

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt about the contents of this document, you should immediately consult your stockbroker, solicitor, accountant, bank manager or other, independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”).

If you have sold or otherwise transferred all of your ordinary shares in EKF Diagnostics Holdings plc, please send this document, together with the accompanying Proxy Form, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected at once for transmission to the purchaser or transferee.

Application will be made for the Consideration Shares and the Placing Shares to be admitted to trading on the AIM market of London Stock Exchange plc (“AIM”). It is expected that Admission will become effective, and dealings in the Consideration Shares and the Placing Shares will commence, on 16 June 2011.

The Directors, whose names are set out on page 9 of this document, and the Company, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document and/or the Placing, no person is authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised.

Your attention is drawn to the risk factors associated with an investment in the Ordinary Shares which are set out in Part III of this document and to the paragraph headed “Forward Looking Statements” on page 2 of this document.

The issue of the Consideration Shares and the Placing Shares is conditional, *inter alia*, upon Admission taking place by 8.00 a.m. on 16 June 2011 (or such later date as Zeus Capital Limited (“Zeus Capital”) and Matrix Corporate Capital LLP (“Matrix”) agree, being no later than 30 June 2011). Upon Admission, the Consideration Shares and the Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

EKF Diagnostics Holdings plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4347937)

Proposed acquisition of Stanbio Laboratory L.P.

Placing of 65,000,000 new Ordinary Shares at 20p per share

and

Notice of General Meeting

Nominated Adviser and Joint Broker: Zeus Capital Limited

Joint Broker: Matrix Corporate Capital LLP

Notice of a General Meeting to be held at 9.30 a.m. on 15 June 2011 at the offices of Matrix Group Limited, One Vine Street, London W1J 0AH is set out at the end of this document. To be valid, the accompanying Proxy Form for use at the General Meeting should be completed and returned, by post or by hand, in accordance with the instructions printed thereon, to the Company’s registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Kent BR3 4TU as soon as possible, but in any event so as to arrive no later than 48 hours before the time fixed for the General Meeting.

Zeus Capital, which is authorised and regulated by the Financial Services Authority and a member of London Stock Exchange plc, is acting as the Company’s Nominated Adviser and joint broker for the purposes of the AIM Rules. Its responsibilities as the Company’s Nominated Adviser under the AIM Rules for Nominated Advisers and as joint broker are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or any other person or entity in respect of his or its decision to acquire shares in the Company in reliance on any part of this document. Matrix, which is authorised and regulated by the Financial Services Authority and a member of London Stock Exchange plc, is acting as the Company’s joint broker for the purposes of the AIM Rules. Its responsibilities as the Company’s broker are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or any other person or entity in respect of his or its decision to acquire shares in the Company in reliance on any part of this document.

Zeus Capital and Matrix are not acting for any other person and will not be responsible to any other person for providing the protections afforded to its customers or for providing advice in relation to the transactions and arrangements detailed in this document. Under no circumstances should the information set out in this document be relied upon as being accurate at any time after Admission. No representation or warranty, express or implied, is being made by Zeus Capital or Matrix as to any of the contents of this document in connection with the Proposals and Zeus Capital and Matrix have not authorised the contents of any part of this document nor are they responsible for the accuracy of any information or opinion contained in this document or for the omission of any information.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, neither the Existing Ordinary Shares, the Consideration Shares nor the Placing Shares may, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Existing Ordinary Shares, the Consideration Shares and Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa and they may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)).

The distribution of this document outside the UK may be restricted by law. No action has been taken by the Company, Zeus Capital or Matrix that would permit a public offer of shares in the Company or possession of this document where action for that purpose is required. Persons outside the UK who come into possession of this document should inform themselves about, and observe any restrictions on, the placing and offer of new Ordinary Shares and/or the distribution of this document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdictions.

FORWARD LOOKING STATEMENTS

This document contains forward looking statements. These statements relate to the Enlarged Group's future prospects, developments and business strategies.

Forward looking statements are identified by their use of terms and phrases such as "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative of those, variations or comparable expressions, including references to assumptions. These statements or similar expressions are primarily contained in Part I of this document.

The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. Certain risks to and uncertainties for the Enlarged Group are specifically described in Part III of this document headed "Risk Factors". If one or more of these risk factors or uncertainties materialises, or if the underlying assumptions prove incorrect, the Enlarged Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward looking statements.

These forward looking statements relate only to the position as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward looking statements or risk factors, other than as required by the AIM Rules or by the rules of any other applicable securities regulatory authority, whether as a result of new information, future events or otherwise.

