30
Profit on disposal of property, plant and equipment	(28)	13
Proceeds from disposal of property, plant and equipment	229	43

#### Non-cash transactions

The principal non-cash transactions are: the revaluation of shares held in Renalytix plc and Verici Dx plc; movements on deferred consideration provisions; release of accruals no longer required, and exceptional items consisting of provisions and impairments.



## Notes to the Financial Statements

for the year ended 31 December 2022

This section sets out an analysis of net cash/(debt) and the movements in net cash/(debt) for each of the periods presented.

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash and cash equivalents (Note 25)	11,578	20,341	653	4,879
Borrowings (Note 27)	(137)	(696)	-	-
Lease liabilities	(1,410)	(1,933)	(207)	(391)
<b>Net cash</b>	<b>10,031</b>	<b>17,712</b>	<b>446</b>	<b>4,488</b>

	Group				Company			
	Cash £'000	Borrowings £'000	Lease liabilities £'000	Total £'000	Cash £'000	Borrowings £'000	Lease liabilities £'000	Total £'000
<b>Movements in Net cash</b>								
Net debt as at 1 January 2021	21,913	(508)	(1,070)	20,335	10,045	-	(379)	9,666
Financing cash flows	(1,507)	178	(740)	(2,069)	(5,138)	-	(12)	(5,150)
Acquired with subsidiary	113	(388)	(129)	(404)	-	-	-	-
Foreign exchange adjustments	(178)	22	6	(150)	(28)	-	-	(28)
<b>Net cash at 31 December 2021</b>	<b>20,341</b>	<b>(696)</b>	<b>(1,933)</b>	<b>17,712</b>	<b>4,879</b>	<b>-</b>	<b>(391)</b>	<b>4,488</b>
Financing cash flows	(10,283)	613	669	(9,001)	(4,411)	-	184	(4,227)
Foreign exchange adjustments	1,520	(54)	(146)	1,320	185	-	-	185
<b>Net cash at 31 December 2022</b>	<b>11,578</b>	<b>(137)</b>	<b>(1,410)</b>	<b>10,031</b>	<b>653</b>	<b>-</b>	<b>(207)</b>	<b>446</b>

### 36. Related Party Disclosures

#### Directors

Christopher Mills is interested in 29.05 per cent. of the Company's issued share capital which is held through North Atlantic Smaller Companies Investment Trust PLC, Oryx International Growth Fund Limited, and in his own name. Harwood Capital LLP is investment manager to North Atlantic Smaller Companies Investment Trust plc and investment adviser to Oryx International Growth Fund Limited. Harwood Capital LLP, which is part of the Harwood Capital Management Group (of which Christopher is sole shareholder) is a limited liability partnership of which Christopher Mills is Chief Investment Officer. He is non-executive chair of Renalytix plc ("Renalytix") and a non-executive director of Trellus Health plc ("Trellus"). The Group owns 1.53% of Renalytix. The Group invested £0.4m in Renalytix in April 2022. Mr Mills is interested in the issued share capital of the following related parties:

Company	Number of ordinary shares	Percentage held
Renalytix plc	10,072,500	10.7%
Trellus Health plc	18,209,219	11.3%
Verici Dx plc	29,769,111	17.5%

The Company has agreed a funding line with North Atlantic Smaller Companies Investment Trust PLC. Christopher Mills, Non-executive Director of the Company, sits on the Board as Chief Executive Officer of North Atlantic Smaller Companies Investment Trust PLC and is a substantial shareholder of both the Company and the lender. This is a committed facility for a maximum value of £3.0m which, as at the date of this statement, is not drawn down. The terms of the facility are substantially similar to those considered to be commercially available to the Company. This facility partially sets off the exposure currently faced by the Group given the inability to access cash reserves held in Russia. The Board believes it is a prudent measure to have access to additional cash if needed and further that the facility demonstrates the continued support from its largest shareholder, Christopher Mills. The direct and indirect shareholdings of Mr. Mills in the Company include those of the North Atlantic Smaller Companies Investment Trust PLC.