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DEFINITIONS

The following terms apply in this document, unless the context requires otherwise:

“2006 Act”	Companies Act 2006;
“Acquisition”	the proposed acquisition by EKF Inc of the entire equity interest of Stanbio to be effected pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the agreement dated 20 May 2011, between (1) the Vendor, (2) the Stanbio Companies (3) EKF Inc and (4) the Company under which EKF Inc has conditionally agreed to acquire the equity interests of each of the Stanbio Companies, further details of which are set out in Part II of this document;
“Admission”	admission of the Consideration Shares and the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange which set out the rules and responsibilities in relation to companies whose shares are admitted to AIM;
“Alere”	Alere Inc, a Delaware Corporation;
“Articles of Association” or “Articles”	the Articles of Association of the Company;
“Board” or “Directors”	the directors of the Company at the date of this document;
“Circular”	this document dated 23 May 2011;
“Company” or “EKF”	EKF Diagnostics Holdings plc, a company incorporated in England and Wales with registered number 4347937;
“Completion”	completion of the Acquisition which is expected to be on or around 16 June 2011;
“Consideration Shares”	the 16,189,675 new Ordinary Shares to be issued to the Vendor pursuant to the Acquisition;
“CREST Regulations”	the Uncertificated Securities Regulations 2001, as amended;
“EKF Inc”	EKF Diagnostics Inc a Delaware corporation being a wholly owned subsidiary of EKF;
“Enlarged Group”	the Company and its subsidiaries following completion of the Acquisition;
“Enlarged Issued Share Capital”	the entire issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Placing Shares;

“Existing Ordinary Shares”	the 168,788,459 Ordinary Shares in issue at the date of this document;
“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“General Meeting”	the general meeting of the Company to be held at 9.30 a.m. on 15 June 2011, at the offices of Matrix Group Limited, One Vine Street, London W1J 0AH, notice of which is set out at the end of this document;
“Group”	the Company and its subsidiaries as at the date of this document;
“Hemo_Control”	the Company’s Hemo_Control device which is used for performing blood haemoglobin tests. In the United States, the Hemo_Control device is distributed under the name HemoPoint H2;
“Independent Directors”	Kevin Wilson and Gordon Hall;
“London Stock Exchange”	London Stock Exchange plc;
“Matrix”	Matrix Corporate Capital LLP, a limited liability partnership registered in England & Wales with registered number OC319462;
“Notice”	the notice of the General Meeting set out at the end of this document;
“Ordinary Shares”	the ordinary shares of 1 pence each in the capital of the Company;
“Placing”	the conditional placing of the Placing Shares by Zeus Capital and Matrix, as agents for the Company, as described in this document, pursuant to the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 20 May 2011, between (1) the Company, (2) the Directors, (3) Zeus Capital and (4) Matrix, relating to the Placing, further details of which are set out in Part II of this document;
“Placing Price”	20p per Placing Share;
“Placing Shares”	65,000,000 new Ordinary Shares to be issued pursuant to the Placing;
“Proposals”	the Acquisition, the Placing, the increase in authorised share capital, the grant of share options and Admission, as described in this document;
“Proxy Form”	the form of proxy sent to Shareholders with this document for use at the General Meeting in connection with the Resolutions;
“Resolutions”	the resolutions set out in the Notice;

“Shareholder”	the holder of Existing Ordinary Shares;
“Stanbio”	Stanbio Laboratory L.P.;
“Stanbio Companies”	Stanbio Laboratory L.P., a Texas limited partnership, 1261 N. Main L.P., a Texas limited partnership, Stanlab Management LLC, a Texas limited liability company and 1261 N. Main Management LLC a Texas limited liability company;
“Stanlab”	Stanlab Management LLC;
“US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia any other area subject to US jurisdiction;
“Vendor”	William Pippin;
“Zeus Capital”	Zeus Capital Limited, a company registered in England and Wales with registered number 4417845.

KEY STATISTICS

Existing Share Capital

Current number of Ordinary Shares in issue 168,788,459

Placing

Number of Placing Shares 65,000,000

Placing Price 20p

Gross Proceeds £13 million

Estimated net proceeds of the Placing £12.1 million

Acquisition

Total consideration payable up to US\$25,500,000

Initial cash consideration US\$14,000,000

Value of Consideration Shares to be issued to the Vendor US\$5,500,000

Deferred cash consideration up to US\$2,000,000

Earnout cash consideration US\$4,000,000

Number of Consideration Shares* 16,189,675

Upon Admission

Number of Ordinary Shares in issue immediately following Admission 249,978,134

Market capitalisation of the Enlarged Group at the Placing Price immediately following Admission £50.0 million

Placing Shares as a percentage of the Enlarged Share Capital 26.00%

Consideration Shares as a percentage of the Enlarged Share Capital 6.48 %

* The number of Consideration Shares has been calculated by dividing US\$5,500,000 by the average closing price of the Company's Shares during the 10 business days prior to the date of signing the Acquisition Agreement.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2011</i>
Publication date of Circular	23 May
Latest time and date for receipt of Proxy Forms for the General Meeting	9.30 a.m. on 13 June
General Meeting	9.30 a.m. on 15 June
Admission and commencement of dealings in the Consideration Shares and Placing Shares	16 June
CREST accounts credited (as applicable)	16 June
Definitive share certificates despatched (as applicable)	23 June

- (1) If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.
- (2) References to times in this document are to London time (unless otherwise stated).
- (3) The timing of the events in the above timetable following the General Meeting and in the rest of this document is indicative only.

PART I

LETTER FROM THE CHAIRMAN OF EKF DIAGNOSTICS HOLDINGS PLC

EKF DIAGNOSTICS HOLDINGS Plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 4347937)

Directors:

David Eric Evans (*Executive Chairman*)
Julian Huw Baines (*Chief Executive Officer*)
Paul Andrew Peter Foulger (*Finance Director*)
Adam Reynolds (*Non-Executive Director*)
Gordon James Hall (*Non-Executive Director*)
Dr Kevin William Wilson (*Non-Executive Director*)

Registered Office:

14 Kinnerton Place South
London
SW1X 8EH

23 May 2011

Dear Shareholder,

**Proposed acquisition of Stanbio Laboratory L.P.
Placing of 65,000,000 new Ordinary Shares at 20p per share
and
Notice of General Meeting**

1. Introduction

Your Board earlier today announced:

- (a) an agreement to acquire Stanbio for a total consideration of up to US\$25.5 million of which US\$14 million is payable in cash on Completion, US\$5.5 million is to be satisfied by the issue of 16,189,675 new Ordinary Shares at 20.825p per share, being the average market price during the 10 business days prior to signing the Acquisition Agreement, a further amount of up to US\$2 million in cash is to be paid if the EBITDA of Stanbio exceeds defined targets in each of the years ending 31 December 2011 and 2012 and a further US\$4 million in cash is to be paid if the sales of the Enlarged Group exceed US\$50 million in any calendar year before 31 December 2015;
- (b) a conditional distribution agreement with Alere Inc (“Alere”), a global diagnostics company, under which the Company has appointed Alere as the exclusive distributor of its CLIA waived Hemo_Control device and cuvettes in the UK, US and Canada and such other countries as the parties may agree. The agreement is conditional on the Acquisition becoming unconditional in all respects;
- (c) a Placing to raise approximately £13 million by means of the issue of 65,000,000 new Ordinary Shares at 20p per share to fund the Acquisition and to provide the Enlarged Group with additional working capital; and
- (d) the preliminary results for the Company for the year ended 31 December 2010.

The purpose of this document is to provide you with information on the Proposals and to explain why your Board believes that the Proposals are in the best interest of Shareholders and why they intend to vote in favour of the Resolutions in respect of their aggregate shareholdings of 6,084,633 Existing Ordinary Shares, representing approximately 3.60 per cent. of the Company’s Existing Ordinary Shares.

Background on the Group

In July 2010, the Group completed the acquisition of EKF-diagnostic GmbH for €14.32 million and refocused its strategy to one of building a substantial point of care diagnostics business focused primarily on the significant commercial market for diabetes testing. As part of this strategy, the Group has integrated two further acquisitions, Quotient Diagnostics Limited (“Quotient”), acquired in October 2010, for a maximum total consideration of £5.41m and Argutus Medical Limited, acquired in December 2010, for £2.18 million.

The Group, with its head office in Cardiff and operations in London, Germany, Poland, Russia and Ireland, is a leading diagnostics business, focused on the development, production and distribution of analysers for the testing of glucose, lactic acid, haemoglobin, red blood cell content (haematocrit) and glycated haemoglobin (“HbA1c”). Recently, the Group has been granted SFDA approval in China for its proprietary Quo-Test HbA1c testing platform. With this approval, Quotient will be able to commence the promotion, distribution and sale of its Quo-Test HbA1c reagent kit on its testing platform in China.

Income is generated from customers located worldwide and recently the Group won significant orders for its Hemo_Control (rapid haemoglobin test) product. For example, in Peru, the Company recently won an order for 3,000 units with a value of approximately €1 million and in Tanzania, the Company won an order for 950 units with a value of approximately €200,000 and a follow on order with a value of approximately €228,000.

The Group has strong sales representation in the European Market but only limited exposure to the US Market. The Board believes that the proposed acquisition of Stanbio represents a significant opportunity to achieve enhanced sales in the US; the largest point of care diagnostics market in the world.