The lending facility is available for three years from the date of this announcement and any amounts drawn down carry interest at 2.5% above the Bank of England base rate from time to time, payable quarterly in arrears. Any loan under the facility is required to be fully repaid at the end of the facility term. The Company may repay any such loan early, in part or in full, but may not re-borrow such amounts.

The Group was invoiced £6,000 (2021: £15,000) by J & K (Cardiff) Limited for property rent. Julian Baines is a Director and 50% shareholder of J & K (Cardiff) Limited. Julian is also non-executive chair of Trellus and until February 2023 of Verici Dx plc. The Company owns 0.42% of Verici Dx plc. Mr Baines is interested in 2,375,836 (1.5%) shares in Trellus and 1,351,713 (0.8%) shares in Verici.

## Notes to the Financial Statements

for the year ended 31 December 2022

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

Michael Salter is a director of Trellus Health plc and is interested in 1,126,026 (0.7%) Trellus shares.

There are no outstanding balances at 31 December 2022, and during the year there were no sales or purchases, between the Group and Trellus, Renalytix or Verici.

Directors' emoluments are set out in the Remuneration Committee report and in note 10.

### 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 £719,000 (2021: £589,000) 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:

	2022 £'000	2021 £'000
Salaries and other short-term employee benefits	934	5,869
Share-based payments	(298)	(1,022)
Employer contribution to pension scheme	15	19
	651	4,866

Key management includes the Directors of the Company only. In addition to the above, Mr Contadini received £30,000 as payment in lieu of notice.

### The Company

The transactions outlined above with Renalytix were all undertaken by the Company.

During the year the Company invoiced management charges of £3,625,000 (2021: £3,279,000) to its subsidiary companies, it also invoiced rental costs to EKF Germany of €167,000 (£138,000) (2021: €167,000 (£143,700)). It sold £23,000 (2021: £nil) of goods and services to subsidiaries, and purchased goods and services from subsidiaries totalling £655,000 (2021: £1,272,000). At 31 December 2022 the Company was owed £1,872,000 (2021: £1,860,000) by its subsidiaries and owed £14,026,000 (2021: £3,532,000) to other subsidiaries.

## 37. Post Balance Sheet Events

In February 2023 the Group's UK manufacturing operations were closed down. This resulted in a small number of redundancies.

The transition of the Laboratory Testing business towards generating non-COVID revenues has presented certain challenges following the rapid drop in demand for COVID testing worldwide since Q1 2022. ADL Health contributed a loss in 2022, which has led to EKF's management team ("Management") reviewing the business and its rationale in the context of the group's wider strategy.

Following the review undertaken in early 2023, Management determined that Laboratory Testing will no longer form part of EKF's core offering and, therefore, disposed of ADL Health to Medical Management Partners, LLC, an entity which is 100% controlled by Stan Crawford, a member of the management team of ADL Health. The disposal will provide cost savings to EKF, allow Management time to focus on growth initiatives in other areas, and also simplify the reporting structure of the wider group. In the year ending 31 December 2022, ADL Health generated revenue of £2.6 million and loss before tax of approximately £1.0 million, with net assets of £0.1 million as at 31 December 2022. The disposal was classified as a related party transaction under the AIM Rules by virtue of Stan Crawford being a director of a subsidiary of the Company. Further details of this transaction and related regulatory disclosures are contained in the announcement made on 23 March 2023.

The consideration will primarily comprise of 1,200,000 EKF shares of ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") to be held, initially, in treasury.

The Company has agreed a funding line with North Atlantic Smaller Companies Investment Trust PLC. Christopher Mills, Non-executive Director of the Company, sits on the Board as Chief Executive Officer of North Atlantic Smaller Companies Investment Trust PLC and is a substantial shareholder of both the Company and the lender. This is a committed facility for a maximum value of £3.0m which, as at the date of this statement, is not drawn down. The terms of the facility are substantially similar to those considered to be commercially available to the Company. This facility partially sets off the exposure currently faced by the Group given the inability to access cash reserves held in Russia. The Board believes it is a prudent measure to have access to additional cash if needed and further that the facility demonstrates the continued support from its largest shareholder, Christopher Mills. The direct and indirect shareholdings of Mr. Mills in the Company include those of the North Atlantic Smaller Companies Investment Trust PLC.