2. Information on Stanbio

Stanbio is an established 50 year old US based medical diagnostic devices distribution and manufacturing business, with a strong brand and robust product sales. It sells a broad range of products (including EKF’s Hemo_Control device), either direct to a high quality customer base including Roche Diagnostics Corporation, Ortho Clinical Diagnostics, Cardinal Health Inc, Fisher Healthcare Inc and Sekisui Diagnostics LLC (formerly Genzyme Diagnostics) or through a distribution network focused on North and South America, which complements the existing EKF distribution network.

Stanbio has an FDA audited facility in Texas, which can be used to “fast track” EKF’s existing product portfolio through CLIA waiver. Stanbio also has an office in Indiana, which means it is well situated geographically for servicing not only the North American market, but also EKF’s expanding business in Mexico and Peru.

Products

There are three main product sales areas which, in aggregate, account for approximately 81 per cent. of Stanbio’s total revenues:

- Chemistry – the manufacture and sale of chemical reagents used mainly in laboratories and not linked to any particular instruments;
- Haemoglobin – products primarily bought from EKF including both instruments and the microcuvettes onto which a blood sample is placed before being tested; and
- Rapid test strips (such as pregnancy tests) – where Stanbio acts as a distributor of products manufactured by third parties.

Financials

Stanbio's historical trading results are summarised below and have been extracted from the management accounts for the three years ended 31 December 2010. The accounts have been prepared under US GAAP, but have not been subject to a separate audit.

	31 Dec 2008 \$'000	31 Dec 2009 \$'000	31 Dec 2010 \$'000
Sales	14,157	15,215	16,355
Cost of Sales	(8,315)	(8,635)	(8,887)
Gross Profit	5,842	6,580	7,468
Overheads	(4,541)	(5,371)	(4,891)
EBITDA	1,301	1,524*	3,058*
PBT	789	983	2,404

* Note: In the two years ended 31 December 2010, Stanbio paid US\$315,000 and US\$481,000 respectively to William Pippin, CEO and ultimately the sole owner of Stanbio, to meet partnership tax liabilities resulting from the limited partnership structure of Stanbio. These amounts have been added back to normalise EBITDA.

As at 31 December 2010, the accounts recorded net assets of US\$5.673 million.

Consideration

Under the Acquisition Agreement, the Company, through EKF Inc, has conditionally, *inter alia*, upon Admission, agreed to acquire Stanbio for a total consideration of up to US\$25.5 million. The consideration will be satisfied by:

- US\$14.0 million payable in cash on Completion;
- US\$5.5 million payable by the issue of the Consideration Shares on Completion;
- Up to US\$2 million payable in cash in 2012 and 2013, dependent on the EBITDA of Stanbio exceeding defined targets in each of the years ending 31 December 2011 and 31 December 2012; and
- US\$4.0 million payable in cash dependent on the Enlarged Group achieving sales in excess of US\$50 million in North and South America in any calendar year before 31 December 2015.

Further details of the Acquisition Agreement are set out in Part II of this document.

3. Information on the Alere Distribution Agreement

The Company has entered into a distribution agreement with Alere, conditional, *inter alia*, upon Completion, in respect of EKF's Hemo_Control product. This agreement, which is for an initial period of three years and then terminable on notice by either party, has minimum sales levels which are designed to enable EKF to expand rapidly into an existing customer base.

Stanbio currently has approximately 3 per cent. of the US haemoglobin testing market, with approximately 90 per cent. of this market controlled by one dominant entity. The Directors believe that the agreement with Alere, which will give the Enlarged Group immediate access to one of the largest direct point of care market sales forces in the US, will enable the Enlarged Group significantly to grow market share in the US haemoglobin testing market.

Further details of the Alere distribution agreement are set out in Part II of this document.

Julian Baines is a director of BBI Holdings Limited, a subsidiary of Alere, and David Evans has recently been invited to join the board of BBI Holdings Limited. In addition, Julian Baines and David Evans have agreements with Alere which entitle them to options over 27,600 and 48,400 ordinary shares in Alere respectively at an exercise price of £21.55 per share.

4. Placing and Related Party Transaction

Under the Placing the Company is raising approximately £13 million, before expenses, through the placing of 65,000,000 new Ordinary Shares at the Placing Price. Pursuant to the Placing Agreement, entered into between the Company, the Directors, Zeus Capital and Matrix, the Company has given certain warranties and an indemnity to Zeus Capital and Matrix. The Company has agreed to pay a commission of 4 per cent. of the gross proceeds of the Placing other than on funds subscribed by the Board on which no commission will be paid.

The Placing Price of 20 pence per Placing Share represents a discount of approximately 2.44 per cent. to the middle market price of an Ordinary Share at the close of business on 20 May 2011, being the latest practicable date prior to the announcement of the Proposals.

The Board has agreed to subscribe for, in aggregate, 1,094,765 Placing Shares. The participation by Directors in the Placing is classified as a related party transaction under the AIM Rules. Where a company enters into a related party transaction the independent directors of the company are required by the AIM Rules to consult with the company's Nominated Adviser.

The Independent Directors of the Company in respect of the Placing, being Kevin Wilson and Gordon Hall, having consulted with Zeus Capital in its capacity as Nominated Adviser, consider the related party transaction to be fair and reasonable in so far as the Shareholders are concerned.

Application will be made for the Placing Shares to be admitted to trading on AIM and it is expected that Admission will become effective, and dealings will commence, on 16 June 2011. The Placing Shares will, upon allotment, rank *pari passu* in all respects with the Existing Ordinary Shares.

Further details of the Placing Agreement are contained in Part II of this document.

5. Directors' Interests

The Directors are participating in the Placing as follows:

David Evans is subscribing for 166,665 new Ordinary Shares and Julian Baines is subscribing for 193,400 new Ordinary Shares at the Placing Price. Adam Reynolds and Paul Foulger are each interested in 50 per cent. of the issued share capital of Wilton International Marketing Limited ("Wilton"). Wilton is subscribing for 580,000 new Ordinary Shares at the Placing Price. Further, Laura Deegan, Paul Foulger's partner, is subscribing for 154,700 new Ordinary Shares at the Placing Price.

In addition, Kevin Wilson has today purchased 120,000 Ordinary Shares at the Placing Price from his son.

The Directors' current interests in the issued ordinary share capital and immediately following Admission are as follows:

<i>Director</i>	<i>Current Number of Ordinary Shares</i>	<i>% of the Existing Issued Share Capital</i>	<i>Number of Ordinary Shares immediately after Admission</i>	<i>% of the Enlarged Share Capital</i>
David Evans	1,367,660	0.81	1,534,325	0.61
Julian Baines	1,357,127	0.80	1,550,527	0.62
Paul Foulger	1,000,942	0.59	1,445,642	0.58
Adam Reynolds	1,001,776	0.59	1,291,776	0.52
Gordon Hall	339,282	0.20	339,282	0.14
Kevin Wilson	1,017,846	0.60	1,137,846	0.46

Wilton International Marketing Limited currently holds 1,628,552 Ordinary Shares and, as noted above, is subscribing for a further 580,000 Ordinary Shares pursuant to the Placing. 50 per cent. of

Wilton's shareholding has been disclosed in the table above within the beneficial holding of Paul Foulger and the other 50 per cent. has been disclosed within the beneficial holding of Adam Reynolds.

6. Share Options to Senior Management

The Board believes that it is important to incentivise senior management through share options and has today agreed to grant options over 4,260,000 new Ordinary Shares (representing 1.70 per cent. of the Enlarged Issued Share Capital) to Richard Evans. Mr Evans, brother of David Evans, the Executive Chairman, is the Geschäftsführer designate of EKF-diagnostic GmbH and it is the Directors' intention to appoint him to the Board in due course. An appropriate announcement will be made at that time.

These share options are exercisable at the Placing Price conditional upon the achievement of 15 per cent. compound annual growth in the Company's EBITDA over the three years commencing on 1 January 2011.

7. Current Trading and Prospects for the Group

Earlier today the Company announced its preliminary results for the year ended 31 December 2010. A copy of the announcement is contained on the Company's website: www.ekfdiagnostics.com and the Board expects to post the report and accounts to Shareholders shortly.

EKF acquired EKF-diagnostic GmbH, Quotient Diagnostics Limited and Argutus Medical Limited during 2010. The unaudited pro forma financial information set out below illustrates the effect on EKF of the acquisition of EKF-diagnostic GmbH, Quotient Diagnostics Limited and Argutus Medical Limited as if they had been part of the Group for the years ended 31 December 2009 and 31 December 2010. The pro forma information has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial performance of EKF.