The lending facility is available for three years from the date of this announcement and any amounts drawn down carry interest at 2.5% above the Bank of England base rate from time to time, payable quarterly in arrears. Any loan under the facility is required to be fully repaid at the end of the facility term. The Company may repay any such loan early, in part or in full, but may not re-borrow such amounts.

## 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 Harwood Capital LLP, 6 Stratton Street Mayfair, London W1J 8LD on 17 May 2023 at 10.30 a.m. for the following purposes:

#### Ordinary Resolutions

1. To receive and adopt the statement of accounts for the year ended 31 December 2022 together with the reports of the Directors and the auditors thereon.
2. To declare a final dividend of 1.2 pence per ordinary share to be paid on 1 December 2023 to the holders of ordinary shares on the register of members at the close of business on 2 November 2023.
3. To re-elect Julian Huw Baines as a Director of the Company
4. To re-appoint 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.
5. To authorise the Directors of the Company to determine the auditors' remuneration.
6. That, in accordance with section 551 of the CA 2006, the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined below):
  - a. comprising equity securities (as defined in section 560 of the CA 2006) up to an aggregate nominal amount of £1,516,435 in connection with an offer by way of a rights issue:
    - i. to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - b. in any other case, up to an aggregate nominal amount of £1,516,435;

provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company to be held in 2024, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

In this resolution, **Relevant Securities** means:

- shares in the Company, other than shares allotted pursuant to:
- an employees' share scheme (as defined in section 1166 of the CA 2006);
- a right to subscribe for shares in the Company where the grant of the right itself constitutes a Relevant Security;
- a right to convert securities into shares in the Company where the grant of the right itself constitutes a Relevant Security; or
- anything done for the purposes of a compromise or arrangement sanctioned in accordance with Part 26A of the CA 2006; and
- any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employees' share scheme (as defined in section 1166 of the CA 2006) or anything done for the purposes of a compromise or arrangement sanctioned in accordance with Part 26A of the CA 2006. References to the allotment of Relevant Securities in this resolution include the grant of such rights.

#### Special Resolutions

7. That, subject to the passing of Resolution 6 above, the Directors be authorised pursuant to section 570 of the Companies Act 2006 (the Act) to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority given by resolution 6 and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Act, in each case as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited:
  - a. the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under paragraph a) of resolution 6, by way of a rights issue only):
    - (i) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

## NOTICE OF ANNUAL GENERAL MEETING

### *EKF Diagnostics Holdings PLC (Company)*

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

- b. to the allotment and/or sale (otherwise than pursuant to sub-paragraph (a) above) of equity securities to any person up to an aggregate nominal value of £454,930, 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 2024, 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, subject to the passing of resolution 6 above, the Directors be authorised in addition to any authority granted under resolution 7 to allot equity securities (as defined in section 560 of the CA 2006) for cash under the authority conferred by resolution 6 and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be:
  - a. limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £454,930; and
  - b. used only for the purpose of financing (or refinancing, if the authority is to be used within 6 months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice, 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 2024, 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.
9. That the Company be and is generally and unconditionally authorised for the purposes of section 701(1) of the 2006 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:
  - a. the maximum aggregate number of Ordinary Shares authorised to be purchased is 68,194,091 (representing 14.99 per cent. of the Company's issued ordinary share capital);
  - b. the minimum price (excluding expenses) which may be paid for such Ordinary Shares is £0.01 per share;
  - c. 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;
  - d. unless previously renewed, varied or revoked, the authority conferred shall expire at the conclusion of the Company's next annual general meeting; and
  - e. the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.
10. That a general meeting of the Company, other than an annual general meeting, may be called on not less than 14 clear days' notice.