<i>£'000</i>	<i>Pro forma Full Year Consolidation</i>	
	<i>2009</i>	<i>2010</i>
<i>Year to 31 December</i>		
Turnover		
EKF Diagnostics Holdings plc	254	212
EKF-diagnostic GmbH	10,919	10,631
Quotient Diagnostics Limited	314	442
Argutus Medical Limited	1,359	723
Total	12,846	12,008
Gross Profit	8,489	7,633
Gross Profit %	66%	64%
Pre-Tax Profit	69	(4,398)
EBITDA adjusted	953	(146)
Cash at Bank	4,924	3,192
Net Assets	8,845	23,513

Notes:

- (1) Adjusted EBITDA excludes one off income and payments, share based charges and acquisition related costs.
- (2) The financial information for EKF has been extracted from the audited financial statements for the year ended 31 December 2009 and the preliminary results for the year ended 31 December 2010.
- (3) The financial information for EKF-diagnostic GmbH has been extracted from the short form report of EKF-diagnostic GmbH included in Part III of the Admission Document dated 15 June 2010 and the management accounts for the year ended 31 December 2010.
- (4) The financial information for Quotient Diagnostics Limited has been extracted from the audited financial statements for the years ended 31 March 2009 and 31 March 2010 and management accounts for the period to 31 December 2010.
- (5) The financial information for Argutus Medical Limited has been extracted from the audited financial statements for the years ended 30 June 2009 and 30 June 2010 and the management accounts for the period to 31 December 2010.

8. General Meeting

You will find set out at the end of this document a notice convening the General Meeting of the Company to be held at the offices of Matrix Group Limited, One Vine Street, London W1J 0AH on 15 June 2011 at 9.30 a.m. at which the following resolutions will be proposed:

- (i) to authorise the Directors to allot relevant securities pursuant to section 551 of the 2006 Act; and
- (ii) to disapply the statutory pre-emption rights the shareholders have in relation to the allotment of new Ordinary Shares to enable the Directors in certain circumstances to allot Ordinary Shares for cash other than pro rata to Shareholders' existing holdings.

Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution.

Upon completion of the Acquisition and the Placing, the Directors will have the authority to allot 64,073,972 Ordinary Shares (representing approximately 25.63 per cent. of the Enlarged Issued Share Capital) for cash on a non pre-emptive basis.

Whilst the Directors have no current intention to issue further Ordinary Shares, they believe that it is important to have the flexibility to issue a limited number of Ordinary Shares without seeking prior Shareholder approval.

9. Risk Factors

Your attention is drawn to the risk factors set out in Part III of this document and to the section entitled "Forward Looking Statements" on page 2 of this document. Investors should, in addition to all other information set out in this document, carefully consider the risks described in those sections before making a decision to invest in the Company.

10. Additional Information

You should read the whole of this document and not just rely on the information contained in this letter. Your attention is drawn to the information set out in Part II and Part III of this document.

11. Action to be taken

A Proxy Form for use at the General Meeting accompanies this document. Whether or not Shareholders intend to be present at the General Meeting they are requested to complete, sign and return the Proxy Form to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Kent BR3 4TU as soon as possible, but in any event so as to arrive by no later than 9.30 a.m. on 13 June 2011. Completion and return of the Proxy Form does not preclude a Shareholder from attending the General Meeting and voting in person if they wish to do so.

12. Documents available

Copies of this document will be available to the public, free of charge, at the Company's registered office and the offices of Zeus Capital at 3 Ralli Courts, West Riverside, Manchester M3 5FT during usual business hours on any weekday, (Saturdays, Sundays and public holidays excepted) for one month from the date of this document. This document is also available on the Company's website: www.ekfdiagnostics.com.

13. Recommendation

The Board considers that the Proposals are in the best interests of the Company and unanimously recommend you to vote in favour of all the Resolutions to be proposed at the General Meeting as the Board intend to do in respect of their aggregate shareholdings of 6,084,633 Existing Ordinary Shares representing approximately 3.60 per cent. of the Company's Existing Ordinary Shares.

Yours faithfully

David Evans
Executive Chairman

PART II

ADDITIONAL INFORMATION

1. Contracts Material to the Acquisition

1.1. Acquisition Agreement

An agreement between (1) the Vendor, (2) the Stanbio Companies (3) EKF Inc. and (4) the Company under which EKF Inc has, conditional, *inter alia*, upon Completion and Admission, agreed to acquire the entire issued share capital of each of the Stanbio Companies for a total consideration of up to US\$25.5 million.

The consideration will be satisfied by the payment of US\$14 million in cash and the issue of 16,189,675 new Ordinary Shares. Additional consideration of up to a further US\$2 million in cash may become payable in 2012 of which up to US\$1 million is dependent on the EBITDA of Stanbio exceeding US\$2 million in 2011 and up to US\$1 million is dependent on the EBITDA of Stanbio exceeding US\$2 million in 2012 and an additional US\$4 million in cash will become payable if the sales of the Enlarged Group in North America and South America exceed US\$50 million in any calendar year before 31 December 2015.

Warranties as would be usual in a transaction of this nature were provided. The Acquisition Agreement is subject to US law.

1.2. Alere Distribution Agreement

An agreement between the Company and Alere, Inc. (“Alere”) under which the Company, subject to the Completion of the Acquisition, appoints Alere as its exclusive distributor for the promotion and sale of the Hemo_Control products within the United Kingdom, United States of America, Canada and other such countries that are agreed from time to time by the Company and Alere. The agreement has minimum sales levels and is subject to the laws of England.

1.3. Placing Agreement

An agreement between the Company (1), the Directors (2), Zeus Capital (3) and Matrix (4) pursuant to which, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 16 June 2011 (or such later time and date as the Company, Zeus Capital and Matrix may agree being no later than 8.00 a.m. on 30 June 2011) Zeus Capital and Matrix have agreed to use reasonable endeavours to procure subscribers for the 65,000,000 new Ordinary Shares proposed to be issued by the Company at the Placing price.

The Placing Agreement contains warranties by the Company in favour of Zeus Capital and Matrix, together with provisions which enable Zeus Capital and/or Matrix to terminate the Placing Agreement in certain circumstances prior to Admission including circumstances where any warranties are found to be untrue or inaccurate or where certain force majeure events have occurred. The Placing Agreement also contains an indemnity by the Company in favour of Zeus Capital and Matrix.

Under the Placing Agreement the Company has agreed to pay Zeus Capital a corporate finance advisory fee of £50,000 and to pay Zeus Capital and Matrix an aggregate commission of 4 per cent. of the value of the Placing Shares other than shares subscribed by persons introduced by Hub Capital Partners, on which commission of 1 per cent. shall be paid, and shares subscribed by the Board on which no commission will be paid. Any commissions received by Zeus Capital or Matrix may be retained, and any Ordinary Shares subscribed for by Matrix may be retained or dealt in by them for their own benefit. Zeus Capital and/or Matrix, at their discretion and out of their own respective resources, at any time are able to pay to some or all investors, or to other parties, part or all of their respective fees relating to the Placing. Zeus Capital and/or Matrix are entitled to retain agents and may pay commission in respect of the Placing to any or all of the those agents out of their respective resources.

2. Litigation – update

In 2005, Hemocue AB Sweden (“Hemocue”) brought a patent infringement claim against EKF in the German courts relating to the design of EKF’s Hemo_Control cuvette. Separately EKF and Stanbio filed claims in the U.S. courts for non-infringement, patent invalidity and unenforceability against cue. Full details were set out in paragraphs 15 of Part III of the Admission Document dated June 2010. These actions have not been withdrawn but are not currently being actively pursued by any of the parties involved.

The cuvette manufactured in Poland is also the subject of legal proceedings by Hemocue, but the Directors do not believe that EKF’s cuvette infringes the Hemocue patent.

3. General

- 3.1. Zeus Capital, which is authorised and regulated by the Financial Services Authority in the UK, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 3.2. Matrix, which is authorised and regulated by the Financial Services Authority in the UK, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 3.3 The expected costs and expenses (excluding VAT) of the Proposals are estimated to be £885,000.

4. The Stanbio Structure

Stanbio is a Texas limited partnership. The structure of a limited partnership requires a general partner and a limited partner. The Vendor is the limited partner and Stanlab is the general partner. The Vendor has a 99 per cent. equity ownership interest in Stanbio and Stanlab has a 1 per cent. equity ownership interest in Stanbio.

The Vendor is the sole equity owner of Stanlab and accordingly is the sole beneficial owner of Stanbio and Stanlab.

Stanbio also has two associated companies, 1261N. Main Management LLC and 1261N. Main LP. These companies hold the property interests of Stanbio. Stanbio is also the ultimate sole owner of these companies.

The structure of the Stanbio Companies was established by the Vendor for tax planning reasons.

PART III

RISK FACTORS RELATING TO THE ENLARGED GROUP

The Company considers the principal risk factors relating to the Company and the Proposals include the following:

Condition of the Proposals

The Proposals are subject to certain conditions not least the need for Shareholder approval, the non-fulfilment of which would mean that the Proposals could not be implemented and that the Company would have to bear the abortive costs of making the Proposals.

Changes in Legislation

There is general pressure to reduce health care costs, particularly in Europe and the US. In addition, there is new health care legislation currently being debated in the US. Changes in laws and legislation in health care provision which affect the diagnostics market could have a negative impact on the Enlarged Group's business and may have a detrimental effect upon its future trading performance.

Sustainability of earnings

Stanbio saw significant growth in the year to 31 December 2010, partly as a result of an important new contract and partly as a result of an increase in sales of EKF's products. If the earnings in Stanbio are not sustainable then this may impact the future performance of the Enlarged Group.

Integration of Stanbio

The success of the Enlarged Group will be partly dependent upon the ability to successfully integrate Stanbio, a US based business, and other future acquisitions. This risk may be mitigated by an Executive Board with significant experience of integrating acquisitions.