Registered Office  
Avon House  
19 Stanwell Road  
Penarth  
CF64 2EZ  
21 April 2023

BY ORDER OF THE BOARD

*ONE Advisory Limited*

ONE Advisory Limited  
Company Secretary

## Notes

1. The Company specifies that only those members registered on the Company's register of members at close of business on 15 May 2023 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 Shareholder 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 meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. You will not receive a hard copy form of proxy with this document. Instead, you will be able to vote electronically using the link [www.signalshares.com](http://www.signalshares.com). You will need to log into your Signal Shares account, or register if you have not previously done so. To register you will need your Investor Code, this is detailed on your share certificate or available from our Registrar, Link Group. Alternatively you can vote by downloading the new shareholder app, LinkVote+, on Apple App Store or Google Play and following the instructions. Votes submitted electronically must be submitted by no later than 10.30 a.m. on 15 May 2023.
4. Link Group, the company's registrar, has launched a shareholder app: LinkVote+. It's free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.



5. **Proximity Voting**  
If you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to [www.proximity.io](http://www.proximity.io). Your proxy must be lodged by 10.30am on 15 May 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proximity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
6. You may request a hard copy form of proxy directly from the Registrars, Link Group at [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk) or on Tel: 0371 664 0391. 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. Line are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.
7. In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
9. 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](http://www.euroclear.com)). 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.
10. 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 & International 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 10.30 a.m. on 15 May 2023]. 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.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International 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.
12. 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 Group at the address noted in note 6 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.
13. In order to revoke a proxy instruction you will need to inform the Company by contacting Link Group on 0371 664 0391. 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. Line are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. 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 Group no later than 10.30 a.m. on 15 May 2023. 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.
14. 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 the resolution will be conducted by way of a poll vote.
17. As at the close of business on the day immediately before the date of this notice of general meeting, the Company's issued share capital comprised 454,930,564 ordinary shares of nominal value 1 pence each. No shares are held in the Treasury. 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 close of business, on the day immediately before the date of this notice of general meeting excluding the Treasury shares are 454,930,564.

## Company information

### Directors:

Julian Baines MBE  
(Executive Chairman)

Marc Davies  
(appointed 1 January 2022)  
(Chief Financial Officer)

Christopher Mills  
(Non-Executive Director)

Christian Rigg  
(Non-Executive Director)

Jennifer Winter  
(appointed 1 February 2022)  
(Non-Executive Director)

Michael Salter  
(resigned 6 February 2023)  
(Chief Executive Officer)

Carl Contadini  
(resigned 1 February 2022)  
(Non-Executive Director)

### Company Secretary:

One Advisory Limited

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:

Singer Capital Markets  
1 Bartholomew Lane London EC2N 2AX

### Solicitors to the Company:

BDB Pitmans LLP  
One Bartholomew Close  
London EC1A 7BL

Berry Smith LLP  
Haywood House Dumfries Place  
Cardiff CF10 3GA

### Registrars:

Link Group  
Central Square  
29 Wellington Street  
Leeds LS1 4DL

If you have a query regarding your shareholding please call the Link shareholder helpline on +44 (0)371 664 0300 (UK calls are charged at the standard geographic rate and will vary by provider)

or visit their website at <https://www.linkgroup.eu/get-in-touch/shareholders-in-uk-companies/>

### Financial public relations:

Walbrook PR Limited  
4 Lombard Street  
London  
EC3V 9HD

### Investor relations email:

[investors@ekfdiagnostics.com](mailto:investors@ekfdiagnostics.com)







## **EKF Diagnostics Holdings plc**

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**Tel:** +44 (0) 29 20 710570

**Email:** [investors@ekfdiagnostics.com](mailto:investors@ekfdiagnostics.com)

Avon House, 19 Stanwell Road,  
Penarth, Cardiff, CF64 2EZ



**[ekfdiagnostics.com](http://ekfdiagnostics.com)**