Customer Dependence

The Group, as enlarged by the acquisition of Stanbio, has a number of key customers and distributor arrangements. The continued success of the Enlarged Group will, to a certain extent, be dependent on retaining the majority of its existing customers while winning new customers. If existing customers are lost and new customers not won this may impact the future performance of the Enlarged Group.

Alere distribution agreement

The Company has entered into a distribution agreement with Alere in respect of EKF's Hemo_Control product. The success of the Enlarged Group will partly be dependent on the ability of Alere to sell EKF's Hemo_Control product and enable the Enlarged Group to significantly grow market share in the US haemoglobin testing market. This risk is mitigated by Alere having one of the largest direct sales forces in the US within the point of care market.

EKF DIAGNOSTICS HOLDINGS PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered no. 4347937)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a GENERAL MEETING of the above-named company (the “Company”) will be held at the offices of Matrix Group Limited, One Vine Street, London W1J 0AH on 15 June 2011 at 9.30 a.m. for the purposes of considering and, if thought fit, approving the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 as a special resolution.

Ordinary Resolution

- 1 That in substitution for any existing such authority, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (“the **2006 Act**”) to allot Relevant Securities of the Company (as defined at Note 12 below):
 - (i) up to a maximum nominal amount of £650,000 (in pursuance of the Placing but for no other purpose);
 - (ii) up to a maximum nominal amount of £161,896.75 (in pursuance of the Acquisition but for no other purpose);
 - (iii) up to a maximum nominal amount of £265,772.52 (in pursuance of the exercise of outstanding share options granted by the Company but for no other purpose);
 - (iv) up to an aggregate nominal amount of £374,967.20 (in addition to the authorities conferred in sub-paragraphs (i) to (iii) above) representing approximately 15 per cent. of the Company’s Enlarged Issued Share Capital (as defined in the Circular),

such authorities (unless previously renewed, revoked or varied) to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2012, save that the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution

- 2 That, subject to the passing of Resolution 1 the directors be given the general power to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by Resolution 1 above as if section 561(1) of the 2006 Act did not apply to any such allotments provided that this power shall be limited to:
 - (i) the allotment of equity securities in connection with the Placing (as defined and summarised in the Circular);
 - (ii) the allotment of the equity securities (otherwise than pursuant to sub-paragraph (i) above) in connection with the Acquisition (as defined and summarised in the Circular);
 - (iii) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i) and (ii) above) on the exercise of the share options granted by the Company;
 - (iv) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i) to (iii) above) for cash in connection with any rights issue or pre-emptive offer in favour of holders of equity securities generally; and

- (v) the allotment (otherwise than pursuant to sub-paragraphs (i) to (iv) above) of equity securities for cash up to an aggregate nominal amount of £374,967.20 representing approximately 15 per cent. of the Company's Enlarged Issued Share Capital (as defined in the Circular),

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 2012, save that the Company may, before such power expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such power expires and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By Order of the Board

Paul Foulger
Company Secretary

Registered office:
14 Kinnerton Place South
London
SW1X 8EH

Dated: 23 May 2011

Notes:

- (1) The Company specifies that only those members registered on the Company's register of members at 9.30 a.m. on 13 June 2011 or if this general meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the General Meeting.
- (2) If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a Proxy Form with this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the Proxy Form.
- (3) A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the chairman of the General Meeting or another person as your proxy using the Proxy Form are set out in the notes to the Proxy Form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
- (4) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars at the address set out in note 5.
- (5) The notes to the Proxy Form explain how to direct your proxy how to vote on each resolution or withhold their vote.

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

- (a) completed and signed;
- (b) sent or delivered to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Kent BR3 4TU; and
- (c) received by Capita Registrars, at the address provided in paragraph 5(b) above no later than 9.30 a.m. on 13 June 2011.

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

Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.

- (6) In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- (7) To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

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

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

- (8) In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars no later than 9.30 a.m. on 15 June 2011.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the general meeting and voting in person. If you have appointed a proxy and attend the general meeting in person, your proxy appointment will automatically be terminated.

- (9) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.
- (10) Voting on all resolutions will be conducted by way of a poll rather than on a show of hands.
- (11) As at 5.00 p.m. on the day immediately prior to the date of posting of this notice, the Company's issued share capital comprised 168,788,459 ordinary shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the day immediately prior to the date of posting of this notice is 168,788,459.
- (12) "Relevant Securities" means:
- (a) shares in the Company other than shares allotted pursuant to:
 - (i) an employee share scheme (as defined by section 1166 of the 2006 Act);
 - (ii) a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
 - (iii) a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.
 - (b) any right to subscribe for or convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the 2006 Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.